



Bagel Shop

USA BAGELS

5535 Winston Blvd.
Troy, MI 43846

This business plan is an example of a niche food service operation that capitalizes on the evergrowing popularity of bagels. The store offers affordable and fresh products attempting to cater to those who wish to eat in a more healthful way. It also hopes to ride the crest of another very complementary trend: gourmet coffee consumption.

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MARKET ANALYSIS

We believe that the metropolitan area is a great place to develop our bagel shops. For one, there are no other bagel-specific shops in the area. The closest one competition wise, would be Blackwells Bagel in Westland, and the Bagel Bakery potentially in Livonia. The lack of bagel shops in the metropolitan area definitely presents a need for our business. In our area specifically, the only competition would be that of the donut-type or the bakery-type morning-oriented business. We believe that the bagel business is different and specific enough to meet the needs of a different calling, specifically the call to eating healthier. Fresh baked bagels will be served all day. We will keep well stocked so as not to run out of customers favorite varieties. Bagels are a healthy alternative to the morning donut or pastry.

Our business fits well demographically, as 40% of the households fall into the \$50,000.00 plus per year income level. The area also contains over 250,000 people residing in a 5-mile radius from which draw business.

The bagel shop consumer comes from all income levels of the market. Bagels are a relatively inexpensive luxury, costing as little or less than a donut or muffin. Almost anyone could afford a stop at our shop from time to time. Ninety-four percent of the metropolitan area are Caucasian, another strong demographic indicator of consumers that frequent our type of establishment. This is not to say that people of other ethnic backgrounds don't consume our product or wouldn't be welcome in our establishment, this is just a demographic indicator.



People are eating with a more health conscious emphasis. Not only will we be able to meet the needs of the "breakfast on the go" individual, we will also be able to meet the needs of the person looking for a quick lunch, who would rather have a healthy alternative to the fattening fast food. Our store will be equipped with a drive-thru for quick pick-up of a deli-bagel sandwich made from a wide selection of deli meats or vegetarian toppings.

KEY POINTS

Concept: From-scratch bagel baker and gourmet coffee house under one roof.

Direction: Developed and operated by people who have been franchisees and understand the need for teamwork and support.

Market Approach: Repeat sales of...

Bagels by the dozen

Cream cheese by the pound

Gourmet coffee and espresso beverages by the drink

Whole bean coffee by the pound

Fresh baked treats

Products:

- Large 5 oz. steamed Bagel
- From scratch and baked fresh daily
- Versatile for sandwiches as well as bulk sales
- Method of preparation lends itself to production and promotion of novelty bagels
- Blended flavors of cream cheeses prepared on the premise
- Mountain Coffees roasted to peak of flavor and sold as: bulk varietal and blended whole beans, individually prepared gourmet coffee and espresso beverages
- Jonesy's Fresh cookies, muffins, cinnamon rolls and brownies baked daily in store

Tools for Growth

Direct purchase of core products: cream cheese and bagel ingredients. Satellites: up to two satellites can be serviced by a single production store. Wholesale opportunities: hospitals, schools, corporate and special events. Dual-Branding, Mountain Coffee, Jonesy's Bakery Items and USA Bagels.

EXPANSION

USA relies on the production and bulk sales of their top of the line bagel recipe, along with their homemade cream cheeses, deli meats, and delicious Mountain coffee to position themselves in one of the fastest growing industries in the country.

Between 1984 and 1993, yearly bagel consumption has grown an incredible 169%. Bagel sales exceed 2.5 billion dollars yearly, and are growing 20% annually.

The specialty or gourmet coffee segment in this country is now earning 7 billion dollars annually. While many



may participate in this market, no single franchise organization dominates the market place. We would definitely like to be part of this growing industry.

Although USA franchises are located throughout the U.S. and up into Canada, the number of actual stores is not great (approximately 135). However, USA is still in its early stages of franchising and in approximately four years has established 135 privately held franchised stores.

Name recognition is growing daily. There are currently USA franchises in Redford, Bloomfield Hills, and Troy. Troy and Milford territories have just been assigned, and with our development of the metropolitan area puts the last piece of the puzzle into place for USA to be recognized as a leading force in the bagel business in the metropolitan area.

Great potential exists, not only in retail sales, but also in corporate/delivery orders, and event delivery sales. The key factor will be getting the in-store sales generated through advertising exposure, and then approximately 3-6 months later, venture into outside sales.

With the expansion into outside sales, comes greater community awareness. We feel this will in turn increase in-store sales via wider awareness of our operations, our great product and service.

Eventually we will expanding into a three-store operation. This business plan deals specifically with our first operation. We'll deal more with the expansion once our first operation is running sound.

DISTRIBUTION SITE

For our initial store we will approximately 2200 sq. Ft. of operating space. The actual site has not yet been selected, however we are working with Jack Reaves, of Coleman Realty, to find a location and expedite the process. We will need a location that offers ample parking, easy in and out access for the morning and afternoon rush times, and high visibility from the road.

PROMOTION OPTIONS

- Local newspapers
- Radio spots
- Yellow Pages
- Ad spots
- On-location event sponsoring

COMPETITION

Bagel Baker, Livonia MI

Blackwells Bagels, Westland, MI

Strengths

Already up and running. In speaking with Bagel Bakery & Blackwells' management, business seems steady. Blackwells use a different method of production. Their bagels are boiled, baked, and then steamed.

Weaknesses

Their bagel baking proceess tends to make their bagels hard and crusty. Their shelf life is very short, as they start out with a partially hardened product. We have tried their bagels and they do not compare to the quality of bagel we will produce. They don't use the amount of fresh ingredients we do, and they can't. Often their



product is not made fresh in the store, rather, it is shipped frozen.

USA BAGELS COMPARISON

We offer a difference! Bagels made fresh every day. Cream cheeses made fresh everyday. All made from fresh ingredients everyday. Our bagels are not boiled, so they don't end up hard and crusty. A softer bagel makes a tastier & pleasing product.

LOAN SUMMARY STATEMENT

In the purchase of the USA franchise, we are seeking a small business loan from the SBA, due to the fact that their rates tend to be a little better. The loan would be in the amount of \$200,000.00. This would be for the purchase or lease of equipment, inventory, the leasehold improvements of a current lease site, cash reserves for three months, and enough working capital to successfully launch a production/retail delivery operation. This loan together with an equity investment of \$40,000.00 and \$45,000.00 in personal mutual funds as collateral, would be sufficient to finance the business so it can operate as a viable/profitable enterprise.

BREAKDOWN OF COSTS

Prepaid Expenses		
Franchise Fee	\$30,000.00	
Grand Opening Fee	2,500.00	
Total Prepaid Expenses		32,500.00

Other Expenses		
Training	\$2,500.00	
Leasehold Improvements	75,000.00	
Furniture/Fixtures	90,000.00	
Open Inventory	6,000.00	
First Months Rent + deposit	7,500.00	
Yellow Pages Ad	1,200.00	
Insurance	6,000.00	
Pre-Paid Deposits	4,500.00	
Additional Funds 3 months	14,000.00	
Total Other Expenses		\$196,000.00

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Franchise Fee	\$30,000.00	
Grand Opening Fee	2,500.00	
Total Prepaid Expenses		32,500.00
Other Expenses		
Training	\$2,500.00	
Leasehold Improvements	75,000.00	
Furniture/Fixtures	90,000.00	
Open Inventory	6,000.00	
First Months Rent + deposit	7,500.00	
Yellow Pages Ad	1,200.00	
Insurance	6,000.00	
Pre-Paid Deposits	4,500.00	
Additional Funds 3 months	14,000.00	
Total Other Expenses		\$196,000.00



MANAGEMENT

Dan Beecham - Director

Beecham has been a Director of USA Bagels since January of 1993. He was President of USA and its affiliates from the date of their inception until February of 1996, at which time he became a Consultant to USA and its affiliates. Mr. Beecham opened the first USA Bagels store in Boston, MA in 1986. Since 1986 he has been the President of USA Bagels, Inc., which currently operates 3 stores in the western suburbs of Boston, pursuant to a license agreement with USA.

Evan Smith - President, Chief Executive Officer and Director

Mr. Smith has been Chief Executive Officer and Director of USA. In February of 1996 he became President of USA and its affiliates. From December of 1986 to December 1993, he was Chief Executive of Boston Personnel Services of Boston, MA.

Consolidated Balance Sheet

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Sales	\$39,000.00	\$42,900.00	\$47,000.00	\$49,000.00	\$52,000.00	\$52,000.00
Cost of Goods Sold						
Food & Pkg.	11,700.00	12,870.00	14,100.00	14,700.00	15,600.00	15,600.00
Labor	9,750.00	10,725.00	11,750.00	12,250.00	13,000.00	13,000.00
Total Cost of Goods Sold	21,450.00	23,595.00	25,850.00	26,950.00	28,600.00	28,600.00
Gross Profit	\$17,550.00	\$19,305.00	\$21,150.00	\$22,050.00	\$23,400.00	\$23,400.00
Controllable Expenses						
Uniforms	125.00	125.00	125.00	125.00	125.00	125.00
Repair & Maintenance	100.00	100.00	100.00	100.00	100.00	100.00
Payroll Taxes	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00
Supplies	520.00	520.00	520.00	520.00	520.00	520.00
Telephone	200.00	200.00	200.00	200.00	200.00	200.00
Utilities	700.00	700.00	700.00	700.00	700.00	700.00
Management Salary	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Total Controllable Expenses	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00
Other Operating Expenses						
General Insurance	125.00	125.00	125.00	125.00	125.00	125.00
Workers Comp Insurance	205.00	205.00	205.00	205.00	205.00	205.00
Health Insurance	425.00	425.00	425.00	425.00	425.00	425.00
Rent	2,520.00	2,520.00	2,520.00	2,520.00	2,520.00	2,520.00
Common Area Maintenance	200.00	200.00	200.00	200.00	200.00	200.00
Royalties	1,950.00	2,145.00	2,350.00	2,450.00	2,600.00	2,600.00
Taxes & Licenses	500.00	500.00	500.00	500.00	500.00	500.00
Interest Expense (Start-up Loan)	2,620.00	2,620.00	2,620.00	2,620.00	2,620.00	2,620.00
Total Other Operating Expenses	\$8,545.00	\$8,740.00	\$8,945.00	\$9,045.00	\$9,195.00	\$9,195.00
Franchise	1,040.00	1,040.00	1,040.00	1,040.00	1,040.00	1,040.00
All Other	2,080.00	2,080.00	2,080.00	2,080.00	2,080.00	2,080.00
Total Advertising	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00
Total Operating Expenses	\$38,060.00	\$40,400.00	\$42,860.00	\$44,060.00	\$45,860.00	\$45,860.00
Net Income	\$940.00	\$2,500.00	\$4,140.00	\$4,940.00	\$6,140.00	\$6,140.00

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Sales	\$39,000.00	\$42,900.00	\$47,000.00	\$49,000.00	\$52,000.00	\$52,000.00
Cost of Goods Sold						
Food & Pkg.	11,700.00	12,870.00	14,100.00	14,700.00	15,600.00	15,600.00
Labor	9,750.00	10,725.00	11,750.00	12,250.00	13,000.00	13,000.00
Total Cost of Goods Sold	21,450.00	23,595.00	25,850.00	26,950.00	28,600.00	28,600.00
Gross Profit	\$17,550.00	\$19,305.00	\$21,150.00	\$22,050.00	\$23,400.00	\$23,400.00
Controllable Expenses						
Uniforms	125.00	125.00	125.00	125.00	125.00	125.00
Repair & Maintenance	100.00	100.00	100.00	100.00	100.00	100.00
Payroll Taxes	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00
Supplies	520.00	520.00	520.00	520.00	520.00	520.00



	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Telephone	200.00	200.00	200.00	200.00	200.00	200.00
Utilities	700.00	700.00	700.00	700.00	700.00	700.00
Management Salary	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00
Total Controllable Expenses	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00
Other Operating Expenses						
General Insurance	125.00	125.00	125.00	125.00	125.00	125.00
Workers Comp Insurance	205.00	205.00	205.00	205.00	205.00	205.00
Health Insurance	425.00	425.00	425.00	425.00	425.00	425.00
Rent	2,520.00	2,520.00	2,520.00	2,520.00	2,520.00	2,520.00
Common Area Maintenance	200.00	200.00	200.00	200.00	200.00	200.00
Royalties	1,950.00	2,145.00	2,350.00	2,450.00	2,600.00	2,600.00
Taxes & Licenses	500.00	500.00	500.00	500.00	500.00	500.00
Interest Expense (Start-up Loan)	2,620.00	2,620.00	2,620.00	2,620.00	2,620.00	2,620.00
Total Other Operating Expenses	\$8,545.00	\$8,740.00	\$8,945.00	\$9,045.00	\$9,195.00	\$9,195.00
Franchise	1,040.00	1,040.00	1,040.00	1,040.00	1,040.00	1,040.00
All Other	2,080.00	2,080.00	2,080.00	2,080.00	2,080.00	2,080.00
Total Advertising	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00
Total Operating Expenses	\$38,060.00	\$40,400.00	\$42,860.00	\$44,060.00	\$45,860.00	\$45,860.00
Net Income	\$940.00	\$2,500.00	\$4,140.00	\$4,940.00	\$6,140.00	\$6,140.00

Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1 Total
\$52,000.00	\$52,000.00	\$52,000.00	\$52,000.00	\$52,000.00	\$52,000.00	\$593,900.00
15,600.00	15,600.00	15,600.00	15,600.00	15,600.00	15,600.00	178,170.00
13,000.00	13,000.00	13,000.00	13,000.00	13,000.00	13,000.00	148,475.00
28,600.00	28,600.00	28,600.00	28,600.00	28,600.00	28,600.00	326,645.00
\$23,400.00	\$23,400.00	\$23,400.00	\$23,400.00	\$23,400.00	\$23,400.00	\$267,255.00

125.00	125.00	125.00	125.00	125.00	125.00	1,500.00
100.00	100.00	100.00	100.00	100.00	100.00	1,200.00
1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	15,600.00
520.00	520.00	520.00	520.00	520.00	520.00	6,240.00
200.00	200.00	200.00	200.00	200.00	200.00	2,400.00
700.00	700.00	700.00	700.00	700.00	700.00	8,400.00
2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	24,000.00
\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$59,340.00

125.00	125.00	125.00	125.00	125.00	125.00	1,500.00
205.00	205.00	205.00	205.00	205.00	205.00	2,460.00
425.00	425.00	425.00	425.00	425.00	425.00	5,100.00
2,520.00	2,520.00	2,520.00	2,520.00	2,520.00	2,520.00	30,240.00
200.00	200.00	200.00	200.00	200.00	200.00	2,400.00
2,600.00	2,600.00	2,600.00	2,600.00	2,600.00	2,600.00	29,695.00
500.00	500.00	500.00	500.00	500.00	500.00	6,000.00
2,620.00	2,620.00	2,620.00	2,620.00	2,620.00	2,620.00	31,440.00
\$9,195.00	\$9,195.00	\$9,195.00	\$9,195.00	\$9,195.00	\$9,195.00	\$108,835.00
1,040.00	1,040.00	1,040.00	1,040.00	1,040.00	1,040.00	12,480.00
2,080.00	2,080.00	2,080.00	2,080.00	2,080.00	2,080.00	24,960.00
\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$37,440.00
\$45,860.00	\$45,860.00	\$45,860.00	\$45,860.00	\$45,860.00	\$45,860.00	\$532,260.00
\$6,140.00	\$6,140.00	\$6,140.00	\$6,140.00	\$6,140.00	\$6,140.00	\$61,640.00

Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Year 1 Total
\$52,000.00	\$52,000.00	\$52,000.00	\$52,000.00	\$52,000.00	\$52,000.00	\$593,900.00
15,600.00	15,600.00	15,600.00	15,600.00	15,600.00	15,600.00	178,170.00
13,000.00	13,000.00	13,000.00	13,000.00	13,000.00	13,000.00	148,475.00
28,600.00	28,600.00	28,600.00	28,600.00	28,600.00	28,600.00	326,645.00
\$23,400.00	\$23,400.00	\$23,400.00	\$23,400.00	\$23,400.00	\$23,400.00	\$267,255.00
125.00	125.00	125.00	125.00	125.00	125.00	1,500.00
100.00	100.00	100.00	100.00	100.00	100.00	1,200.00
1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	1,300.00	15,600.00



520.00	520.00	520.00	520.00	520.00	520.00	6,240.00
200.00	200.00	200.00	200.00	200.00	200.00	2,400.00
700.00	700.00	700.00	700.00	700.00	700.00	8,400.00
2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	2,000.00	24,000.00
\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$4,945.00	\$59,340.00
125.00	125.00	125.00	125.00	125.00	125.00	1,500.00
205.00	205.00	205.00	205.00	205.00	205.00	2,460.00
425.00	425.00	425.00	425.00	425.00	425.00	5,100.00
2,520.00	2,520.00	2,520.00	2,520.00	2,520.00	2,520.00	30,240.00
200.00	200.00	200.00	200.00	200.00	200.00	2,400.00
2,600.00	2,600.00	2,600.00	2,600.00	2,600.00	2,600.00	29,695.00
500.00	500.00	500.00	500.00	500.00	500.00	6,000.00
2,620.00	2,620.00	2,620.00	2,620.00	2,620.00	2,620.00	31,440.00
\$9,195.00	\$9,195.00	\$9,195.00	\$9,195.00	\$9,195.00	\$9,195.00	\$108,835.00
1,040.00	1,040.00	1,040.00	1,040.00	1,040.00	1,040.00	12,480.00
2,080.00	2,080.00	2,080.00	2,080.00	2,080.00	2,080.00	24,960.00
\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$3,120.00	\$37,440.00
\$45,860.00	\$45,860.00	\$45,860.00	\$45,860.00	\$45,860.00	\$45,860.00	\$532,260.00
\$6,140.00	\$6,140.00	\$6,140.00	\$6,140.00	\$6,140.00	\$6,140.00	\$61,640.00