

A PLAN TO BRING CAKE TRUFFLES
TO THE UNITED KINGDOM

by

Megan Stookey

Submitted in partial fulfillment of the
requirements for Departmental Honors in
the Department of Nutritional Sciences
Texas Christian University
Fort Worth, Texas

December 12, 2016

A PLAN TO BRING CAKE TRUFFLES
TO THE UNITED KINGDOM

Project Approved:

Supervising Professor: Dr. Lyn Dart

Department of Nutritional Sciences

Dr. Anne VanBeber

Department of Nutritional Sciences

Professor Michael Sherrod

Department of The Neely Entrepreneurship Center

Abstract

Research outcome: Hybrid foods and food trucks are gaining immense popularity in the UK; Fig Cake Truffles will be an expansion of this market. Through careful analysis of growth options, financial stability, marketing capability and business model strength, Fig is deemed a viable venture ready for funding and start-up.

Methods: This research initially started with the Ultimate Fit Model, which established viability. The Business Model Canvas and the Udacity course, “How to Build a Startup,” were used to fill out the business plan and establish an outline of financial prospects, as well as key operations. The result was the decision that Fig Cake Truffles is a viable venture and the creation of a working business plan.

Results: The Ultimate Fit Model affirmatively answered the question of viability on the basis of sound growth prospects, lack of competition, and product market fit. The Business Model Canvas yielded a detailed outline of key processes within the business, such as value proposition, target customers, and key resources. Financial analysis of the venture confirmed viability with cost breakdown and a two-year cash flows statement.

Conclusion: Fig Cake Truffles is projected to successfully introduce the cake truffle to the United Kingdom. There is a large enough market to support the business goals, and the consumer demand aligns perfectly with what the cake truffle offers.



A Plan to Bring Cake Truffles to the United Kingdom

By: Megan E. Stookey

**With the help of Dr. Lyn Dart, Dr. Anne VanBeber, and Professor Michael Sherrod
Department of Nutritional Sciences and John V. Roach Honors College
Texas Christian University, Fort Wort, Texas.**

Table of Contents

Abstract.....	ii
Title/Logo	iii
Glossary of Terms.....	2
Introduction	3
Literature Review.....	5
Methods	10
Marketing Plans	11
Budget and Budget Justification	13
Discussion and Conclusion	17
Appendix A.....	18
Appendix B.....	19
References	28

Glossary of Terms

- **Cake Truffle:** hybrid pastry made of cake, plus icing, plus hard coating.
- **Hybrid Goods:** any food product that is a result of combining the attributes of two other food products.
- **Food Trucks:** trucks, vans, stalls, carts, or gazebos, which sell food in unique and usually outdoor locations.
- **Market Range:** how far a customer will travel for your good.
- **Market Threshold:** how many customers a business needs to support operations.
- **Overhead Costs:** all business costs related to day to day operations not involving inventory.
- **Pitch Fees:** fees paid to owners of land where food trucks desire to trade.
- **Product Market Fit:** how well a new product fits with the existing and future needs of a market.

Introduction

Abundance surrounds consumers making their food choices easy and the producer's ability to stand out extremely difficult. Even without this great selection, producers must compete against the desire for fast food and health related products; consumers are demanding more from those who produce their food. For this reason, I venture to bring the Cake Truffle to the United Kingdom (UK).

The Cake Truffle embodies countless characteristics that consumers are looking for in the baked goods they purchase. It fits with the trend of hybrid goods, which are baked or cooked food products created through the combination of two already existing product concepts, as well as with the consumer's desire to limit portion size and eliminate the need to count calories. The number of consumers actively monitoring healthy food intake has decreased 12% since 2013, and people are more interested in the quality and quantity of their products^{3,4,5}. For example, 91% of consumers in the UK listed quality as the most important factor in their purchase decisions^{3,4,5}. Following this, 17% more consumers, since 2013, are looking for products with no artificial ingredients^{3,4,5}. Fig's Cake Truffles are an easily adapted good due to their basic makeup; therefore, fat, artificial ingredients, and even allergens can and will be eliminated without altering the quality of the product, making them perfect for today's consumer.

The standard consumer in the UK is typically on-the-go, especially in the London market, due to the big city lifestyle. These consumers are seeking a product that is accessible and convenient, which is what Fig Cake Truffles (Fig) will provide with our mobile gazebos. Food trucks and stalls are quickly gaining a massive portion of the food service market and they're presence in this industry is only forecasted to grow. A food

stalls in Central or Inner London have a \$87.5 million share in the food truck market. Each portion of the market yields a large profit considering the low cost of start-up and maintenance of a non-permanent selling location. The market reach is also significantly increased due to the company's mobility across a variety of locations and demographics.

Overall, Fig Cake Balls provides the consumer with a low cost, accessible, health conscious, natural, delicious, and quality product for about a fourth of the cost of setting up a brick and mortar location. Fig is not only the consumer's answer, it is also the business owner's solution to issues of market range, storage, labor, utilities and so much more. This research project endeavored to prove these statements true, and ask whether or not Fig Cake Truffles are a viable business opportunity in the central London food truck market.

Literature Review

Amidst the slowing growth in the traditional restaurant market, food trucks are embarking on their seventh year of consistent growth totaling at 12.4% growth for all years combined¹⁰. These food trucks are anything from actual converted trucks, vans, buses, or cars, to wheeled carts, stands, or gazebos; each contributing to the unique market open to endless possibilities. The expansion of the food truck market is attributed to the ability of mobile eateries to make the connection between convenience and value¹¹. Today, people live fast paced lives, but they also crave food that is quality, flavorful, and held to standards of sanitation, which makes the food truck a perfect fit to cater to their culinary needs¹¹. Food trucks can be anywhere the people are, which eliminates the constraint of market range felt by brick and mortar eateries. In fact, 55% of all food truck business is done purely on streets and street corners². Since very little space is necessary for these trucks, their reach is exponentially larger than permanent operations; they can go to the people wherever the people are.

Food trucks are available to all people, but they tend to thrive in large cities with a concentration of young adults 25-35 years of age and parents with children at home². These customers tend to walk and use transit to get to work or activities, which make them most likely to stumble upon a food truck². This is the way 61% of consumers find food trucks they enjoy¹¹. Food trucks cater to the life of a city worker who is searching for some time outside of the office; time that includes good food and a vibrant atmosphere, they provide a break from the norm, a breath of fresh air. They also create the type of personalized experience customers are seeking out as they are exhausted by the disconnected and mainstream interactions they encounter on a daily basis. Being outside is

a fantastic way to level the chef with the customer; it tends to break down a lot of barriers present in a traditional restaurant setting⁷. All of the interactions from waiting to ordering to paying to cooking to eating, occur in the same space, which allows all parties to take ownership of the space and feel a very human connection to the vendors⁷. It allows these businessmen and women, or young families a way to feel a part of the city they inhabit⁷. Food trucks are tapping into a very vital part of the reason people dine out, the experience. People seek out food trucks because they want the convenience of having an average total transaction time of ~10 min, as well as the feeling of escape and adventure.

Consumers also expect mobile eateries to engage them and their friends, as they tend to be hyper-connected, as well as interested in sharing their experiences⁹. A staggering 72% of millennials are likely to share pictures of their food and drink, which provides a free marketing platform for food trucks with a social media presence¹¹. This plays into the most important factor that is driving the food truck industry: low overhead costs. The customers are willing to market for their favorite spots free of charge, which supplements the free social media presence the food trucks can establish prior to even hitting the streets.

This 1.2-billion-dollar industry is in constant profit growth, due to low overhead costs¹⁰. Each food truck in the US is averaging \$290,556 in revenue per year; with only \$85,000 in start-up costs, they are yielding profit in the first year¹⁰. Low starting costs partnered with an average profit margin of 50%, for a food truck, results in a significantly larger return on investment⁹. In order to ensure success of this emerging market companies like London Union are setting up to help direct new food truck owners towards business concepts and product development¹. Once the owner has all of the necessary

equipment and permitting, then their running costs include mainly food for resale and pitch fees; London Union provides spaces for these food trucks, along with their advice and assistance¹. To them, it is the start of a revolution that allows small business owners and restaurateurs to build their businesses from the ground up with no limits on their creativity¹. These tools can help bring about social change by giving opportunity to those with low capital and a passion for food¹. The food truck model is set up for profit; it just takes a bit of guidance to understand where your concept fits and how it should be tweaked to maximize revenue.

Food trucks bring gourmet to the streets. They supply customers with the delicious food they want with convenience and variety. It is an open market that has plenty of room for new entrants as it is constantly growing towards being a traditional way to eat in many of the big cities across the world. Ninety-one percent of consumers say food trucks are no passing fad, and are here to stay, which means the market is the perfect fit for those looking to think outside of the box and hit the streets⁵.

Though the food truck industry is booming and presents entrepreneurs with an easier way to get into the food industry, these chefs still need to have product market fit for their trucks to thrive. The cake truffle is a perfect fit for the changing climate in London. Not only are people's lives becoming faster paced, with 76% of consumers viewing availability as a main purchasing factor, but customers are beginning to focus more on establishing sustainable healthy eating habits. Overall people are less focused on actively monitoring food intake, only 30.7% of consumers in 2015 as opposed to the 42.8% in 2013 are counting calories on a daily basis^{3,4,5}. Rather, consumers are looking towards eating better foods that satisfy without regard to quantity, and allowing small indulgences. This is

where the cake truffle fits, it is the perfect small indulgence that is packed with the nutrients consumers are looking for.

Customers in the UK are starting to buy food based on quality of the product, instead of the quantity of calories. In 2015, 77% of consumers viewed no added fat and 27.2% viewed no trans fats as important purchasing factors, in addition 17.8% of consumers want protein in their foods^{3,4,5}. These percentages show the consumer's desire for products that are not only available, but also perceived as healthy. The method of making cake truffles allows for nutrient enhancements that do not affect the flavor and texture as they would in traditional baked goods. The texture of the cake is masked by the icing, therefore dryer less fatty products can be used with added protein, creating a dessert that is portion controlled and more nutritionally beneficial.

The anatomy of a cake truffle also yields itself to variety. There are three main parts to their construction, each open to a different flavor profile, which allows the chefs to create layers of amazing flavors in incredible variety. This variety further confirms the product market fit as 66% of UK consumers value variety of menus. Fig will also contribute to its variety by catering to those with dietary restrictions, since 11.4% of customers choose places based on how well they cater to food allergies^{3,4,5}. Overall, the menu appeals to all ages with basic and experimental flavors for any diet, which will contribute to the accessibility and appeal of the cake truffle.

Fig will produce a product in line with the main purchasing factors of today's consumer, in a market that is wide open to growth. With 3,495,622 consumers in London between the ages of 15-39, the market range of Fig reaches far more potential consumers than the market threshold requires^{3,4,5}. Only 1,969 food trucks are recorded as trading in

UK in 2015, some of which may be trading on a part time basis or in various cities outside of London^{3,4,5}. This leaves the food truck market unsaturated and welcoming to new entrants, due to the roughly 50 markets that occur weekly, where new and established traders can sell products and build up their customer base.

The Cake Truffle fits the food truck market, which is wanting innovation and sustained growth. Consumers are stepping outside the bounds of a traditional dining experience, and reeling in the open-air accessibility available to them through street food. The climate of the culinary world is changing and Fig will be an accessory to the continual growth and prosperity of the street food revolution with its product market fit and mobility.

Methods

This research utilized three main sources to reach results. These sources included the Ultimate FIT model (Appendix B), which is a series of questions formatted in categories addressing the target market, operations, and competition, I used this model to assess the viability of my venture. The Business Model Canvas was another resource I utilized to pivot the bakery concept towards the startup model of a food truck. This canvas is organized into nine sections, each addressing where the money is, and how you will get it into your pockets. To aid in filling out the canvas I took the Udacity course, How to Build a Startup, which ran through each of the nine sections of the canvas and broke down the thought processes behind filling out the information. Each of these resources were invaluable to the final creation of the business plan, providing incite, guidance, and checks to streamline the business model. The end result was a business model switch from a brick and mortar store front to a startup type food truck model, which reduced initial cost estimations and certain market range issues.

The research question of viability was tested using the Ultimate FIT model as a guideline. Upon completion of this model it was determines that the idea is viable and work may continue, however, answers in this model were based on initial assumptions. Next the Business Canvas (Appendix A) was filled out thoroughly under each category. This filled out model was then used during the Udacity class, where it was re-written multiple times to result in the final findings of the business model. Once all models and courses were completed, data was collected into 10 specific PowerPoint slides for summary and presentation.

Data resulting from this research contained a three-month cash flows statement, per the standard requirement for new business models; as well as a four-year pro forma cash flow statement, displaying a conservative estimated sales increase of 10% per month, reaching capacity at \$10, 781. Apart from cash an outline of kitchen supplies and licensing necessary to operations is provided as part of the budget. The licenses required include, food handler certification at levels 2 and 3, taken online, Employer's Liability Insurance (minimum 5 million), acquired from a private insurance agency, and Food Business Registration along with Street Trading licenses, both acquired via the local authority. Costs of all legal licensing are outlined in the budget section of this report.

The prototype cake truffle was tested through the period of time the business model was being formed. Multiple trials included reducing fats, sugars, and artificial ingredients; along with increasing protein. Each of these ingredients were isolated due to consumer research indicating their importance to purchasing decisions. The result is a Cake Truffle that provides the decadency of a sugary treat, with a nutrient dense composition.

Marketing Plans

Adequate marketing of the cake truffle is the key to its success. Social media such as Facebook, Instagram, and twitter will be used for free marketing platforms, as well as signage on the truck and gazebo for events. These marketing materials will depict various aspects of the cake truffle itself, including the fact that it is an increasingly healthy and nutritive option compared to similar desserts. The slogan associated with the cake truffle will be "One bite. Satisfied", which creates the understanding of indulgence and portion

control. Consumer trends are leaning towards diets that are more focused on quality rather than quantity, meaning they want what they want, but in sizes that are proportional to their health goals. Cake truffles satisfy this need, and the marketing materials will depict this ideal.

Budget and Budget Justification

3 Month Minimum Operating Expenses

3 Month Minimum Operating Expenses	Price
Licensing	\$120
Kitchen Rental and storage	\$720
Pitch Fees (x4/week)	\$3,600
Inventory	\$3,696
Square POS	2.57%/ per charge
Gas	\$1,200
Misc. Marketing Supplies	\$400
Employee Wage (27 hr/week)	\$2,592
Total Minimum 3 Month Operating Expenses	\$12,328
Balance of Starting Cash	\$32,738
Beginning Cash = Startup costs + 3 Months Operating Expenses + 12 months Living Expenses (\$1000/month)	

Fixed Cost Breakdown

Licensing	Price
Level 2 hygiene Certificate	\$25
Level 3 Hygiene Certificate	\$125
Employer's Liability Insurance	\$40/month
Food Business registration	Free
Street Trading License	\$50
Total Licensing	\$240

Startup Costs

Startup Costs	Price
Licensing	\$310
Initial Kitchen Set up and Display	\$700
Initial Inventory	\$154
Truck	\$7,000
Marketing	\$400
Total	\$8,564

Basic Kitchen Setup	Column1	Column2
Commercial Kitchen rental	\$30/week - \$90/week	Gumtree
Gazebo	\$40-\$90	Argos
Fold Out Tables (x2)	\$25	amazon
10 Sheet Pan rack (x2)	\$60	Lockhart Catering Equipment
Full Sheet Pans (x6)	\$5	Lockhart Catering Equipment
Half Sheet Pans (x6)	\$3.60	Lockhart Catering Equipment
Mixing Bowls x6	\$6-\$10	Lockhart Catering Equipment
Spatulas (x5)	\$4	Lockhart Catering Equipment
Total initial kitchen/display start up Budget	\$800	

Initial Inventory	Price/Cake Truffle	Sale Price
Vanilla Cake Balls (100)	\$0.24/cake truffle	sold for \$2.50
Chocolate Fudge Cake truffle (100)	\$0.30/cake truffle	Sold for \$2.50
Birthday Cake Truffle (100)	\$0.30/cake truffle	Sold for \$2.50
Red Velvet Cake Truffle (100)	\$0.30/cake truffle	Sold for \$2.50
Strawberry Lemon Cake truffle (100)	\$0.40/cake truffle	Sold for \$2.50
Total Starting Inventory	\$154	Sold for \$1,250

Sample Cake Truffle Raw Food Pricing

<u>Vanilla Cake:</u>	Price
eggs	0.44
butter	0.93
baking powder	0.09
salt	0.0034
sugar	0.78
All Purpose Flour	0.29
Vanilla Extract	0.04
heavy cream	0.55
total:	3.1234
<u>Vanilla Frosting:</u>	
icing Sugar	0.37
Butter	0.3
milk	0.04
vanilla extract	0.02
Total:	0.73
<u>Vanilla Coating:</u>	
	3.4
Vanilla Cake Ball Per Batch of 30:	7.2534
Vanilla Cake Ball Per Unit:	0.24
labor cost per unit	0.23
prices based on quotes from Nila Distributor in the UK	

Profitability Measures

	Year 1	Year2	Year 3
Cost of Goods Sold	\$28,074	\$36,763	\$36,763
Gross Profit Margin	\$62,486	\$81,828	\$81,828
Sales \$	\$90,560	\$118,591	\$118,591
ROI Estimates	-292%	762%	1831%
Break-Even Volume	23,200 units		
Break-Even as a % of Capacity	43%		
Net Time to Profitability	Month 21		
Net Time to Positive Cash Flow	Month 10		

A brief synopsis of the following Pro Forma Cash Flow Statement.

Pro Forma Cash Flow Statement 4 Years

MONTH	SALES	CGS	GROSS PROFIT	EXPENSES	PROFIT/ CASH FLOW	CUMULATIVE PROFIT	CASH BALANCE
X	0	0	0	0	0	0	32,738
-1	0	0	0	8,564	8,564	8,564	24,174
0	5,000	1,550	3,450	3,972	522	9,086	24,696
1	5,500	1,705	3,795	4,034	239	9,325	24,457
2	6,050	1,876	4,175	4,102	73	9,253	24,530
3	6,655	2,063	4,592	4,177	415	8,838	24,944
4	7,321	2,269	5,051	4,259	792	8,045	25,737
5	8,053	2,496	5,556	4,351	1,205	6,840	26,942
6	8,858	2,746	6,112	4,450	1,662	5,178	28,604
7	9,744	3,021	6,723	4,560	2,163	3,015	30,767
8	10,781	3,342	7,439	4,689	2,750	265	33,517
9	10,781	3,342	7,439	4,689	2,750	2,485	36,267
10	10,781	3,342	7,439	4,689	2,750	5,234	39,016
11	10,781	3,342	7,439	4,689	2,750	7,984	41,766
12	10,781	3,342	7,439	4,689	2,750	10,734	44,516
13	10,781	3,342	7,439	4,689	2,750	13,484	47,266
14	10,781	3,342	7,439	4,689	2,750	16,234	50,016
15	10,781	3,342	7,439	4,689	2,750	18,984	52,766
16	10,781	3,342	7,439	4,689	2,750	21,734	55,516
17	10,781	3,342	7,439	4,689	2,750	24,484	58,266
18	10,781	3,342	7,439	4,689	2,750	27,234	61,016
19	10,781	3,342	7,439	4,689	2,750	29,983	63,765
20	10,781	3,342	7,439	4,689	2,750	32,733	66,515
21	10,781	3,342	7,439	4,689	2,750	35,483	69,265
22	10,781	3,342	7,439	4,689	2,750	38,233	72,015
23	10,781	3,342	7,439	4,689	2,750	40,983	74,765
24	10,781	3,342	7,439	4,689	2,750	43,733	77,515
48	10,781	3,342	7,439	4,689	2,750	109,730	143,512

Discussion and Conclusion

The first step for Fig will be establishing operations, building brand recognition, and acquiring a strong client base amidst the food market circuit in London. However, the opportunities do not end here. Aside from the basic selling of cake truffles at markets, Fig will have an online presence for specialty orders and will do on-site catering for private and corporate events. The portability and decadency associated with cake truffles allows them to be the perfect dessert for a variety of events, which will increase sales without extra pitch fees, leading to an increase in profit margin. Our sights are set on growth and once business begins, sales will be analyzed to see what activities are producing the most profit. Those activities deemed most profitable will then be allotted the most time and resources to establish a pattern of maximum efficiency.

Growth for Fig is not only about the profit margin, instead our sights are set on adding a brick and mortar hub to the team. Roughly 45% of the food trucks started in the past three years have open their doors at a permanent location. They were given this opportunity by establishing a loyal customer base, who followed them to their new locations effectively removing the obstacle of location selection and even some of market reach. Therefore, without pulling totally off the streets, within three years Fig will be looking to put down roots as the next phase of growth, in order to have a home kitchen and a location that can reflect the personality of the business.

Appendix A










The Business Model Canvas

Designed for:

Designed by:

Date: / /

Iteration:

<p>Key Partners</p>  <p>Who are our Key Partners? Who are our key suppliers? Which Key Resources do we acquire from partners? Which Key Activities do partners perform?</p> <p><small>Key Partnerships: Strategic alliances, joint ventures, co-opetition, etc.</small></p>	<p>Key Activities</p>  <p>What Key Activities do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><small>Key Activities: Production, problem solving, platform maintenance, etc.</small></p>	<p>Value Propositions</p>  <p>What value do we deliver to the customer? Which one of our customer's problems are we helping to solve? What bundles of products and services are we offering to each Customer Segment? Which customer needs are we satisfying?</p> <p><small>Value Propositions: New, better, cheaper, etc.</small></p>	<p>Customer Relationships</p>  <p>What type of relationship does each of our Customer Segments expect us to establish and maintain with them? Which ones have we established? How are they integrated with the rest of our business model? How costly are they?</p> <p><small>Customer Relationships: Personal assistance, self-service, etc.</small></p>	<p>Customer Segments</p>  <p>For whom are we creating value? Who are our most important customers?</p> <p><small>Customer Segments: Mass, niche, etc.</small></p>
<p>Key Resources</p>  <p>What Key Resources do our Value Propositions require? Our Distribution Channels? Customer Relationships? Revenue Streams?</p> <p><small>Key Resources: Physical, intellectual, human, financial, etc.</small></p>		<p>Channels</p>  <p>Through which Channels do our Customer Segments want to be reached? How are we reaching them now? How are our Channels integrated? Which ones work best? Which ones are most cost-efficient? How are we integrating them with customer routines?</p> <p><small>Channels: Direct, indirect, etc.</small></p>		
<p>Cost Structure</p>  <p>What are the most important costs inherent in our business model? Which Key Resources are most expensive? Which Key Activities are most expensive?</p> <p><small>Cost Structure: Fixed, variable, etc.</small></p>			<p>Revenue Streams</p>  <p>For what value are our customers really willing to pay? For what do they currently pay? How are they currently paying? How would they prefer to pay? How much does each Revenue Stream contribute to overall revenues?</p> <p><small>Revenue Streams: One-time, recurring, etc.</small></p>	

Appendix B

Ultimate FIT Framework

Cake truffles provide consumers with the ability to indulge, but remain far from gluttony. Cake truffles contain all the richness of the most decadent dessert

Key Success Factors:

1. Effectively market both our product's reasonable and necessary place in the homes of our target market, as well as our status as the original cake truffle.
2. Consistency in production and creative innovation.
3. Keep raw food cost percentage low and create fresh products with a long shelf life to decrease labor hours and increase total contribution margin.

Customer's Needs and Desires:

1. What need are we filling?

- The craving for newness
- The need for a portion controlled sweet fix that you do not need to compromise for. (Decrease in sugar consumption over the past decade)
- Aesthetically pleasing cake, that is easy to consume in a public setting
- Giving the customer the perfect marriage of the rich decadence and sophistication of a truffle and the flavors available to cakes.
- We are elevating a dessert that is losing its appeal as anything more than something pretty.

2. How do they measure the benefit (their satisfaction)? What are the units of desire?

- They measure their satisfaction by units consumed

3. How accurately can customers judge the value of your product versus its cost?

What sense do they use?

- Overall, their taste will be guiding them. However, they won't really have anything, but real truffles to compare the CTs to. And real truffles are generally on the more expensive side, so they will be getting all of that decadence, with more variation for a cheaper price.
- Their main measure will be their senses of sight and taste. They have to look beautiful, but I also want them to function as a high quality dessert.

4. How Compelling is their need?

- Their need's ability to compel them will be reliant on hunger, cravings, and opportunity.
- The need to experience a new fad food may be compelling enough, but it will be the quality of the product that hooks them into needing it in the long term.

5. What is the cost of failure or the reward for success for the company and the individual making the decision?

- The cost of failure is loss of a dream and a significant source of finances, however, since the restaurant will be run from rented space (both kitchen

and retail) the result of a loss will not result in the need to sell extraordinary amounts of equipment or account for excess supplies left unused.

- The cake truffles will be made ahead on a needed basis from a rental commercial kitchen, meaning that going out of business would not result in losses incurred through appliance upkeep or leftover supplies.
 - Reward would be cracking into a niche market and catering to the wealthy in order to sell an incredibly cheap product for a posh price. There is very little overhead due to the nature of the cake truffle and the minimalistic garnish applied to them, which would result in maximum return, should they sell.
6. **How do the value and cost of your product affect the customer's margins?**
 - Discounts will be given based on quantity of cake truffles
 - ????
 7. **Will the customer buy the product once or many times?**
 - Both. The retail front will be located in a tourist hub; therefore, one stop traffic will be common. However, it will also reside within a social community who will be close enough and hooked enough to come in multiple times whilst shopping or going to the tube station.
 8. **How can you design a system to get timely and accurate feedback from customers?**
 - For deliveries, have a simple 2-3 question survey for them to fill out with the courier upon signing the invoice.
 - For in house purchases, provide incentives for feedback such as, buy one get one free, or a percentage off for feedback on a certain day of the week.
 - Host an evening event and provide cocktails and cake truffles for anonymous feedback.
 - All feedback would be kept anonymous with computerized surveys that clear upon submission.

Pricing: What will the Customer Pay?

1. **What price per unit should you charge?**
 - £2.50-£3 sale price
 - Raw cost of £0.24 per unit based on quoted pricing for a single batch recipe supplied by Nila distributor in the UK
2. **What substitutes are available to solve the same need?**
 - Cake pops are available, however, only by order, not by storefront.
 - Chocolate truffles and cupcakes may also be substituted, but both provide a completely different experience and aesthetic.
3. **How much is the Customer Paying for the substitute to satisfy the same unit of desire?**
 - £3-£6 for cake pops
 - £2.75-£3.15 for cupcakes
 - ~ £5.50 3 chocolate truffles
4. **What are the trade-offs for this substitute? How well does it satisfy the need? Is it more or less expensive?**
 - Trade-offs: chocolate truffles are not always suitable for occasions such as parties or tea. Cupcakes tend to be difficult to eat and transport, and they are

also substantially more filling. Cake pops lack the convenience of a local storefront, meaning to get them you have to plan ahead and order.

- They do not satisfy the need for a small bite of indulgence whilst out and about. Truffles are too rich, cupcakes are too messy, and cake pops are nowhere to be found. Cake truffles, however, are the perfect grab and go for the perfect bit of sweet you need.
 - Cake truffles are less expensive in their most basic form than the alternatives.
5. **Should you price high to “skim” or low to “penetrate”?**
- Low for basic cake truffles such as vanilla and chocolate, but have specialty flavors that skim providing a higher profit margin and attracting the customer’s attention through “limited times”.

Market Size and Demand Growth

1. **How many Potential Customers are there?**

- ¼ of cake buyers in the UK are interested in new forms of cake
- Experimentation has become a key trait to new bakeries, specifically in the form of hybrids targeted at the younger audiences
- Sales of baking products are up 67% from 2007

The Costs:

1. **What is the one task you must do over and over again to create and deliver “units of desire” for your customers?**

2. **Is your process fundamentally a customized process, job shop, or a continuous process? How much must you invest to build the capacity to produce the right volume of units?**

- The process is continual, but requires very little prep time beyond the initial start up. Most ingredients can be chilled and stored for later use. Cake truffles also keep well in the refrigerator for 1 week.
- Raw materials cost for a single flavor is \$72.53/ 400 cake truffles at a per unit cost of \$0.24, sold at \$2.50 per unit. Resulting in a margin of \$2.26 per unit.
- Kitchen rental space \$1,121.50/month

3. **What are the variable costs per unit to produce and deliver each unit?**

- Specialty items for various flavors (fruit, garnish, alcohol, flavorings)
- Gas for delivery vehicle (if kitchen is offsite)
- Amount of labor needed per flavor (employees paid hourly)
- Utilities used in making the individual batches (cake, icing, coating, and garnish)

4. **What are the fixed costs per period of time?**

- Rent/building payments
- Certifications/licenses
- Employee salaries

5. **What are the fixed and variable costs to attract customers? What is the average cost per sale?**

- Initial attraction will come from the store front itself, and advertising with displays

- Extensive marketing will be first do through contacting various free services such as bloggers, magazines, Facebook, and Instagram
6. **How does the total cost per unit change with volume?**
- Cost per unit changes only with supplies needed and labor cost. Variable utility costs also partially included.
 - However, if volume needs to increase then batch size can simply increase, which would not necessarily increase all utility costs.

Competition:

1. **Which of the 5 competitive forces is most powerful? Why?**
 - Substitutes.
 - The market for baked goods is huge, there is variety beyond belief and “fad” foods attract copycats who want to tap into that profit sector.
 - I have to make people want my product, not a cookie, not a scone, not a piece of cake; they need to want my cake truffle.
 - People are provided with plenty of substitutes, so my product needs to stand out as a new entrant.
2. **How will this affect your margins? How quickly will it do so?**
 - Depending on where a substitute is provided, it could pull customers from locations who would have otherwise traveled to my store.
 - Depending on how expensive the substitute is it could pull from my margins
3. **What actions can you take to neutralize their power?**
 - Innovation
 - Definition as “original”
 - Competitive pricing, that does not change with increased substitution but remains the same to preserve a dedicated customer base.
4. **What does each barrier cost?**
 - These barriers cost little to nothing.
 - Innovation has a mere cost of time and thought
 - Marketing will already be in place, but this marketing will be directed at barring substitutes.
5. **How long will this allow you to maintain margins?**
 - Substitutes may only pull from non-local customers
 - Pricing will remain competitive, which will maintain margins on a constant basis
 - The localized nature of the business, as well as the “original” status will maintain margins against substitutes for the amount of time it takes for substitutes to enter the proximity.

The Context

1. **What trends in consumer demographics or tastes could affect demand from your customers?**
 - Demographically, the shop needs to be located in a majority Caucasian British area, preferably frequented by tourists. This is because it fits with the culture of the British Caucasian and middle to upper class events, such as afternoon tea, luncheons, large bridal or baby showers, and various other

events that are not as relevant in other cultures. This type of dessert is also less prevalent in other cultures and may not appeal to those populations. For tourists, if the cake truffle becomes a commodity, it will be a designated stop for visitors, thus it needs to be easily accessible and marketed as a novelty.

- Tastes worldwide, but specifically in the UK are turning towards innovative flavor combinations and hybrid products. Hybrids are products that merge to individual baked goods into a new one, such as the cronut (croissant and donut).
- Convenience is another trend arising in consumers, and nothing could be more convenient than a dessert that turns the decadency of cake into a small two-bite ball, that not only satisfies your sweet tooth, but also your desire for crunch complemented by smooth insides.

2. What trends in raw-material costs or technology could change your cost of production?

- As for raw material costs, due to the Great British Bake-off, raw supplies for bakers have been on the decline in the UK. However, in parts of the year when the show is not running flour can have a steady increase. The consumption and production of flour is increasing since 2013, reducing costs and increasing customer base.
- Sugar would also be a material of concern, because if those prices fluctuate it would throw off our products.

3. What new substitutes could affect your business?

- I am aiming at innovation that caters to the demands of a saturated market as well as the demands of the customer for diet friendly options and convenience. That being said, there are a lot of products that can appear to challenge that, but that is the nature of the industry and the key is constant innovation and “original” status.

4. Is the Economy Strong or weak? How could a change specifically affect your business?

- He less discretionary cash people have the less they spend on items of indulgence. Luckily, the economy is doing well currently and people are accumulating more cash for leisure and pleasure.
- I plan to combat the economic cycle of boom and bust by establishing the cake truffle as something that is worth the small amount it costs. It packs indulgence and experience into one small dessert that is also portable. People will think of it as less of a luxury and more of a must have.

Judging the Attractiveness of the Opportunity

1. How Many Customers will you attract?

- Though the exact number is unknown, I am anticipating roughly 400 cake truffles to sell a day. I am looking at purchasing a venue in an area of heavy local and tourist traffic. The locals will come for the fad and then because they like it. The tourists will come for the “original” as well as the convenience.

2. **How many items will each customer buy, and over what period of time?**
 - The store will open at 11 and close at 9 on weekdays and 11 on weekends. During that period of time each customer could purchase from 1 to 10 or 20 cake truffles depending on their need. Passer-bys are expected to purchase 1-2 pcs. While special orders can be in the 100's. I am at establishing the cake truffle as a part of afternoon tea, therefore I expect an influx around 3-4pm for sales.
3. **How do you expect prices and unit volume to change over time?**
 - As every aspiring business owner hopes, I am looking at volume increasing as we become more established and our marketing does its work. I want to keep the price the same for static menu items, but prices may increase based on the level of complexity in items on the seasonal menus.
4. **How much money do you have to invest to build the capacity to produce the "right" number of units?**
 - There are two options for production and sale. The first is to purchase a space that has the capacity for both retail and production all in one. This is the most desirable of the two options because it streamlines the chain of resources, however, it is costly because it requires us to purchase kitchen, retail, dining, and storage equipment. Option two cuts out the need to purchase materials other than retail and dining, but adds transportation costs and issues into the mix.
 - Depending on the vicinity in London and its proximity to areas frequented by tourists and locals equally, it could be harder to fine an all-in-one space; therefore location and a close proximity to the target market would override the transportation risks and costs.
 - The exact number necessary to begin operation and production of the right amount of product is currently undetermined, however, costs are largely dependent on setting up shop and labor hours, more so than on raw materials.
5. **What are the fixed costs per unit?**
 - \$0.24
6. **Given the volumes you expect, what is the total cost per unit?**
 - To turn enough profit to cover fixed and variable costs while producing a profit the price per truffle for items on the static menu would be £2.50, however, seasonal or experimental products will be priced based on increased raw food cost per item.
7. **What are the variable costs involved?**
 - Raw food cost
 - Paper cups (to hold the truffles)
 - Electricity
 - Labor hours
8. **How do inventories increase with sales?**
 - As sales increase so will the inventories of certain items. Flour, butter, sugar, coco, and other staple items will be filled on a regular basis regardless of

sales, however, order frequency may increase. Our inventory of final products will increase if sales increase because I do not want to lose any customers from lack of insufficient forecasting.

9. How do accounts receivable increase with sales?

- My product will not be sold on credit, so accounts receivable will remain at zero throughout all periods. Even if orders are submitted for future pickup, payment will be taken at the time of order placement.

10. What amount of capital expenditure is required to create and maintain capacity?

- Kitchen Equipment: ~\$27,486
- Average rent per annum: £40,000
- Estimated Raw food cost: ~\$711.48/week, \$37,000/yr

11. How many units do you have to sell per period to cover your overhead?

- Per week: ~308, assuming rent is £770 per week

2nd Element: The People

Does the opportunity match you?

1. Do your best skills fit with the KSFs?

- My understanding of baked good production and experience in the area allows me to best control costs and recognize where more can be spent to maintain quality and innovation.
- Since the cake truffle and this whole store is my idea I have a well-rounded picture of what elements to market and where they need to be marketed. I have lived in London and experienced the various populations that fill each neighborhood, so I recognize target-marketing areas that will be most beneficial to our cause.

2. Is there anyone else who would be better suited to capitalize on this opportunity?

- Yes, I'm sure people with more experience and greater access to capital would be able to get this up and running quicker than I will be able to, but they would lack the understanding of both the marketing vision and the strong emphasis on how the cake truffle benefits the operation through extended shelf life and extremely low food cost percentage.

3. Are the risk and reward trade-offs comfortable, and do they fit your personality?

- The risk is minimal, especially if an off-site industrial kitchen is rented for production, because the sunk cost will only include the low rent and retail space layout. With low fixed and variable costs to cover the trade-off here is very comfortable.
- On the other hand, if I decide on a space with combined kitchen and retail areas, then the risk increases due to increased sunk cost. I am still fairly comfortable this trade-off, but the payback period on the original investment will be considerably longer.

4. What happens if you fail?

- Liquidation of assets, and a return to previous career for payment of debts incurred.
5. **Does this opportunity advance you towards your lifelong goals?**
- I have always wanted to be my own boss, and innovate under my own vision, so yes this opportunity would advance me towards life-long goals.

Do you have the right people?

To be determined at a later date

3rd Element: The Deal

1. **What is your Burn Rate?**
 - Raw food per month: \$3,083
 - Labor Per month: \$3,905
 - **Burn Rate: \$6,988**
 - **CM = .67** (based on 200 sales per day over the period of a month)
2. **What is the least amount of cash needed to launch the venture?**
 - Raw food cost for 2 months: ~\$6,166
 - £4,259
 - Initial Rent for 2 months: ~\$10,068
 - £6,952
 - Kitchen equipment: \$27,486
 - £18,981
 - Retail Space outfit: ~\$25,000
 - £17,264
 - Labor cost 2 months: ~\$7,809
 - £5393
 - **Total Estimated Cost: \$76,529/£52,850**
3. **Have you tried to borrow or rent assets that are not critical as barriers to competition?**
 - Yes, if investments are amounting to less than the required amount I will rent a commercial kitchen to avoid the initial sunk cost and reduce cash needed to start the business.
4. **Who gets the first cash out?**
 - The employees, landlord, suppliers. Investors will be returned their investment slowly in order to relieve outside pressures.
5. **Is there a preferred return?**
 - £30,000

4th Element: Systems

1. **Have you identified "Bridge out" signs to warn you when it might be time to revise your strategy?**
 - If sales are dramatically low in comparison to estimates, changes will be necessary.
 - If quality control is not maintained strategies should be reexamined.
 - If supply continually falls short of demand, hours and batch size will require adjustment.

2. Is it clear how the current business will scale?

- Generally, yes it is clear. The whole idea of this opportunity centers around a product that is shelf stable and made with reduced man hours. Therefore, scale will be dependent on demand, which is expected to be high in the areas of foot traffic and special orders.
- The scale will generally be one store with a possible off-site kitchen, but that is the largest operation I am looking at managing

3. Levers of control?

- Codified and outlined in the following business plan/prospectus

References

1. Cumming, Ed. "UK Street Food Markets Take on the World." *The Telegraph*. Telegraph Media Group, 25 July 2015. Web. 27 Nov. 2016. <<http://www.telegraph.co.uk/foodanddrink/foodanddrinknews/11757743/UK-street-food-markets-take-on-the-world.html>>.
2. Ehrlich, Theresa. "Mobile Food Vendors." *SBDC Net*. SBDCNet News Magazine, n.d. Web. 27 Nov. 2016. <<http://www.sbdnet.org/small-business-research-reports/sbdnet-connections-issue-55-mobile-food-vendors>>.
3. James, Georgia. "The Best British Street Food Trends For 2015." *The Huffington Post*. The Huffington Post, 17 Feb. 2015. Web. 27 Nov. 2016. <http://www.huffingtonpost.co.uk/2015/02/17/british-street-food-trends_n_6575720.html>.
4. Johnson, Richard. "Our Survey Says." *British Street Food*. N.p., n.d. Web. 27 Nov. 2016. <<http://britishstreetfood.co.uk/2014/05/our-survey-says/>>.
5. Kraus, Elizabeth. "10 Marketing Ideas for Food Trucks and Other Mobile Business Models [Infographic] - DB Squared." *DB Squared Business Finance*. DB Squared Business Finance, 20 Aug. 2015. Web. 27 Nov. 2016. <<https://www.dbsquaredinc.com/marketing-ideas-for-food-trucks-infographic/>>.
6. Myrick, Richard. "2015 Food Truck Industry Statistics Show Worth Of 1.2B." *Mobile Cuisine*. N.p., 22 Sept. 2015. Web. 27 Nov. 2016. <<http://mobile-cuisine.com/trends/2015-food-truck-industry-statistics-show-worth-of-1-2b/>>.
7. Darren Tristano, Technomic. "Food Trucks on a Roll in the U.K." *Technomic Blog*. N.p., 22 Aug. 2012. Web. 27 Nov. 2016. <<https://blogs.technomic.com/food-trucks-on-a-roll/>>.
8. "2016 Food Trends." *Global Food Forums* ®. Global Food Forums, 20 Nov. 2016. Web. 27 Nov. 2016. <<http://www.globalfoodforums.com/food-news-bites/2016-food-trends/>>.
9. Euromonitor. (2011, February). Global Consumer Trends Survey. Retrieved from <http://portal.euromonitor.com.ezproxy.tcu.edu/portal/statistics/tab>
10. Euromonitor. (2013, February). Global Consumer Trends Survey. Retrieved from <http://portal.euromonitor.com.ezproxy.tcu.edu/portal/statistics/tab>
11. Euromonitor. (2015, February). Global Consumer Trends Survey. Retrieved from <http://portal.euromonitor.com.ezproxy.tcu.edu/portal/statistics/tab>
12. "How to Start a Mobile Street Food Business." *NCASS*. National Caterers Association, n.d. Web. 07 Dec. 2016.
13. "Population, Total." *The World Bank*. The World Bank Group, n.d. Web. 07 Dec. 2016.
14. Platt, Ryan. "How to Start a Street Food Business | Startups.co.uk: Starting a Business Advice and Business Ideas." *Startups*. Startups, 23 Feb. 2014. Web. 07 Dec. 2016.
15. The Business Model Canvas. nonlinearthinking.typepad.com, July 05, 2008. Accessed Feb 25, 2016.