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# Developing a business plan. Case Simon's Smoothies

Simonson, Connor

2015 Leppävaara

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**Developing a business plan.  
Case Simon's Smoothies**

Connor Simonson  
Degree Program in  
Business Management  
Bachelor's Thesis  
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Connor Simonson

10 **Developing a business plan. Case Simon's Smoothies**

11			
12	Year	2015	Pages
13			56

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14 Business plans are both the map and instruction manual for a newly or soon to be established  
15 company. Writing a business plan helps the author to, think through the business idea, con-  
16 vince possible investors that the idea is worth investing in, and ensure the success of the  
17 business. Business plans outline what the company produces, how this production takes place,  
18 and should provide the uninformed readers all information necessary to fully understand the  
19 business idea.

20  
21 The author of this thesis plans to establish a mobile smoothie company that will provide  
22 healthy refreshment options in various cities in the states of Arizona and California. This the-  
23 sis will outline the essential parts of business plan of the company, Simon's Smoothies, in de-  
24 tail. Within the business plan, special focus will be placed on the sections of, operations de-  
25 scription, marketing and sales plan, and the financial plan. Focusing on these three sections  
26 will assist the author in understanding the business viability of the idea.

27  
28 The purpose of this thesis is to determine the business viability of the Simon's Smoothies  
29 idea. Additionally this thesis will research the relevant legal requirements and laws regarding  
30 to the business idea, plan a suitable driving route for the mobile smoothie shop, and assist  
31 the author in obtaining investment money.

32  
33 The research approach of this thesis is a case study. Information will be gathered qualitative  
34 research methods, mainly through observation and desk research. Observation of a smoothie  
35 shop was conducted to gain an understanding of how smoothie shops function. During the ob-  
36 servation other insights related to smoothie shops were gained. During the desk research in-  
37 formation regarding events, the market, and possible demand levels was collected.

38  
39 Analysis of the mobile smoothie shop business idea was completed using various theoretical  
40 approaches. SWOT analysis was used to evaluate the Simon's Smoothies company as a whole.  
41 Financial calculations such as breakeven point, cash flow analysis, and preparing an income  
42 statement were used to establish if the business could be profitable. Competitor analysis was  
43 conducted in order to give a deeper understanding of the smoothie business in Arizona and  
44 California.

45  
46 The study showed that the business idea of selling smoothies via a mobile shop could become  
47 a profitable business. Recommendations for advancing the business idea are also presented.

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54 Key words: Business plan, case study, smoothie shop, SWOT analysis, Simon's Smoothies

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# 1 Introduction

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Having a plan is crucial for business success, especially when establishing a new business. Writing a business plan helps outline the direction where the company is going, how the company will achieve its goals, and provides a method to measure the company's pursuit of these goals. Business plans can also help the entrepreneur(s) communicate to possible investors, authorities whom may need to approve of or regulate the business, interested co-founders, and future employees. The business plan should include, a description of the service or product, market analysis, the short and long term goals of the business, and competitor analysis. (Barrow, Barrow, and Brown 2008, 6)

The process of writing a business plan also helps bring assumptions and beliefs that could be faulty into focus, allowing the entrepreneur and company to adapt before the success of the company is risked. (Scarborough 2014, 45) The time and thought that is needed to develop a business plan helps the entrepreneur organize his or her thoughts of the business into concrete strategies and concepts and helps show in which areas the idea is lacking.

## 1.1 Purpose and objectives of thesis

The main purpose of this study is to analyze the author's own business idea and develop a business plan for the respective idea. The business idea is centered on establishing a mobile smoothie shop that would offer healthy refreshments to customers in the United States. This business plan will be written for 1 financial year, from 2016 to 2017.

The author will implement the business plan in the summer(s) of 2016 and or 2017 if the study deems the idea as a viable business.

The business plan will:

1. Determine if the business idea could be profitable
2. Plan a suitable driving route for the mobile smoothie shop
3. Assist the author in obtaining investment money

The author's learning objective is to apply the theoretical background and instruction received while studying at Laurea University of Applied Sciences in a practical manner. The author wishes to deepen his understanding of establishing businesses and believes that this knowledge will assist in obtaining future employment as employees with an entrepreneurial mindset and sense of initiative are in high demand.

## 1.2 Background of thesis

The thesis topic of researching and writing a business plan arose from the author's desire to eventually establish a business and to experiment with within the business field. Since studying at Laurea University of Applied Sciences, the author has believed in the importance of entrepreneurship and has strove to solve problems with limited resources.

The author's experience as a barista, hospitality employee, and customer service representative led to an interest in establishing a business similar to a coffee shop. The desire to travel around the United States via automobile for a long period of time without setting back the author's career development prompted the author to find a way to combine both business and pleasure. These three previously mentioned motivators came together in the form of a mobile smoothie shop business idea.

## 1.3 Research approach

This study is a case study of the possible business, Simon's Smoothies. Research was conducted through qualitative methods with data collected from both primary and secondary sources. Observation of a smoothie shop took place. SWOT analysis of the business idea, competitor analysis, break-even point analysis, cash-flow analysis, and route planning were completed within this study. Information was also gathered using books relating to the subject, the Internet, and from the author's own experience as a barista.

## 1.4 Theoretical approach

Multiple theories have been used to support the conducted study. To begin with, the importance of writing a business plan is discussed. Different viewpoints regarding the most important reason for writing a business plan are shared.

Secondly, business plan theory has been discussed. Different versions of business plans are presented. The structure of a business plan is outlined in detail with each section expanded upon. Within the business plan theory financial analysis and the 7 P's of marketing are also discussed. Lastly, the SWOT analysis tool is presented.

## 1.5 Structure of the thesis

Within this thesis there are five main sections: the introduction, the theoretical background, the research methods used, the empirical findings, and the overall conclusions.

The introduction section first introduces the subject, explains the purpose and objectives of the study, provides background information relating to the study, explains how the study was conducted and its limitations, and finally outlines the structure of the thesis document. The introduction section assists the reader in gaining an understanding of what will be discussed in the following sections.

In the theoretical background section, theories relating to the subject matter of the thesis are presented and discussed. An outline of business plans will be explained in detail. The empirical findings section of this thesis will be based on the theoretical background.

The research methods section will explain different research methods in general, share which methods the author has chosen to use within this study, explain why these specific methods were selected, and discuss the reliability and validity of the study.

The theoretical background and research methods will come together in the empirical findings section, which will consist of a business plan for Simon's Smoothies. The business plan will be based on the theories presented in the theoretical background section and the data collected using the research methods.

Lastly, the conclusions section will present the author's closing thoughts related to the business viability of the Simon's Smoothies business idea. Within this section, possible future research areas will also be presented.

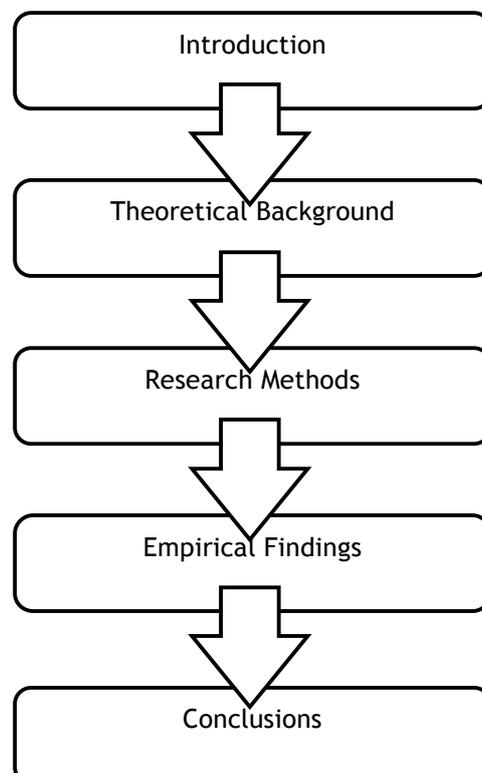


Figure 1: Thesis structure

## 2 Theoretical background

### 2.1 Business plan: a definition

According to Bovee and Thill (2005, 121) a business plan is “a written document that summarizes an entrepreneur’s proposed business venture, communicates the company’s goals, highlights how management intends to achieve those goals, and shows how consumers will benefit from the company’s products or services.” A more simplified definition also presented by Bovee and Thill (2005, 121) is “a written document that provides an orderly statement of a company’s goals and a plan for achieving those goals.”

Kaplan and Warren (2005, 339) propose that a business plan is “ a 25- to 40-page written document that describes where a business is heading, how it hopes to achieve its goals and objectives, who is involved with the venture, why its product(s) or service(s) are needed in the marketplace, and what it will take to accomplish the business aims.”

The previously mentioned definitions of the term business plan are similar and are in essence the same message worded in a different manner. The largest difference between the definitions arises in the subject of focus within the definitions themselves. Bovee and Thill’s definition include different parties such as consumers and the company management along with the business itself, which reminds the reader that outside parties must be taken into consideration when writing the business plan. Kaplan and Warren (2005, 339) do not mention the specific outside parties but rather allude to them in “why its product(s) or service(s) are needed in the marketplace”. In this regard the definition of the term business plan for the duration of this thesis will be one presented by Bovee and Thill as the author feels focusing on the company itself and not the outside parties could be detrimental to the company’s success.

### 2.2 Importance of the business plan

Taking the time to write a thorough business plan has many benefits. A business plan helps the entrepreneur: raise interest in and capital for the business, determine the viability of the business, explain the company’s expectations and their individual responsibilities to the employees, measure and improve the company’s success against, plan product or service development, and gain an understanding of the expenses, possible sales, and cash flows of the business. (Kaplan and Warren 2005, 339)

Kaplan and Warren (2005, 340) argue that the most important reason for writing a business plan is to obtain capital. This is slightly contradictory to the opinion of Bovee and Thill. Bovee

and Thill (2005, 121) argue that writing a business plan has two main benefits: Firstly to turn the idea into reality and guide the company's operations and secondly; to convince possible funding parties to invest in the business. Bovee and Thill (2005, 121) also continue with that "sometimes the greatest service a business plan can provide an entrepreneur is the realization that "the concept just won't work"". Timmons, Spinelli, Zacharakis (2004, 36-40) maintain a more neutral stance on the most important reason for writing a business plan by outlining the not only the importance of a business plan for determining the viability of the idea but also explaining how the business plan is a tool to be used in motivating possible investors and future employees.

Although the most important reason for completing a business plan may not be completely agreed upon, it should be stressed that a business plan will contribute to the overall success of the business and is a necessary part of the business establishment process.

### 2.3 Types of business plans

Business plans vary based on the entrepreneur's purpose for the document. Both Timmons et al. (2004, 40-42) and Kaplan and Warren (2005, 342) believe that there are three major types of business plans. It is also agreed between both parties that the differences between each type of business plan arises from the different requirements that the entrepreneur has for the document. Kaplan and Warren (2005, 342) title the three different plans as: full business plan, action plan and, executive summary plan. Timmons et al. (2004, 40-42) name the three varieties of plans differently but they are in essence the same. The business plan, operational plan, and dehydrated business plan are their preferred names.

#### 2.3.1 Full business plan

The full business plan or business plan is the complete business plan wherein the business is described in detail. The main purpose of this type of business to attract attention to and generate interest in the company and its offering from outside parties such as investors, buyers, or strategic partners. (Kaplan and Warren 2005, 342) (Timmons et al. 2004, 40-41)

#### 2.3.2 Action plan

The action plan, or operational plan as Timmons writes, is a document that outlines the business in even greater detail than the full business plan and shows how the entrepreneur together with the management team plan to develop, launch, and obtain the initial growth of the company. (Timmons et al. 2004, 41)

### 2.3.3 Executive summary plan

The executive summary plan or dehydrated plan is a shortened version of the full business plan meant specifically for attracting interest in the business in a short period of time. The executive summary plan can be used to attract for example, key employees or convince friends to invest in the business. (Kaplan and Warren 2005, 342)

### 2.3.4 Chosen business plan

For the purpose of this study, the full business plan as presented by Kaplan and Warren (2005, 342) will be used. The full business plan consists of all essential parts of the business plan without going into too much detail or leaving out necessary items, as do the action plan and executive summary plan.

## 2.4 Business plan structure

The business plan structure used in this study has been based on the structure presented by Kaplan and Warren (2005, 344-349) because of reasons explained in the previous section. The following sections will present each part of the business plan in more detail as to provide a theoretical background on the subject. The typical business plan includes:

1. Title page
2. Executive summary
3. Company overview
4. Market analysis
5. Marketing and sales plan
6. Operations description
7. Management team
8. Financial plan
9. Financial requirements

(Kaplan and Warren 2005, 344-349)

### 2.4.1 Title page

The title page should include the contact information of both the company and CEO. Name, address, phone number, along with the company's logo should all be included. Following the title page should be the table of content, which includes the different sections of the business plan and their corresponding page numbers. (Kaplan and Warren 2005, 344) The title

page is extremely important, as it shapes the first impression that readers will have of you and your company.

#### 2.4.2 Executive summary

The executive summary should be a comprehensive and well-written synopsis of the company that can be a stand-alone document. Many investors may only read the executive summary and disregard the rest of the business plan if it is not well written. It is a difficult but crucial task to fit all of the important details about the company into no more than two to three pages while convincing the reader that the company will succeed. (Kaplan and Warren 2005, 344) The executive summary of a business plan can be thought almost like an elevator pitch of the complete business plan.

#### 2.4.3 Company overview

In the company overview a general description of the company should be provided. Information such as the legal form of the company, the nature of and fundamental activities of the business are also covered. This section should also address questions such as: What customer will the business serve? What is the business? Where will the business be conducted? Lastly the company overview section should outline which stage the company is in, as in, does the company have a developed product? Is the company marketing a product already and wishing to expand their offering? Or has the company just started, without a completed product but currently developing one? (Kaplan and Warren 2005, 344)

#### 2.4.4 Market analysis

As one of the most important sections in the business plan, the market analysis section should include conclusive information of how the company will react to changes in the market, generate sales, and explain why the company should be invested in. The market analysis section should include:

1. *Market Opportunity*: Analysis of the market opportunity must establish that there truly exists a demand or need for the company's offering(s). The market size along with secondary markets should be addressed.
2. *Competition analysis*: Outside forces that could affect the business such as competitors and governmental regulations should be analyzed in regards to how they could affect the business within the competition analysis.
3. *Marketing strategy*: Within the marketing strategy section an explanation of how the company will use factors such as distribution, promotion, pricing, advertising, and selling incentives to ensure its success.

4. *Market research*: The market research section shares the findings of primary and secondary research that has been conducted. Positive potential customer feedback along with evidence showing that the company can produce their product or service at the price set in the financial calculations and customer will purchase at that price, are the best in building confidence in the business.
5. *Sales forecasts*: Although financial predictions are usually presented in the financial section, it can be beneficial to present sales predictions in this marketing section. Predictions relating to market share, sales growth, and sales by customer could all be included in this section.
6. *Support material*: Lastly in the marketing section should be information that supports the predictions presented. Sources such as reviews, articles, and industry studies could all contribute to a stronger case for the company and investing in it.

(Kaplan and Warren 2005, 345)

Sales forecasts are especially when writing a business plan as they, help the business avoid cash flow problems, provide an understanding of when to hire employees, and show when to increase or decrease production. When developing a sales forecast important items include conversion rates, estimated number of customers/sales, and average sales amount (infoentrepreneurs.org, 2009). Special focus will be placed on the sales forecasts of Simon's Smoothies, as they will help determine if the business could be profitable.

#### 2.4.5 Marketing and sales plan

The marketing and sales plan section includes a description of how the business will reach the expected sales goals through implementation of the marketing plan. Pricing, distribution, and promotional strategies are generated through analysis and help the company earn profits in a competitive economy. Within the marketing and sales plan should be:

1. *Pricing strategy and plan*: The pricing strategy and plan explains how the company will determine the price of its offering. Different pricing strategies such as value pricing, cost-plus pricing, and markup pricing should be analyzed and the suitable pricing strategy chosen.
2. *Advertising, public relations, and promotion strategies*: The strategies that the company will use to share their messages about the company and its products or services should also be explained in the marketing and sales plan.
3. *Other*: It is also important to remember to include examples of how the marketing will take place in the form of pictures, charts, tables, or graphs as they will help the reader understand the strategies used.

(Kaplan and Warren 2005, 346-347)

Other than the theories presented by Kaplan and Warren (2005), the 7 P's of marketing as written about by Kotler, Keller, Brandy, Goodman, and Hansen (2009) will be used in the marketing of Simon's Smoothies. Kotler et al. argue that the 7 P's of marketing are as following: price, promotion, physical environment, people, product, process, and place. These 7 factors come together to form the complete marketing strategy of a company. (Kotler et al. 2009, 17)

1. *Price*: When setting the price of their product or service, the firm should complete a 6-step procedure. The pricing objectives must be selected, demand determined, costs estimated, competitor analysis completed, selecting a pricing method, and selecting the final price. (Kotler et al. 2009, 582)
2. *Promotion*: Promotion is also called marketing communications and entails the "means by which firms attempt to inform, persuade and remind customers - directly or indirectly - about the brands they market." This can include advertising, sales promotions, events and experiences, direct marketing, interactive marketing, word-of-mouth marketing, and personal selling. (Kotler et al. 2009, 690-691)
3. *Physical Environment*: The physical environment where the service takes place must be managed and carefully thought about. The environment affects the pleasure or displeasure of the customers as well as their level of arousal. When designing the physical environment it is important to remember all five senses. (Kotler et al. 2009, 678-680)
4. *People*: All individuals who are involved in the service process are important to think about as their individual actions affect whether or not the customer will return. Sometimes having the superiorly trained employee is what wins the repeat business. (Kotler et al. 2009, 373)
5. *Product*: The product itself, which the firm sells, should be suitable for the current market and customers. Also understanding how your product can be differentiated from your competitors and if necessary, modified are also key to business success.
6. *Process*: Examining how the customer purchases the service or product, which steps are involved in the service process, and what the possible time-consuming steps in the service process could be results in a great customer experience. An effectively designed service process ensures the customer's satisfaction while decreasing the time, effort, and resources spent by the customer and company. (Kotler et al. 2009, 656)
7. *Place*: Place, also known as channels, is the factor that outlines where the customers will be able to purchase and experience the product or service. Common channels are physical stores, online shops, wholesalers, and retailers. (Kotler et al. 2009, 137)



Figure 2: 7 P's Marketing Mix

Also to be presented within the marketing and sales section are the possible events that Simon's Smoothies could sell their products at. The events will be outlined in a calendar that also shares the city location of the mobile smoothie shop for each day. Through finding suitable selling events and locations demand can be ensured as Simon's Smoothies will travel to where the customers are located.

#### 2.4.6 Operations description

The operations description section explains the operations of the company in-depth and includes:

1. *Product/Service Development*: The product or service develop section should summarize how the company will continue to develop their services or products in order to remain competitive.
2. *Manufacturing*: The manufacturing section explains the process of making the products the company offers. Descriptions of the manufacturing inputs such as labor, material, equipment, and plan are usually provided in this section. Also included can be the method of delivering the product to the customers.
3. *Maintenance and support*: Details related to the after purchase support that will be provided to the customers should also be shared.

(Kaplan and Warren 2005, 347-348)

Within the manufacturing sections the schedule of the typical day of operations will also be included as this would show how the company will spend its time. With a better understanding of how the company goes through each day, the investors might be more likely to invest.

Also included within the manufacturing section will be the driving route of Simon's Smoothies. The location of business should be outlined in detail as it can be of vital importance and helps show the likelihood of the business succeeding to possible investors (dummies.com, 2015).

#### 2.4.7 Management team

The management team section should share in detail the management team, as investors usually invest in people not their ideas. Included within this section should be:

1. *Management Talent and Skills*: All members of the organization that are intended to have a key role should be described in terms of their expertise, skills, related work experience, and backgrounds.
2. *Organizational chart*: The organizational chart outlines structure within the company and how responsibility is divided.
3. *Policy and Strategy for Employees*: In order to give the investors a better feel of the company's culture, present information relating to how the employees will be selected, trained, and rewarded.
4. *Board of Directors and Advisory Board*: Describe the Board of Directors, as investors might be interested in how they can participate in this area.

(Kaplan and Warren 2005, 348)

#### 2.4.8 Financial plan

When establishing a business it is vital that financial calculations and forecasts are made with care and precision. Financial calculations help with planning of purchasing raw material, renting premises, and hiring employees, assist in convincing possible investors, and help in making strategic decisions. (Williams 2014, 316) These financial calculations come together in the financial plan section of the business plan.

The financial plan section should have a believable and complete set of predictions for the business's future financial performance. The predictions could be the deciding factor in whether or not the entrepreneur will receive investment funding from investors. Within this section the investor expects to see return on investment estimations, performance measurements, and exit plans. Included should be:

1. *Set of Assumptions*: What assumptions the predictions in financial performance are based on should be clearly stated so that the investor and outside parties can reflect on the validity of the base assumption.
2. *Projected Income Statements*: It is usual to provide quarterly income statements for the first year followed by annual statements for the following four years.
3. *Project Cash Flow Statements*: The cash flow statements within the first two years should be in as much detail as possible. Cash flow statements for the following three years can be made as quarterly or annual cash flow statements.
4. *Current Balance Sheet*: The company's current financial position with projected year-end balance sheets for the first two years should be included.
5. *Other Financial Projections*: Breakeven analysis could also be included.

(Kaplan and Warren 2005, 348-349)

*Income Statement*: The income statement is a financial statement showing the operations of a company over a specific period of time. Recorded are all of the expenses and revenues. The income statement shows if the company is incurring a loss or making a profit and therefore is commonly called the profit-and-loss statement. (Barringer and Ireland 2010, 279-280) Located on the following page is an example income statement.

	December 31, 2012	December 31, 2013	December 31, 2014
Net Sales			
Cost of Sales			
Gross Profit			
Operating Expenses			
Selling, general, administrative ex- penses			
Depreciation			
Operating Income			
Other Income			
Interest Income			
Interest Expense			
Other income (ex- pense), net			
Income before in- come tax			
Income tax expense			
Net Income			
Earnings per share			

Figure 3: Example Income Statement

*Statement of cash flows:* Scarborough (2014, 448) describes cash flows as a method of monitoring a company's ability to fulfill its financial obligations on time by tracking the movement of cash, or spendable money, for a period of time into and out of the business. Taking the idea of cash flow one-step farther, the statement of cash flows is "a financial statement summarizing the changes in a firm's cash position for a specified period of time and detailing why the changes occurred." (Barringer and Ireland 2010, 599)

Understanding how much cash the company has in any given moment is important to the company's success as lack of cash can lead to failure just as a lack of profits can. (Scarborough 2014, 449)

Included in the statement of cash flows should be; the opening bank balance, cash generated from sales, sale of assets, capital invested into the company, payment to suppliers, cash purchases the business has made, wages, VAT the company owes to the government, any other

payments required by governmental organizations, rent and general expenses, capital expenditure, bank interest and charges, any other payments, and finally the closing bank balance. (Williams 2014, 318-322) Following is an example cash flow presented by Heakal (2004).

<b>Cash Flow Statement Company XYZ FY Ended 31 Dec 2003</b>	
<b>Cash Flow From Operations</b>	
Net Earnings	2,000,000
<i>Additions to Cash</i>	
Depreciation	10,000
Decrease in Accounts Receivable	15,000
Increase in Accounts Payable	15,000
Increase in Taxes Payable	2,000
<i>Subtractions From Cash</i>	
Increase in Inventory	-30,000
New Cash from Operations	2,012,000
<b>Cash Flow From Investing</b>	
Equipment	-500,000
<b>Cash Flow From Financing</b>	
Notes Payable	10,000
<b>Cash Flow for FY Ended 31 Dec 2003</b>	<b>1,522,000</b>

Figure 4: Example Cash Flow Statement

*Balance Sheet:* The balance sheet can be thought of as a “snapshot” of the company at a specific point of time. Included are the company’s assets, liabilities, and owner’s equity. The balance sheet compares the money that the company has; in assets and liabilities, to the money it owes the owner in the form of equity. The company’s combined assets and liabilities are always equal to the owner equity and for this reason the balance sheet is said to “balance”. (Barringer and Ireland 2010, 281) Following is an example balance sheet (accountingcoach.com, 2015)

<b>Example Company Balance Sheet December 31, 2014</b>			
<u>ASSETS</u>		<u>LIABILITIES</u>	
Current assets		Current liabilities	
Cash	\$ 2,100	Notes payable	\$ 5,000
Petty cash	100	Accounts payable	35,900
Temporary investments	10,000	Wages payable	8,500
Accounts receivable - net	40,500	Interest payable	2,900
Inventory	31,000	Taxes payable	6,100
Supplies	3,800	Warranty liability	1,100
Prepaid insurance	1,500	Unearned revenues	1,500
Total current assets	<u>89,000</u>	Total current liabilities	<u>61,000</u>
Investments	<u>36,000</u>	Long-term liabilities	
Property, plant & equipment		Notes payable	20,000
Land	5,500	Bonds payable	400,000
Land improvements	6,500	Total long-term liabilities	<u>420,000</u>
Buildings	180,000		
Equipment	201,000	Total liabilities	<u>481,000</u>
Less: accum depreciation	(56,000)		
Prop, plant & equip - net	<u>337,000</u>		
Intangible assets		<u>STOCKHOLDERS' EQUITY</u>	
Goodwill	105,000	Common stock	110,000
Trade names	200,000	Retained earnings	229,000
Total intangible assets	<u>305,000</u>	Less: Treasury stock	(50,000)
Other assets	<u>3,000</u>	Total stockholders' equity	<u>289,000</u>
Total assets	<u>\$ 770,000</u>	Total liabilities & stockholders' equity	<u>\$ 770,000</u>

The notes to the sample balance sheet have been omitted.

Figure 5: Example Balance Sheet

**Breakeven analysis:** The breakeven point is the “level of operation (sales dollars or production quantity) at which a company neither earns a profit nor incurs a loss.” (Scarborough 2014, 434) The items of information needed to complete breakeven analysis are, per unit cost associated with producing the products or services themselves, all of the overhead costs and the selling price of the products or services. (Blackwell 2008, 28)

$$\text{Breakeven point} = \frac{\text{Overhead costs}}{\text{Price} - \text{cost per unit}}$$

Equation 1: Breakeven Equation

Analyzing the breakeven point helps the company decide if the venture, product, or service is feasible and profitable by showing how many units sales need to be made before investment money is returned. (Barringer and Ireland 2010, 289)

#### 2.4.9 Financial requirements

The last section within the business plan should be the financial requirements. This section should describe the amount of money that is needed as well as how and when the money will be spent. A clear outline of the necessary purchases will help in securing financing. (Kaplan and Warren 2005, 349)

#### 2.5 SWOT analysis

SWOT analysis is an analysis tool that assists in evaluating a company's overall strengths, weaknesses, opportunities, and threats. The company's strengths and weaknesses are internal factors that could help or hinder the company as it pursues a certain goal. The opportunities and threats that the company faces are the external factors that could affect the company. Thus SWOT gives an overall view of the company's position. (Kotler & Keller 2009, 101)

## SWOT analysis

	Helpful to achieving the objective	Harmful to achieving the objective
Internal origin (Attributes of the environment)	Strengths	Weaknesses
External origin (Attributes of the environment)	Opportunities	Threats

Figure 6: SWOT Analysis Matrix

## 2.6 Summary of the theoretical discussion

Writing a business plan is a time consuming process that has great benefits. Although some authors may disagree about which is the most important reason for completing the business plan, they do agree on the importance of writing one and what a business plan should include. The business plan structure presented by Kaplan and Warren was chosen for the purpose of this study as it contains all of the important aspects of business planning.

While completing a business plan, it is also important to complete thorough financial calculations and to make predictions of what the future could hold for the business in question. These calculations and forecasts should include: breakeven point analysis, cash flow analysis, income statement and balance sheet.

## 3 Research approach

### 3.1 Research

In research there are two main approaches that can be taken, the deductive approach or the inductive approach.

When using a deductive research approach, the researcher will go through five stages; making a hypothesis, or a testable statement about how two or more variables or concepts relate to each other, expressing the hypothesis in measureable terms, testing the hypothesis, evaluating the findings, and finally modifying the original hypothesis in relation to the findings. (Saunders, Lewis, and Thornhill 2009, 124-125) Davies (2007, 235) also supports this view of deductive research with the definition “the philosophical idea that underpins the style of research in which the investigator begins from a theoretical position and sets out to test it by gathering and analysing data.”

The inductive research approach builds a theory rather than testing one. When completing inductive research, the researcher will first search for information regarding to a problem, question, or idea before generating a theory. Collecting and analyzing the data before generating a theory allows the researcher to understand the situation more completely and the results are usually heavily contextualized. (Saunders et al. 2009, 125-126) The definition provided by Davis (2007, 238) is also helpful in understanding the inductive research approach: “The philosophical idea that is related to the style of research in which the investigator employs a doctrine of curiosity to gather data relevant to a predetermined subject area, analyses it, and, on the basis of that analysis, postulates one or more theoretical conclusions.”

Deductive Research Approach	Inductive Research Approach
<ol style="list-style-type: none"> <li>1. Scientific principles</li> <li>2. Moving from theory to data</li> <li>3. The need to explain causal relationship between variables</li> <li>4. The collection of quantitative data</li> <li>5. The application of controls to ensure validity of data</li> <li>6. The operationalization of concepts to ensure clarity of definition</li> <li>7. A highly structured approach</li> <li>8. Researcher independence of what is being researched</li> <li>9. The necessity to select samples of sufficient size in order to generalize conclusions</li> </ol>	<ol style="list-style-type: none"> <li>1. Gaining an understanding of the meanings humans attach to events</li> <li>2. A close understanding of the research context</li> <li>3. The collection of qualitative data</li> <li>4. A more flexible structure to permit changes of research emphasis as the research progresses</li> <li>5. A realization that the researcher is part of the research process</li> <li>6. Less concern with the need to generalize</li> </ol>

Table 1: Deductive versus inductive research

This thesis will be an inductive process because a hypothesis has not been established. The author also understands that it is not necessarily possible to generalize the results of this research to other markets, different time periods, or different entrepreneurs as these factors will greatly affect the end result and conclusions relating to the mobile smoothie shop business idea.

### 3.2 Research Methods

There are three types of research, qualitative, quantitative, and mixed methods. (Creswell 2014, 4) Qualitative research is, in the opinion of Denzin and Lincoln (1994, 4), research that seeks to answer questions relating to how social experiences are created and given meaning. They contrast this to quantitative research, which emphasizes measuring and analyzing causal relationships between variables rather than processes.

Qualitative and quantitative research methods, although different, do not need to be used individually without the other. It is possible to use both research methods within the same study and link them together. (Walliman 2011, 174)

The research method used during this study was a qualitative method. The study was a case study of the Simon's Smoothies company. Case study researches are, as stated by Woodside and Wilson (2003) an "inquiry focusing on describing, understanding, predicting, and/or con-

trolling the individual (i.e. process, animal, person, household, organization, group, industry, culture, or nationality).” Eriksson and Kovalainen (2010) presents another perspective as to what is a case study when stating a case study is “ a mostly qualitative research approach which studies one or several cases (people, organizations, processes) holistically and in their social, economic, and cultural contexts.” The biggest difference between the two definitions arises in what is or can be studied. Woodside and Wilson (2003) view that cultures, nationalities, and industries can be studied using a case study while Eriksson and Kovalainen (2010) limit the use of case studies to people, organizations, and processes.

The case study within this thesis focuses on describing and predicting the organization of Simon’s Smoothies.

### 3.3 Data types/sources

Just as there are different types of research, there are different types of research data. The two different types of research data are primary and secondary data.

Saunders, Lewis, and Thornhill (2009, 598) define primary data to be “ data collected specifically for the research project being undertaken.” They also define secondary data to be “data used for a research project that were originally collected for some other purpose.” (Saunders et al. 2009, 598 + 600)

Walliman does not define the terms primary data and secondary data but rather focuses on the source of the information when defining the different data types. Walliman (2011, 365-366) defines primary sources as “sources from which the researcher can gain data by direct, detached observation or measurement of phenomena in the real world, undisturbed by any intermediary interpreter.” Walliman (2011, 367) defines secondary sources as “ sources of information that have been subject to interpretation by others, usually in the form of publications.”

Both Saunders et al. and Walliman define the terms primary data/source and secondary data/source in generally the same manner. Saunders et al. focuses on the data itself and where it comes from whereas Walliman focuses on the level of interpretation the data might be subjected to before reaching the researcher.

For the purpose of this thesis the definitions provided by Saunders et al. will be used as they shares the difference between the two different types of data in a clear, concise manner.

### 3.4 Data collection methods

The data collection methods chosen by the researcher will be determined by a variety of factors and resource constraints such as, time, money, personnel, location, and type of data desired. (Mypeer.org.au, 2010) Common data collection methods include questionnaires, interviews, diary, and observation.

### 3.5 Questionnaires

A questionnaire is a list of questions that are carefully structured with a purpose of eliciting reliable responses from a targeted group of people. These questions are usually tested to ensure reliability of responses. The main aim of questionnaires is to understand what a group thinks about a topic, does, or feels in general. Questionnaires are usually a relatively cheap method of data collection that can take place in many different forms such as through the mail, online, over the phone, or face-to-face. (Collis & Hussey 2009, 191-192)

### 3.6 Interviews

Interviews are a data collection method wherein the researcher attempts to “capture the experiences and perspectives of the research participants in such a way as to get as close to the reality of these experiences as possible.” (Crouch & Pearce 2012, 112)

There are three common forms of interviewing. Structured and standardized interviews consist of the same standardized questions for all interviewees. ‘What’ questions are commonly used for structured interviews as help they with reducing variety in answers caused by having multiple interviewers within the research project. Guided and semi-structured interviews have an outline of the topics, themes, or issues to explore but the sequence and wording of the questions may vary in the different interview sessions. Unstructured or informal interviews have a few core concepts or guiding questions but the interviewer is given freedom to direct the conversation in any direction as areas of interest are discussed. (Eriksson & Kovalainen 2008, 80)

### 3.7 Diary

Asking the research participants to write in a diary about usually frequent or simultaneous events is an effective method of gathering information about events in their natural setting without an invasive presence. Common research areas that adopt diaries as a research method are time use, health related topics, media exposure, and nutrition. (Krishnamurty 2008, Online)

### 3.8 Observation

Similar to other data collection methods, observation has different forms. The three main forms of observation are unstructured, structured, and participatory. When using unstructured observation, the observer usually has a clear understanding of the observation's purpose although not about the details. Unstructured observation is usually used to generate a hypothesis about a certain topic or area. In structured observation, the focus and hypothesis have been determined beforehand. The observer observes in relation to the set hypothesis and for this limiting focus, structured observation is criticized. In participant observation, the observer will either attempt to become included in a group or remain apart from them as he/she observes the daily life of the group. The observer will ask questions, observe, and listen as the individuals or groups go through daily life in order to gain an understanding of a phenomenon. (Bell 2005, 184-186)

### 3.9 Desk research

Desk research, mainly secondary data collection, is the process of collecting information using sources such as journals, newspapers, previous studies, and regulations. Secondary information can come from sources internal and external to a company or organization. (baxinteraction.co.uk, 2011)

### 3.10 Chosen data collection methods

For the research purposes of this thesis unstructured observation, the author's personal experience, and desk research were used as data collection methods. Desk research was mainly used to collect information relating to the legal and financial aspects of the business idea. Unstructured observation was used to gain an understanding of the smoothie shop business environment. Specific goals for the observation were not set as this may limit the findings. The experience of the author was used in establishing a general understanding of the coffee shop style of business. The author's experience also assisted in ensuring that important factors related to the coffee shop style of business were remembered in the business plan writing process.

## 4 Methodology

### 4.1 Observation

#### 4.1.1 Purpose of the observation

The main purpose of the observation was to gain an understanding of how a smoothie shop works. This observation took place at the Jungle Juice Bar located in Sello shopping mall at Leppävaarankatu 3-9, 02600 Espoo. The complete customer journey was observed from the customer's arrival, ordering, waiting for product to be produced, and then being served.

#### 4.1.2 Implementation

The observation was conducted during the month of November 2015. In order to avoid observing any specific habits that could be present during similar days of the week and similar times of the day, observation was conducted at different days and at different times. The author himself conducted the observation.

### 4.2 Desk research

#### 4.2.1 Purpose of the desk research

The main purpose of the desk research was to gain a deeper understanding of the regulations relating to business idea and collect information that assisted in completing financial calculations. Through the completed desk research, the driving route of the mobile smoothie van was also planned.

#### 4.2.2 Implementation

The desk research was conducted throughout the months of October and November of 2015. Main sources for collecting information regarding to the regulations related to the business idea were governmental sources such as the Small Business Administration and the official websites of each visited state such as the Arizona tax website at [aztaxes.gov](http://aztaxes.gov) and the California tax website at [taxes.ca.gov](http://taxes.ca.gov). Information regarding to the driving route was collected from a diverse range of sources mainly because the route was mainly determined on the number of events in each city and when they are to be held. Finally the information collected regarding to the financial calculations was collected using the competitor's pricing lists, which could be found online and at the Jungle Bar Smoothie shop in Sello, Leppävaara.

### 4.3 Processing data

The data collected during the conducted observations was analyzed to find common themes, problems, frequencies of occurrences, and any abnormal items. Data collected through observation should help understand an interaction or phenomenon as it takes place. The observation conducted in this thesis has helped the author gain an understanding of how a smooth-

ie shop operates and brought important things, such as employee appearance, shop design, and getting the customers' attention, into focus.

#### 4.4 Validity and reliability of data

It is important to note that the data collected both in the observation and desk research, cannot be generalized to other situations and is subject to changes. The observational findings were specifically from one location and the operations of a typical American smoothie shop could possibly be quite different than the one observed. The data collected was also possibly subjected to the observer's mood and the physical setting.

### 5 Empirical study

The following sections will outline the findings collected during empirical study. The first section will describe the findings collected through the observations conducted. Secondly will be the SWOT analysis of the Simon's Smoothies business followed by the detailed business plan of the company.

#### 5.1 Observations

The observations revealed that the majority of people walking past the Jungle Juice Bar shop would not stop. This is understandable as most people passing by seemed to be in a hurry to either reach their upcoming bus or train departure or then complete their daily shopping in the larger grocery stores located in Sello. The high number of people passing by the shop is also common to most stores within the shopping center itself, so this observation should not lead to an incorrect assumption that Jungle Juice Bar is not favored by consumers but rather that this trend is commonplace within Sello.

The tendency to be in a hurry can also be seen in the observed purchasing habits of Jungle Juice Bar customers. The majority of purchases from the Jungle Juice Bar were premade products that were on display. Once completing the selection and purchasing process, the high majority of customers would leave the juice bar area without sitting down. The average time spent lingering after making a purchase was a mere 3 minutes. The lack of customers staying at in the Jungle Juice Bar provided seating area could be attributed to both the overall hurried nature of the consumers and the limited availability of seats. With 9 chairs and 3 tables, Jungle Juice Bar might be attempting to influence their customers to *not* sit down.

In addition, it was noticed that customers came and went in cycles. Usually once one or two people were looking at the menu or making a purchase, more people would stop to consider

making a purchase. The author believes that this trend could be caused by the bus and train schedules as well as the herd-like behavior of people. It might be an effective idea to prolong the amount of time a customer is near the smoothie shop while others are walking past by having a conversation with him or her as to attract other customers to make purchases. On average the Jungle Juice Bar had 20 purchases per hour.

Moreover, the overall environment and feeling of Jungle Juice Bar seemed to be well thought out. Firstly the employees were all attractive females and they had a dress code of black pants with an orange t-shirt. If their hair was longer, it was secured according to the health regulations. The appearance of Jungle Juice Bar portrays health and exotic places with fresh fruit on display, the logo having a toucan, products having names such as Pink Panther and Green Gorilla, and the shop being built out of white counters, clear well light product display cases, and an open design.

Furthermore, it was observed that while making smoothies the employees needed to move back and forth from one side of the kitchen to the other. Although these additional movements might not seem to be much, they require more energy to be used and prolong the product making process. On average it took 7 minutes and 20 seconds for a smoothie to be made. In the author's opinion this could be too long within the American market and therefore planning an effective kitchen layout becomes even more important. Something to consider is restricting the smoothie selection so that complicated smoothies do not make the smoothie making process too long.

Lastly, an assorted group of observations brought some ideas to the author. While making smoothies an employee seemed to be having difficulties with breaking apart fruit was frozen together in a big lump. A possible solution could be to freeze the needed fruit in portion-sized bags as this could speed up the process although increase costs. It was also noticed that smoothies were made in large quantities. This seems to be a very effective habit. It could be possible to combine the tendency of customers to purchase premade products and effectiveness of making smoothies in large batches. Together these two ideas would result in making 10 to 20 smoothies of the most popular flavors before opening hours. This could lead to quicker sales and less stress especially during rushes.

## 5.2 Simon's Smoothies

Simon's Smoothies is a theoretical limited liability company and possibly an actual company if the author proceeds with the business idea. For the purpose of this thesis, Simon's Smoothies has been thought to be already or soon to be established as this assists with evaluating certain aspects of the company such as its strengths, weaknesses, opportunities, and threats.

The purpose of Simon's Smoothies is to provide healthy refreshment options and make the summer more enjoyable. In this regard, the personnel will not only sell smoothies but also serve with a smile and make connections with the customers. The author has noticed the large effects small courtesies such as a smile and a complement can make to one's day and wishes to build the action of spreading joy and happiness into the Simon's Smoothies business culture.

Simon's Smoothies was originally meant to travel from Seattle, Washington down the West Coast to Los Angeles through the national parks and major cities along the way. From Los Angeles, the mobile shop was to drive to Texas and then back up to Washington through Colorado, Wyoming, Montana, and Idaho. The original driving route has changed to reflect research completed by the author. The current planned route is between Arizona and California. A more detailed driving route along with events that Simon's Smoothies plans to visit is included in the business plan section.

#### 5.2.1 SWOT of Simon's Smoothies

The following table outlines the Strengths, Weaknesses, Opportunities, and Threats relating to Simon's Smoothies. Each section will be explained in more detail in the sections following the table. Through SWOT analysis, the overall picture of whether or not Simon's Smoothies is a viable business option can be reached. Areas that might need special attention in the future can also be highlighted through using SWOT analysis.

## SWOT Analysis

	Helpful to achieving the objective	Harmful to achieving the objective
Internal origin (Attributes of the environment)	<b>Strengths</b> <ul style="list-style-type: none"> <li>• Positive friendly staff</li> <li>• Tasty recipes</li> <li>• Social media following</li> <li>• Attractive and eye-catching smoothie van</li> <li>• Mobility</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• High investment cost</li> <li>• Lots of paperwork</li> <li>• Lack of permanent premises</li> <li>• Dependent on city councils for receiving selling licenses</li> </ul>
External origin (Attributes of the environment)	<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Many beaches</li> <li>• Summers are full of events</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Lots of competition</li> <li>• Changing regulations</li> <li>• Weather reliant</li> </ul>

Figure 7: Simon's Smoothies SWOT Analysis

The strengths of Simon's Smoothies can be considered to be the positive friendly staff, the recipes that they will develop, the social media following Simon's Smoothies will create, the attractive and eye-catching smoothie van, and that the business is mobile. Firstly the Simon's Smoothies staff members themselves provide customers additional value when sharing happiness and when the customers are impressed with the great service, they will in turn become a social media follower or at least a positive word-of-mouth promoter. The smoothie recipes that will be developed by Simon's Smoothies are also a strength of the company. Thirdly the future social media following of Simon's Smoothies can also be considered as a strength as the followers may also become customers. The smoothie van will be designed in such a manner that it will firstly bring a happy joyful environment to the business and secondly draw the attention of those passing by. Lastly, the mobility of Simon's Smoothies is a strength as this allows the business to bring its services to the customers rather than forcing the customers to come to a certain premises.

The weaknesses of Simon's Smoothies are the high initial investment costs, the amount of paperwork, lack of permanent premises, and the dependency on city councils for receiving

selling licenses. The need to invest in the actual smoothie shop truck, the equipment for making the smoothies, and possibly marketing costs such as advertising, make the initial investment needed quite large. This can be considered a weakness of Simon's Smoothies but vice versa it can also be considered as a strength as it could be an entrance barrier for possible competitors. The large amount of paperwork that arises from completing business over two state borders, applying for selling rights in each individual city and county, and the different set of employment regulations in Arizona and California is another weakness. The lack of a permanent premise means that customers who wish to return to Simon's Smoothies may find this hard, if not impractical or impossible, as the mobile smoothie shop may have moved on to a new distant location. Also the dependency on receiving the selling permits from each individual city council is a weakness because they may restrict the selling possibilities of Simon's Smoothies.

The two main opportunities that are present for Simon's Smoothies to take advantage of are the large number and popularity of the beaches in California and that there are also many summertime events where Simon's Smoothies can participate through selling their products.

The possible threats to the business are changing regulations, the amount of competitors, and that the smoothie industry is somewhat weather reliant. If regulations regarding street vendors change within the targeted cities or states, Simon's Smoothies may find it more difficult to receive selling rights and to make a healthy profit. It is also possible that the market is saturated with mobile food restaurants leading to lack of sales. Lastly Simon's Smoothies is weather reliant. Without warm enough temperatures, most Americans will not be interested in buying chilled drinks, which could dramatically affect the income of the company.

### 5.3 Business plan for Simon's Smoothies

The following sections will outline the business plan of Simon's Smoothies in full detail. The structure is as was presented in the theoretical sections.

## 5.3.1 Title Page

# Simon's Smoothies



Connor Simonson: Simon's Smoothies CEO

Road name Office #

CITY

Phone number

Email address

### 5.3.2 Executive summary

Simon's Smoothies is a limited liabilities company that serves smoothies to consumers as healthy refreshment alternatives while they are enjoying the summer. Simon's Smoothies will travel to concerts, beaches, downtown areas, and overnight camping sites to serve people a chilled boost of vitamin goodness.

Simon's Smoothies sells smoothies along with juices in a mobile van. Being mobile allows the business to move to the customers and different events. The targeted customers are those who wish for healthy refreshment alternatives without needing to go out of their way to satisfy this need. Simon's Smoothies will travel throughout Arizona and California beginning in the summer of 2016.

Product development and testing will commence during the months of March and April of 2016. Modifying the products offered by competitors has generated smoothie flavor ideas.

### 5.3.3 Company overview

The main business idea of Simon's Smoothies is to one, be where the customers are and two, serve them healthy refreshment options with a smile. Simon's Smoothies will be a place where customers can enjoy small talk and delicious products.

The targeted customers are mainly event and beach goers. In this regard the product selection will contain mainly refreshing products that help people cool down during the warm summer such as smoothies, frozen ice cream, and chilled juices. Targeted customers are also health-conscious. Being that the products will be made from high quality ingredients, the targeted customers also understand that products of quality and health come with a higher price tag.

Simon's Smoothies is a limited liability company that will have one employee. The business will be established in Arizona State during the spring of 2016. During the summer of 2016 the mobile smoothie shop will travel in the states of Arizona and California through various cities selling along the way. Sales will be made at events such as the Wearable Tech Conference and Country Jam Music Festival and attractions such as Yosemite and the Grand Canyon. A more detailed driving route along with the events and attractions schedule will be presented in business operations section.

Simon's Smoothies will have a set selling spot for each day from 9 am to 4 pm. After 4 pm, the mobile smoothie shop will move to a predetermined location near an evening event. The evening events calendar will be outlined in more detail in marketing and sales section.

#### 5.3.4 Market analysis

The markets for healthy refreshments is growing, as consumers are becoming more health conscious and understand how their dietary choices affect their overall health. Many customers are also willing to pay more for health boosting and weight loss products (Gagliardi, 2015), a whopping 88% out of 30,000 individuals surveyed in the 2015 Nielsen's Global Health & Wellness Survey. Half of respondents also stated that they are eating more natural fresh foods in an attempt to expand their diets (Nielsen, 2015). The power of the healthy eating trend can be seen in how the combined calorie count of products sold by the 16 largest food and beverage companies within the US has decreased by 6.4 trillion within five years (Schatz, 2015).

With an impressive number of beaches on the West Coast, a total of 2028 beaches (EPA, 2015), and \$5.5 billion of the California Gross State Product can be attributed to their beaches, beaches are a great place to conduct business. (King and Symes, 2015) In the state of California there is an estimated 30 million people going to the 7 largest beaches annually. Huntington Beach alone is estimated to have over 10 million visitors! (King and Symes, 2015)

The typical California beach going party consists of 3-4 people from the same household and the main reason for visiting the beach is leisure. Total daily spending while at the beach ranges from \$20.73 for California Day-Trippers to \$59.83 for US (not CA) Vacationers. If a typical California beach going party visits Simon's Smoothies total sales of \$15-\$25, with an average product price of \$5, can be expected which is within the daily spending range of beach goers. (King and Symes, 2015)

With large amounts of people who spend money while visiting the California beaches, a market and need for smoothies definitely exists.

#### *Competition analysis:*

In California and Arizona competition is to be expected. With smoothie bars such as Jamba Juice, Bowl of Heaven, and Juice It Up!, Simon's Smoothies will need to be competitive with the local established market players. The main competitive factor that Simon's Smoothies has over the previously mentioned competitors is its ability to move to where the customers are located.

Below is a table outlining the offering and price range of the three main competitors, Juice It Up!, Jamba Juice, and Bowl of Heaven:

Name	Smoothies	Health Smoothies	Non Dairy	Fruit bowls	Juice Shots	Fresh squeezed Juice	Price Range
Juice It Up!	X	X	X	X	X	X	\$3.65-\$6.50
Jamba Juice	X	X	X	X	X	X	\$4.00-\$8.00
Bowl of Heaven	X	X	X	X	X	X	\$5.25-\$9.50
Simon's Smoothies	X	X	X	X	X	X	\$2.50-\$7.50

Table 2: Competitor Analysis

Regulations regarding the sale of products, especially food, usually differ from city to city and state to state. In order to ensure that all regulations and legal factors will be met, a legal consultant will be hired.

*Marketing strategy:*

Simon's Smoothies will take advantage of social media platforms such as Facebook, YouTube, a blog, and Instagram to attract customers to its current location. A part of the value proposition offered by Simon's Smoothies is the shared social media stories that will include stories of customers, entertaining videos of interesting places such as Yosemite, and an overall story of the travels of Simon's Smoothies van. Simon's Smoothies will establish a new YouTube channel for Simon's Smoothies as well as a blog where customers can follow the business' story and current location status. Promotion will also take place through word-of-mouth advertising and people sharing their experiences with their friends.

*Sales forecasts:* Based off of the observations conducted, Simon's Smoothies expects to sell between 10-20 smoothies an hour with an average of 200 smoothies per day. Additional to the morning sales of 200 smoothies, Simon's Smoothies will make an average of 32 event sales during the evening from 4 pm to 10 pm. The following table outlines the May evening event demand projections.

May Evening Event Demand Estimations				
Event	Visitor #	Selling %	Sales	Income
Food Truck Roundup	500	0.2	100	500
Acoustic Jam	250	0.3	75	375
Chandler Farmer's Market	300	0.3	90	450
S&M Comedy Hour	50	0.2	10	50
YMCA Whiskey Row Marathon	1000	0.2	200	1000
Phoenix Symphony	50	0.2	10	50
Booze & Board Games Night	50	0.2	10	50
Soulective	100	0.3	30	150
Zuni Festival	250	0.3	75	375
Karaoke Night	50	0.3	15	75
Trivia Night	50	0.3	15	75
Monthly Totals	2650		630	3150
Daily Totals (20 Open Days/Month)	132.5		32	158

Table 3: May Evening Event Demand Estimations

5.3.5 Marketing and sales plan

Simon’s Smoothies will reach its sales goals through proper location selection and attending events. The event calendars for the months of May, June, July, and August are following. Please note that during the months of September, October, November, and December Si-mon’s Smoothies will still make sales but the event calendars have not been completed.

May

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	City Key
1	2	3	4	5	6	7	
		Gilbert Town Square Twilight Market			Arizona Outdoor Sculpture Showcase	Old Town Farmer's Market	Phoenix
8	9	10	11	12	13	14	
Food Truck Roundup		Acoustic Jam	Gilbert Town Square Twilight Market	Chandler Farmer's Market	S&M Comedy Hour + Driving	YMCA Whiskey Row Marathon	Prescott
15	16	17	18	19	20	21	
Phoenix Symphony							Flagstaff
22	23	24	25	26	27	28	
	Driving Day + Booze & Board Games Night		Soulective				
29	30	31					
Zuni Festival Karaoke Night	Trivia Night Karaoke Night						

Figure 8: Evening Event Calendar: May

### June

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	City Key
			1	2	3	4	
			Soulective			Movies on the Square	Flagstaff
5	6	7	8	9	10	11	
Barley Rhymes	Driving Day + Grand Canyon	Grand Canyon		Driving Day	Dinner N Denim	Country Jam Music Festival + Community Yoga	Grand Canyon
12	13	14	15	16	17	18	
	Yucca's Home Made Arts and Crafts Fair					Community Yoga	Kingman
19	20	21	22	23	24	25	
	Yucca's Home Made Arts and Crafts Fair	Jerry Ambrose Veterans Council	Driving Day	Art Walk			Los Angeles
26	27	28	29	30			
Toluca Lake Farmers Market	LA Terrasse + Cadillac Zack's Monday Blues Party & Jam	Open Poetry Reading					

Figure 9: Evening Event Calendar: June

### July

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	City Key
					1	2	
							Los Angeles
3	4	5	6	7	8	9	
			Driving Day	Blur the Line	Comedy Hideaway	Cachuma Lake Nature Walk	Santa Barbara
10	11	12	13	14	15	16	
Studio Sundays			Driving Day to San Jose		Carzy For You Comedy	Karaoke	San Jose
17	18	19	20	21	22	23	
	Open Mic	JJ Blues + Wearable Tech Convention	Wearable Tech Convention	Live Music at Scott's	Karaoke	The Broken Spoke	San Fransico
24	25	26	27	28	29	30	
Tamba!	Motown on Mondays		The Tabernacle			The Setup	
31		Notes:					

Figure 10: Evening Event Calendar: July

## August

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	City K
	1	2	3	4	5	6	San Francisco
	Hiking Yoga		Women's Self-Defence Class			Nihonmachi Street Fair	
7	8	9	10	11	12	13	Yosemite
Nihonmachi Street Fair		Outside Lands Music Festival	Outside Lands Music Festival				Fresno
14	15	16	17	18	19	20	
		Yosemite		Driving Day		Vineyard Farmer's Market	
21	22	23	24	25	26	27	
		Kaiser Permanente		Summer Peck Ranch Stands	Eatin' on Eaton		
28	29	30	31				
		Driving Day + Vinyasa Flow Yoga	Driving Day				

Figure 11: Evening Event Calendar: August

By attending these events, Simon's Smoothies will be able to boost its daily sales during the evenings. These events are optional and by no means are these calendars final. Rather the calendars presented are examples of where Simon's Smoothies may make sales.

**Pricing:** The prices of Simon's Smoothies will use on the cost-plus pricing method. It is common within the smoothie industry for the product cost breakdown to be, 10% wages, 50% ingredients, and 40% profit. During the product development stage, Simon's Smoothies will also set more exact prices but a price around \$5.00 is expected.

**Product:** The products sold by Simon's Smoothies will be co-developed with customers to ensure that they enjoy the flavors. The product flavors will be partially based off of those of competitors to make the development process shorter and to ensure a high quality taste. This does not mean that the exact combinations of fruits, berries, and vegetables used by competitors will be used but rather that the competitor flavors will provide a basic understanding of smoothies flavor combinations.

**People:** The people associated with Simon's Smoothies will need to be cheerful happy people as one of the value propositions of the company is to spread joy.

**Physical Environment:** The mobile smoothie van is to be designed in such a way that it attracts attention and gives off a cheerful sunny feeling. The signs used by Simon's Smoothies as well as the employee uniform will also share the same message. Music will also be played

lightly over the speaker system to better attract customers. The overall feel of Simon's Smoothies will be tropical as to promote an exotic healthy feel.

### 5.3.6 Operations description

Outlined in this section will be the route plan of Simon's Smoothies, what the daily schedule will look like, and information about the product production.

*Route Plan:* The following is the planned route of Simon's Smoothies. The route has been planned to take advantage of the summertime events that will be occurring in Arizona and California and includes popular tourist attractions along the way. The journey will start in Phoenix, Arizona. Next Simon's Smoothies will continue to Prescott, Flagstaff, and the Grand Canyon selling in each location. From the Grand Canyon, Simon's Smoothies will travel to Kingsman, Los Angeles, Santa Barbara, San Jose, and San Francisco. From San Francisco, the mobile smoothie shop will drive to Yosemite National Park, Fresno, Bakersfield, again to Los Angeles, and finally Phoenix.

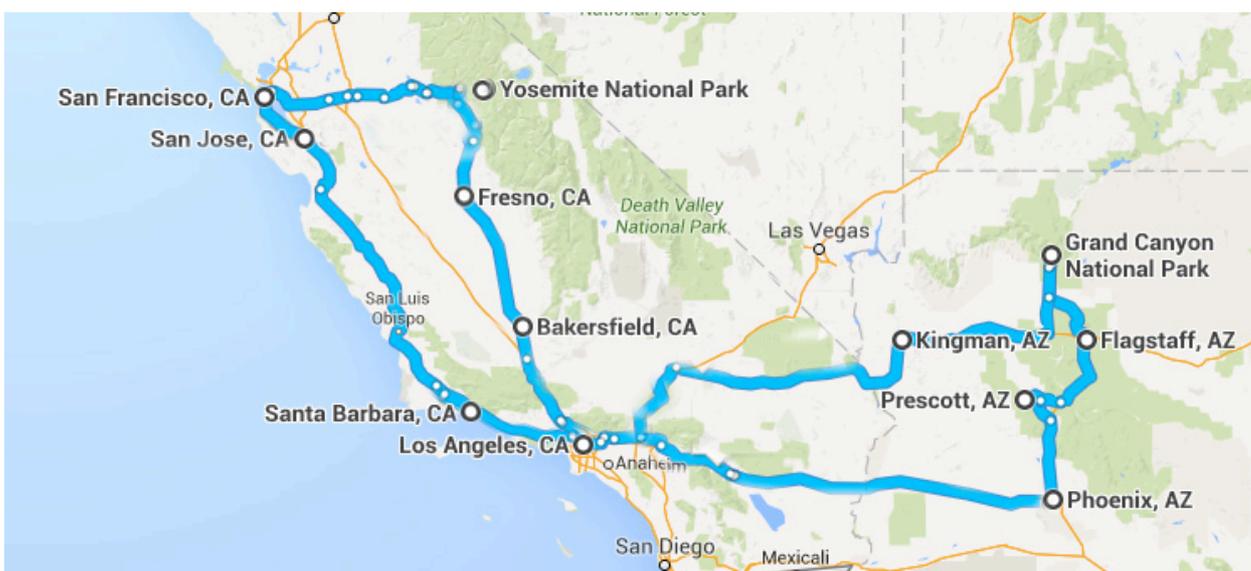


Figure 12: Planned Driving Route of Simon's Smoothies

Being that Simon's Smoothies will complete business in two states, it is important to ensure that all legal requirements are completed. Before starting to sell products, Simon's Smoothies will first contact a legal advisor who can assist the business owner with the different legal requirements such as business name registration and applying for selling permissions and provide legal advice on how to enter California.

The typical day of selling products and the typical driving day will be as follows:

<b>Selling Day</b>	
<b>Time</b>	<b>Activity</b>
08:00	Purchase fresh ingredients
09:00	Open shop
10:00	Pre-make smoothies for rushes
11:00	
12:00	Lunch rush
13:00	
14:00	
15:00	Restock if necessary
16:00	Evening event
17:00	
18:00	
19:00	
20:00	Social Media posting
21:00	
22:00	Cleaning
23:00	Preparing for the next day

Figure 13: Typical Selling Day Schedule

<b>Driving Day</b>	
<b>Time</b>	<b>Activity</b>
08:00	Driving to new location
09:00	
10:00	
11:00	
12:00	
13:00	
14:00	
15:00	Permits and permissions for selling
16:00	
17:00	
18:00	Purchase fresh ingredients
19:00	
20:00	
21:00	Social media posting
22:00	
23:00	

Figure 14: Typical Driving Day Schedule

*Product Development:*

During March 2016, Simon's Smoothies will begin product development and testing. Ideas regarding to the product flavors have been generated but they have yet to be developed completely and taste tested by customers. While completing the taste testing, Simon's Smoothies will also complete marketing activities such as promoting its blog, YouTube Channel, and sharing the Simon's Smoothies story. Once positive customer feedback regarding to the product flavors has been received, selling will commence.

*Product production:*

The products sold by Simon's Smoothies will be made using commercial grade smoothie machines, juicers, and blenders. These machines will be situated in a custom-made mobile smoothie shop made by LA Stainless Kings. The price for a custom-made smoothie shop, including all equipment and necessary washing facilities is around \$80,000. Fresh fruits, berries, and vegetables will be frozen beforehand in containers. Freezing the ingredients beforehand ensures ease of use and efficiency. During the morning, 20 smoothies of the most popular flavors will be made and put on display. This has two benefits of, one, attracting the customer's attention and two, saving time and increasing selling speed. The smoothie shop's layout will also be planned with careful detail together with the manufacturer to ensure that unnecessary movements can be eliminated from the smoothie making process.

### 5.3.7 Management team

The management team of Simon's Smoothies consists of Connor Simonson the owner and CEO as well as his business advisors Jody Reed and Matti Saarnio. Being that Connor Simonson has recently completed school and this is his first business, Connor has requested that Jody Reed and Matti Saarnio, both of which have business experience, assist him in the business establishment process. This assistance is on a when-needed basis.

Connor Simonson is in the process of completing his Business Management degree at Laurea Ammattikorkeakoulu in Espoo Finland. He has experience in the coffee shop setting, which will be of great assistance when operating the smoothie van.

Jody Reed has worked within the food industry for the past 25 years as a coffee shop manager. Her experience and understanding of the industry will be of great value to Simon's Smoothies.

Matti Saarnio has extensive experience as a leader and strategist. His main advisory role is to assist in making the strategic decisions of Simon's Smoothies.

The organizational chart of Simon's Smoothies will be as follows:



Figure 15: Simon's Smoothies Organizational Chart

*Employee Policy and Strategy:* Employees will be hired on an if-needed basis. The employees will be selected based on two major factors. The first is their ability to make others laugh, as sharing joy is a central service of Simon's Smoothies. Secondly, they must be able to work effectively under stress because the fluctuating and peaking customer numbers.

#### 5.3.8 Financial plan

*Set of Assumptions:* It has been assumed that around 15 smoothies will be sold each hour. With an average beach going group size in California being between 3 and 4 people this would mean that every 12 minutes a group would need to come. During hottest days, more customers are expected with 25 to 30 sales per hour. The hottest days will make up for the chillier days when customers are less likely to make purchases.

It has also been assumed that out of the \$5 smoothie cost, \$2.5 will go to ingredients, an average of \$.5 will go towards wages, and the remaining \$2 will be profit. The volumes of products sold will affect these numbers but these are the base assumptions.

*Projected Income Statements:* Following is the project income statement of Simon's Smoothies for the first year. Sales during the summer months are expected to be higher than during the fall and during the first four months of the year sales will not be made as the mobile smoothie van will not be ready nor the business fully established then.

	January - April 2016	May - August 2016	September - De- cember 2016
<b>Net Sales</b>	0	38 400	19 200
<b>Cost of Sales</b>	0	0	0
<b>Gross Profit</b>	0	38 400	19 200
<b>Operating Ex- penses</b>			
<b>Selling, general, administrative expenses</b>	0	2 500	0
<b>Depreciation</b>	0	2 667	2 667
<b>Operating In- come</b>	0	33 233	16 533
<b>Other Income</b>	0	0	0
<b>Interest Income</b>	0	0	0
<b>Interest Expense</b>	0	0	0
<b>Other income (expense), net</b>	0	0	0
<b>Income before income tax</b>	0	33 233	16 533
<b>Income tax ex- pense</b>	0	2 990.97	1 487.97
<b>Net Income</b>	0	30 242.03	15 045.03

Table 4: Projected Income Statement of Simon's Smoothies

The following table outlines the projected cash flow for Simon's Smoothies from January 2016 to December 2019.

<b>Cash Flow Statement of Simon's Smoothies Financial Period Jan 2016 to Dec 2019</b>						
<b>Cash Flow From Operations</b>	January – April 2016	May - August 2016	September - December 2016	January – December 2017	January – December 2018	January – December 2019
Net Earnings	0	38,400	19,200	76,800	92,160	110,592
<i>Additions to Cash</i>						
Depreciation	0	2,667	2,667	8,000	8,000	8,000
Decrease in Accounts Receivable	0	5,000	5,000	5,000	5,000	5,000
Increase in Accounts Payable	0	500	250	0	0	0
Increase in Taxes Payable	0	2,000	2,000	2,000	2,000	2,000
<i>Subtractions From Cash</i>						
Increase in Inventory	0	1,000	1,000	500	500	750
New Cash from Operations	0	47,567	28,117	91,300	106,660	124,842
<b>Cash Flow From Investing</b>						
Equipment	80,000	0	0	3,000	0	0
<b>Cash Flow From Financing</b>						
Notes Payable	0	0	0	0	0	0
<b>Cash Flow for FY Ended 31 Dec 2003</b>	-80,000	47,567	28,117	88,300	106,660	124,842

Table 5: Projected Cash Flow of Simon's Smoothies

*Current Balance Sheet:* Following is the current balance sheet of Simon's Smoothies. This has been made as if it was in April of 2016 when the mobile smoothie shop has been purchased.

Assets		Liabilities	
<b>Current Assets</b>		<b>Current Liabilities</b>	
Cash	1500	Notes payable	0
Petty Cash	100	Accounts payable	0
Temporary Investments	0	Wages payable	0
Accounts receivable - net	0	Interest payable	0
Inventory	100	Taxes payable	0
Supplies	400	Warranty liability	0
Prepaid insurance	400	Unearned revenues	0
<b>Total current assets</b>	<b>2500</b>	<b>Total current liabilities</b>	<b>0</b>
<b>Investments</b>	<b>0</b>	Long-term liabilities	
Property, plant, equipment		Notes payable	80000
Mobile shop	78000	Bonds payable	0
Equipment	2000	<b>Total long-term liabilities</b>	<b>80000</b>
Depreciation	0	<b>Total Liabilities</b>	<b>80000</b>
<b>Prop, plant, equip total</b>	<b>80000</b>		
<b>Intangible Assets</b>		<b>Stockholders' Equity</b>	
Goodwill	0	Common stock	0
Trade name	0	Retained earnings	0
<b>Total Intangible Assets</b>	<b>0</b>	<b>Total stockholders' equity</b>	<b>0</b>
<b>Other assets</b>	<b>0</b>		
<b>Total Assets</b>	<b>82500</b>	<b>Total liabilities &amp; Stockholder Equity</b>	<b>80000</b>

Table 6: Balance Sheet of Simon's Smoothies

*Breakeven analysis:*

The breakeven point has been analyzed to be 41,250 units. This is with a \$2 profit margin on each product. It is estimated that \$2.5 will go towards ingredients and \$.5 towards wages.

$$41,250 \text{ units} = \frac{\$82,500}{(\$5 - \$3)}$$

## Equation 2: Estimated Breakeven Point of Simon's Smoothies

At a sales rate of 200 units per day, Simon's Smoothies would breakeven around the 200<sup>th</sup> day.

$$\frac{41,250 \text{ units}}{200 \text{ per day}} = 206 \text{ Days}$$

## Equation 3: Breakeven Point in Days

Variables such as weather, higher than expected demand, lack or abundance of additional events, and additional costs could either postpone or shorten the breakeven period. It is also important to remember that the mobile smoothie van will not depreciate more than 10% a year.

#### 5.3.9 Financial requirements

Simon's Smoothies will need an estimated \$82,500 before becoming completely operational. This lump sum would cover the customization of the mobile smoothie shop, legal assistance fees, preliminary advertising, as well as product development and testing costs. Simonson has \$40,000 in funding already and is in need of the final \$42,500.

Once all necessary funds have been acquired, Simon's Smoothies will first become a registered business and the business name secured. Legal assistance regarding operating in both Arizona and California will be pursued next while the smoothie shop is being manufactured.

During the spring of 2016, product development and testing will commence. Upon the completion of product development, marketing activities will begin and sales made.

## 6 Conclusions and recommendations

After the conducted market research, financial calculations, SWOT analysis, and observation of a similar business, it can be concluded that idea of Simon's Smoothies could become a profitable business.

The objectives of completing a business plan which would, determine if the business idea could be a profitable business, research the relevant legal requirements and laws relating to the business idea, plan a suitable driving route for the mobile smoothie shop, and assist the author in obtaining investment money, were all met.

Through the conducted observation, insights related to the operation of a smoothie shop were gained. SWOT analysis, break-even point analysis and cash-flow analysis, helped to determine if the mobile smoothie shop idea could become a profitable business. Competitor analysis and route planning gave a better understanding of what measures Simon's Smoothies would need to take to ensure competitiveness.

Future areas of research could: find a suitable legal advisor, conduct more in-depth research on the mobile smoothie shop manufacturer, develop the smoothie flavors and test them, and

conduct further market research to ensure that competition is not too fierce within Arizona and California.

## 7 Theoretical linkage

The empirical study was based on the theories and definitions provided in the theoretical sections of this thesis. The theories and definitions guided the research process and were consulted during the writing of the business plan.

The theoretical background of this thesis was the basis of the empirical study. Without the supporting theoretical background the results and conclusions would have not been reached. During the completed observations, the theories on observation were reviewed. This is also true for when the business plan was written.

## 8 Summary

The mobile smoothie shop idea was analyzed to see if it could become a profitable business. Simon's Smoothies was analyzed using SWOT analysis, market research, and financial calculations. The analyses concluded that the business idea could become a successful business in Arizona and California.

The observation conducted brought a deeper understanding of how a smoothie shop functions as well as ideas for Simon's Smoothies.

The potential driving route of Simon's Smoothies along with event calendars for the months of May, June, July, and August were researched. Calculations of possible income were based off of the driving route and event calendars. Future research recommendations were also made.

I would like to thank my thesis supervisors for trusting me during the thesis writing process and for providing guidance when it was requested.

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