

# Cafe Bistro Coffeehouse Business Plan

The Watertower

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## **Executive Summary**

### **1.0 Executive Summary**

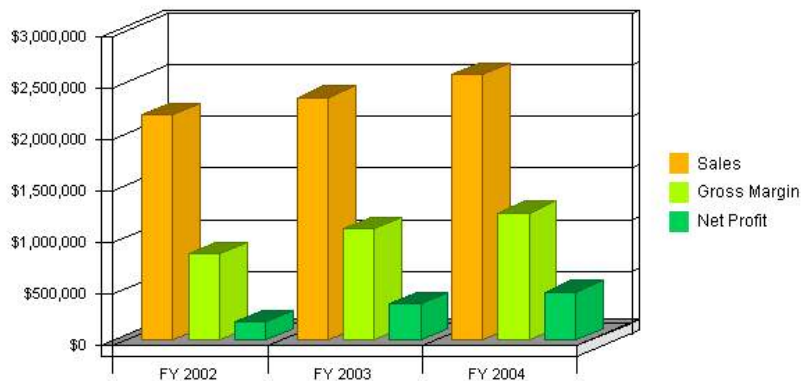
The Watertower is a full-service restaurant/cafe located in the Sweet Auburn District of Atlanta. The restaurant features a full menu of moderately priced "comfort" food influenced by African and French cooking traditions, but based upon time honored recipes from around the world. The cafe section of The Watertower features a coffeehouse with a dessert bar, magazines, and space for live performers.

The Watertower will be owned and operated by The Watertower LLC, a Georgia limited liability corporation managed by David N. Patton IV, a resident of the Empowerment Zone. The members of the LLC are David N. Patton IV (80%) and the Historic District Development Corporation (20%).

This business plan offers financial institutions an opportunity to review our vision and strategic focus. It also provides a step-by-step plan for the business start-up, establishing favorable sales numbers, gross margin, and profitability.

This plan includes chapters on the company, products and services, market focus, action plans and forecasts, management team, and financial plan.

## Highlights



### 1.1 Objectives

1. Sales approaching and surpassing \$1.9 million by the end of the first year.
2. Targeting and maintaining a net profit of at least 14% by the second year.
3. To cultivate monthly sales to reach \$167,000 by the end of the fourth month of operation, and \$220,000 monthly by the end of the first year of operation.

### 1.2 Mission

The Watertower concept is built upon the success stories of Atlanta's many casual dining and coffeehouse venues. Located in the Sweet Auburn District of Atlanta adjacent to the Studioplex on Auburn residential loft development, The Watertower will provide accessible and affordable high quality food, coffee-based products, and entertainment to the thousands of residents and hotel visitors located within a five-mile radius. In time, The Watertower will establish itself as a "destination" of choice to the many residents of the greater Atlanta metropolitan area, as well as numerous out-of-town visitors.

The establishment will provide a "complete, high-quality" evening experience for those searching for something that is rapidly becoming popular among Atlanta diners. Not only will patrons be able to dine on "comfort" food based upon time honored recipes from the world over, they will do so in a facility containing ample patio space for a favorite pastime of Atlanta's residents: alfresco dining. Patrons will also have the option of enjoying coffee, desserts, and live entertainment in The Watertower's coffeehouse or, a relaxed game of bocci in the gardens located adjacent to the patio space.

The cafe's aim is simple. It will provide a completely sophisticated, sensual, yet casual dining and/or coffeehouse experience for the many Atlantans and visitors who frequent the city's casual dining spots and entertainment venues. It will be an affordable venture for patrons, one that will encourage them to return on many occasions. The menu will feature hearty fare of the type that is frequently out of the reach of the typical young professional...out of reach because time frequently prevents her/him from cooking hearty meals like those featured on our menu.

Finally, and quite significantly, The Watertower will provide a much needed neighborhood-based retail food operation that is currently unavailable to the southern end of Atlanta's Old Fourth Ward neighborhood. Not only is it projected that the business will generate 21 new jobs, the partnership responsible for creating The Watertower will generate additional revenue specifically dedicated to assisting the Historic District Development Corporation in its efforts to bring affordable housing, new jobs, and commercial activity to the Old Fourth Ward.

### **1.3 Keys to Success**

The keys to success in this business are:

1. **Product quality:** Food, coffee-based beverages, and entertainment are our products. They must be of the high quality and value.
2. **Service:** Our patrons are paying to have a good time. Their experience will suffer if service is not of the highest caliber. Each member of the staff will be courteous, efficient, and attentive.
3. **Marketing:** We will need to target our audience early and often. While the business is located in a central and accessible location, many people will have to be re-introduced to the neighborhood surrounding the Martin Luther King National Historic Site and Auburn Avenue.
4. **Management:** We will need to have a firm grasp on food, beverage, and labor costs. The dining/entertainment/coffeehouse experience must be delivered in a fashion that will not only inspire repeat business, but encourage word-of-mouth recommendations to others. Proper inventory, employee management, and quality control is key.

## **Company Summary**

### **2.0 Company Summary**

The Watertower is a bistro and coffeehouse facility located in a renovated house immediately adjacent to the Studioplex on Auburn residential loft development. The Watertower derives its name from an historic 200+ foot tall watertower located on the grounds of the restaurant, and immediately across the street from the main entrance of the Studioplex facility. Architecturally, this watertower will serve as a beacon/locator for our facility as it towers over the southern end of the Old Fourth Ward neighborhood and the eastern end of the Sweet Auburn residential and business district.

The facility is bordered by Auburn Avenue to the south and Irwin Street to the north. Residential live/work townhouses are planned for construction across the street from, and adjacent to, The Watertower on Irwin Street.

### **2.1 Company Ownership**

The Watertower is a privately held limited liability corporation wholly owned by David N. Patton IV(80%) and the Historic District Development Corporation (20%).

## 2.2 Start-up Summary

The start-up costs for The Watertower cafe can be found in the chart and table below.

Since the business property is located in an enterprise zone, property taxes on the property are abated for the initial years covered by the business plan. The owner/general manager will be responsible for maintaining insurance that will cover the loss of the building and all of its contents, as well as insurance covering business interruption and death or injury to himself.

### Start-up

Start-up	
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Requirements	
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Start-up Expenses	
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Legal	\$2,000
Stationery etc.	\$500
Brochures	\$500
Consultants	\$1,500
Insurance	\$1,745
Debt Service	\$5,000
Licenses/Tax/Deposits	\$12,000
Expensed Equipment	\$36,600
Employee/Payroll	\$26,834
Accounting	\$1,000
Soft Opening Expense	\$4,000
Grand Opening Advertising	\$3,000
Misc. Expenses	\$2,000
<b>Total Start-up Expenses</b>	<b>\$96,679</b>

Start-up Assets	
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Cash Required	\$100,000
Start-up Inventory	\$61,157
Other Current Assets	\$0

Long-term Assets	\$595,040
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<b>Total Assets</b>	<b>\$756,197</b>
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<b>Total Requirements</b>	<b>\$852,876</b>
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### Start-up Funding

Start-up Funding	
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Start-up Expenses to Fund	\$96,679
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Start-up Assets to Fund	\$756,197
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<b>Total Funding Required</b>	<b>\$852,876</b>
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Assets	
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Non-cash Assets from Start-up	\$656,197
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Cash Requirements from Start-up	\$100,000
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$100,000
Total Assets	\$756,197

Liabilities and Capital	
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Liabilities	
Current Borrowing	\$29,850
Long-term Liabilities	\$695,399
Accounts Payable (Outstanding Bills)	\$29,627
Other Current Liabilities (interest-free)	\$0
Total Liabilities	\$754,876

Capital	
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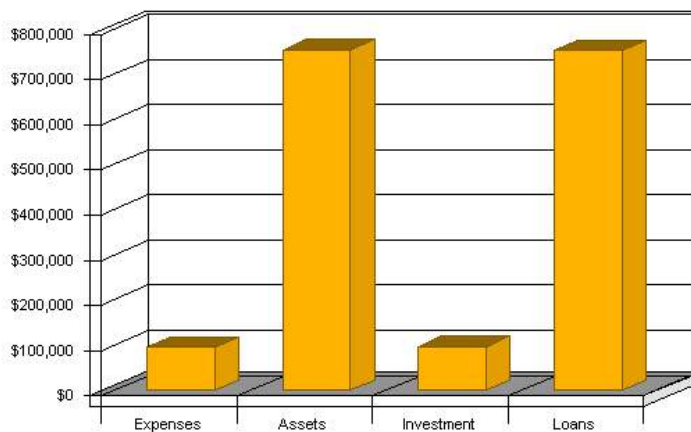
Planned Investment	
Investor 1 (Home Equity/Pre-develop. Invest)	\$64,000
Investor 2 (Pre-development Investment)	\$34,000
Other	\$0
Additional Investment Requirement	\$0
Total Planned Investment	\$98,000

Loss at Start-up (Start-up Expenses)	(\$96,679)
Total Capital	\$1,321

Total Capital and Liabilities	\$756,197
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Total Funding	\$852,876
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**Start-up**



### **2.3 Company Locations and Facilities**

The Watertower will be located in a newly renovated facility designed by the architectural firm of Richard Rauh & Associates, Atlanta, GA.

The facility will be divided equally between the cafe/restaurant function and the coffeehouse/entertainment function. The restaurant will feature dining room seating for approximately 100 patrons and flexible indoor/outdoor patio seating for an additional 40 patrons. The cafe/coffeehouse will provide a full-service dine-in and carry-out coffee-based beverages, as well as a dessert bar. The coffeehouse/cafe portion of the business will also contain a full-service bar, a small entertainment stage, and niche magazines and newspapers available for purchase. The coffeehouse will maintain ample indoor/outdoor seating under a covered patio space shared with the restaurant.

The facility's perimeter will feature a simple garden and bocci courts which will provide comfortable waiting areas during the warm weather months.

Finally, an historic 200+ foot watertower forms the centerpiece of the grounds immediately adjacent to the proposed business. This watertower, constructed in 1906, features extraordinary cathedral-like interior space. It is our hope that our construction plans will support dramatic lighting of the tower after sundown, creating a rather visible nighttime landmark for northeast Atlanta.

## **Products**

### **3.0 Products**

The Watertower is a cafe/restaurant/coffeehouse venue that sells moderately-priced food to an upscale casual dining market. The venue features brewed coffee and espresso-based beverages, granita ices, fruit smoothies and juices, and other beverages typically associated with a coffee shop. A dessert bar will serve a range of freshly prepared desserts, as well as baked goods associated with breakfast.

Luncheon offerings contain both carry-out and dine-in menu selections, while evening hours will accommodate full-service dining and Spanish tapas (appetizer) service, a full-service bar and light, weekend, live entertainment.

Reflecting a target niche market, a limited selection of out-of-town newspapers, as well as art, architecture, cinema, design and lifestyle magazines will be sold. Additionally, the venue will feature art and products made by Studioplex artists, providing a cross-selling opportunity.

### **3.1 Product Description**

The Watertower's menu will feature a selection of pan-ethnic dishes influenced by African and French cooking traditions. Whether South American, Caribbean, Mediterranean or African-American, the menu items will have an identifiable African origin and/or influence.

Generally, the dishes will offer variations on "country" cooking themes. Braised and smoked meats and poultry, seafood, and vegetarian offerings will change seasonally.

Dinner items will only be available in the dining room section of the establishment. Standard appetizer/tapas offerings will be available in the coffee shop and patio area through the late evening.

Specialty coffees, espresso-based drinks, desserts and pastries, and light sandwiches will be available in the coffee shop.

Niche-magazines and newspapers will be readily available for purchase by the venue's patrons.

Musical offerings will span jazz, Latin, and urban musical traditions. The performance space will also offer ample opportunities for space for an artist, poet, reader, etc. When not in use as a stage, the space will double as a customer seating area with tables and chairs.

### **3.2 Competitive Comparison**

The Watertower's closest competitors (relative to location) are Virginia's (Inman Park), Sotto Sotto (Inman Park), The Roman Lily, and Thumb's Up Diner (Old Fourth Ward), Cabbagetown Grill (Cabbagetown), Eureka (Cabbagetown).

Virginia's, The Roman Lily, Cabbagetown Grill, and Eureka feature fairly similarly priced menus and menu offerings with a notable traditional American southern influence. The Roman Lily is notably more "downscale" from Eureka and Cabbagetown Grill. Virginia's decor and menu offerings strikes squarely in between downscale casual and upscale casual. Sotto Sotto is an upscale casual dining establishment featuring finer northern Italian cuisine (the restaurant is currently undergoing a significant expansion).

None of these establishments features a traditional coffeehouse atmosphere or live or recorded evening entertainment.

Relative to the location of these establishments, The Watertower is centrally geographically located. It's location will easily allow for patrons from these other establishments to finish an evening with dessert, coffee, drinks, and/or dancing.

### **3.3 Sales Literature**

A sample copy of a menu to be featured at The Watertower is attached in an appendix at the end of this document.

*\*\*Some supplemental materials are not available for this sample plan.*

### **3.4 Sourcing**

The Watertower will buy from a select group of Atlanta restaurant suppliers and liquor distributors. Direct sales relationships will also be established with fresh produce, meat, and seafood distributors based at the Sweet Auburn Curb Market. Negotiations are also underway to establish direct relationships with seafood suppliers on the Florida Gulf coast.

The cafe will receive substantial discounts from artists and artisans participating in the manufacture of signature pieces of dinnerware, furniture, lighting, and sculpture to be featured at The Watertower. As part of a marketing agreement with Studioplex merchants, the business will prominently feature their products in exchange for these discounted fixtures and equipment.

### **3.5 Technology**

The Watertower logo is protected by federal trademark laws. All of our menu creations will not necessarily have the same protections, however, when possible, popular "trade-names" will be

protected. The business of The Watertower is not dependent upon process technology or patentable inventions.

### **3.6 Future Products**

While The Watertower will initially focus upon the dining, coffeehouse, and entertainment functions located on the immediate grounds of the establishment, future expansion efforts will focus upon providing full-scale catering for Studioplex events as well as other off-site venues. The Watertower's owner has established relationships with Atlanta law firms and Emory University, these institutions offer many opportunities for catering/special event service.

## ***Market Analysis Summary***

### **4.0 Market Analysis Summary**

The casual dining/full service restaurant market is a \$100+ billion industry in the United States, with annual increases in revenue outpacing 5% yearly. More and more people are choosing to eat out. One of the most common reasons cited by restaurateurs and industry associations is that women have joined the workforce in record numbers. In fact, from 1955 to 1995, the dollars spent for food away from home rose by almost 20%, coinciding with the number of women entering the work force. With two income earners per household, neither person may have time to fix meals. Since the 1950s, commercial food service sales have continued to rise as more and more people find that eating away from home suits their lifestyles.

Specialty coffee is a \$5+ billion per year industry in the United States, and has grown at a rate in excess of 20% per year in the last decade. That sustained growth is expected into this decade according to the Specialty Coffee Association of America.

Atlanta in the mid-1990s had only a handful of specialty coffee retailers: San Francisco Roasters, Cafe Diem, Cafe Intermezzo, Aurora Coffee, J. Martinez, and others. Now, coffee roasters, shops, and suppliers take more than two full pages in the Yellow Pages. Starbucks announced last year that it expects to open 600 additional stores in 2000.

### **4.1 Market Segmentation**

A restaurant/coffeehouse would provide one of the best food and beverage opportunities for the more than 500,000 annual visitors to the Martin Luther King Historic District.

Location is close to employment centers or within retail corridor.

Studioplex patrons and residents will provide primary support; secondary support will come from area residents and hotel visitors/conventioners.

Cross-selling opportunities exist with coffee beverages and magazines.

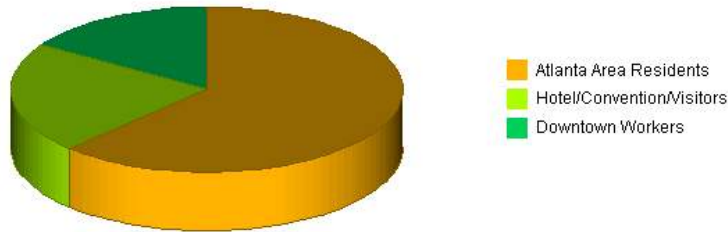
The coffee shop and the magazines sold there will be positioned to fill a niche demand for people interested in art, architecture, design photography, and home and garden pursuits.

Target market audience is a mix of Studioplex residents, artists, patrons, intown residents, downtown hotel visitors/conventioners, and workers.

The immediate market area is within a four-mile radius of The Watertower and Studioplex and includes the neighborhoods of Sweet Auburn, Fairlie Poplar, Downtown, Grant Park, Inman Park,

Poncey Highlands, Virginia Highland, Little Five Points, Lake Claire, Midtown, East Atlanta, Candler Park, Morningside, Cabbagetown, Druid Hills, and adjacent neighborhoods.

**Market Analysis (Pie)**



**Market Analysis**

Market Analysis		2002	2003	2004	2005	
Potential Customers	Growth					CAGR
Atlanta Area Residents	10%	100,725	110,798	121,878	134,066	10.00%
Hotel/Convention/Visitors	15%	36,915	42,452	48,820	56,143	15.00%
Downtown Workers	20%	28,020	33,624	40,349	48,419	20.00%
Total	12.87%	165,660	186,874	211,047	238,628	12.87%

**4.2 Target Market Segment Strategy**

The Watertower will appeal to urban professionals residing in the targeted intown neighborhoods, the many downtown hotel visitors/conventioners, and workers who desire a sophisticated yet casual eating, coffeehouse entertainment experience. The business will also meet an under-served need for a pedestrian-friendly dining/coffeehouse establishment for the numerous residents in the area, particularly newcomers to the immediate area.

Members of this market segment dine out frequently, approximately three times or more per week. The market segment is largely made up of singles between the ages of 25 and 40, married couples in the same age bracket without children, graduate and professional students attending area universities, tourists, and conventioners.

**4.2.1 Market Needs**

Our customer's dining and entertainment needs are critical to the success of The Watertower. As a supplier of a full-service dining experience, The Watertower must appeal to people who are interested in integrating our type of cuisine regularly into their dining/food purchase experiences. Moreover, we must also appeal to those customers who regularly take advantage of Atlanta's coffeehouse and/or evening entertainment scene.

Our customers are well educated and interested in partaking of new experiences. Keeping the menu and the entertainment offerings "fresh" will remain a constant challenge to the business. Segments of the target market tend to dine out, visit coffee shops, and seek evening entertainment frequently. They tend to choose comfortable, affordable venues, and repeat appearances at places that offer familiar scenery with new twists.

#### **4.2.2 Market Trends**

Atlanta is experiencing a trend toward the creation of evening dining/entertainment venues. They are popular and gaining more recognition. Evidence of this is found in local news and magazine coverage. These venues are finding new homes in the areas close to and/or adjacent to downtown.

The city's burgeoning music scene is growing and in need of more venues to accommodate the mainstream jazz, acid jazz, Latin, and live dance music artists that are choosing Atlanta as home for their production efforts.

The market opportunity for coffee shop establishments has never been better in this area of Atlanta. The immediate area surrounding the business venue is undergoing a building renaissance as many residents chose to move into or return to the inner city.

#### **4.2.3 Market Growth**

Intown Atlanta is currently in the middle of a building and population explosion. Young singles and couples are choosing to reject long commutes in favor of living closer to their work and recreational venues. With the extra time that comes from being in a vibrant growing city with an active nightlife, intown neighborhoods that were formerly dotted with a limited number of night spots have seen their neighborhoods burgeon with new venues.

The section of Midtown Atlanta along 10th Street near Peachtree Street and Piedmont Avenue has experienced remarkable growth in its nightlife scene. After a devastating demolition in the mid 1980s of buildings located in and around this area to make way for a mall that was never built, the area is featuring a resurgence. The development is rapidly moving south along Juniper Street and Peachtree Street.

As the area's population increases and the frustration with Buckhead congestion grows, people are opting for dining, coffeehouse, and entertainment venues closer to and in Downtown Atlanta.

### **4.3 Industry Analysis**

The restaurants and coffeehouses that make up the community of establishments in the area surrounding The Watertower are quite diverse. Their concepts range from typical fast food/chain venues to expensive fine dining establishments. However, the predominating nature of the immediately surrounding restaurants and coffee shops is casual/upscale.

#### **4.3.1 Industry Participants**

Establishments which combine dining and entertainment functions are a smaller segment of the overall, Downtown, Midtown, Virginia Highland, Little Five Points dining market. There are approximately five venues that combine these functions and are regularly recognized by Atlanta media outlets as "hits" in the growing Atlanta nightlife scene.

#### 4.3.2 Competition and Buying Patterns

The general nature of the competition is typically a 70 to 150 seat restaurant with outdoor seating. The menu prices for entree's range from \$7.00 to over \$25.00. All of the surrounding establishments serve, at a minimum, beer and wine. Most serve liquor-spirits as well.

Some of these venues have added live entertainment to their offerings, however, most are prevented by their facilities from expanding into this area of service. Most of the live entertainment/dancing venues are located in Midtown and Buckhead to the north with a few more venues located west in Downtown Atlanta, and to the east in Little Five Points.

While historically Buckhead has remained a center for restaurants and entertainment venues, Virginia Highland, Little Five Points, and Midtown have grown tremendously in their appeal to diners and partygoers. With the tremendous rise in intown property values, a residential building boom, and a decrease in crime statistics, venues closer to downtown have seen a remarkable rise in business.

A busy population of urban professionals, intent upon working hard and playing hard, has fewer and fewer opportunities to cook at home. These people eat out often and do so with friends.

Because this population tends to eat out far more than the typical population, they look for value. While they might not regularly frequent a restaurant featuring entree prices of \$17.00 and higher, they will repeat appearances at restaurants featuring entrees ranging between \$7.00 and \$16.00.

Many of these patrons also seek entertainment venues on the weekends that are close to their dining venues and homes. Historically, live jazz and Latin music venues in northeast Atlanta have been unavailable to patrons. The market currently suggests that such a venue on Auburn Avenue is not only desired by the populations frequenting restaurants and clubs in northeast Atlanta, it is suggested that it is needed. As Buckhead traffic and appeal has grown beyond the capacity of the neighborhood, patrons are now looking for "easier" places to go out, eat, and have fun. The parking and traffic woes of Buckhead have grown to notorious proportions. Midtowners and residents in adjacent neighborhoods would much rather patronize venues closer to downtown. The Watertower offers them an attractive dining/entertainment/coffeehouse option.

#### 4.3.3 Main Competitors

**Loca Luna:** Located in the heart of Midtown, this establishment features a Latin house band which is often a group of four Brazilian musicians. The menu is primarily a Spanish tapas style menu with other entree offerings. The venue also features a small dance floor.

While its location near two longstanding Atlanta nightclubs, Backstreet and The Armory, would seem to offer considerable overflow, the restaurant is not easily seen from the street and parking is at a premium. Its concept has received very favorable press in Atlanta.

**Yin Yang Cafe:** Located on Spring Street, just north of Atlanta's landmark Varsity restaurant, the club features a limited menu and a regular offering of acid jazz, hip-hop, and R&B acts.

The location is very "out-of-the-way" and can be perceived as a marginally safe area. Nevertheless, the club remains wildly popular given the parking difficulties, its small size, and its rather hidden location. It has become identified nationally as a residence of Atlanta's growing African-American music scene.

**Kaya:** A bistro and large scale nightclub located on Peachtree Street in Midtown, Kaya boasts an impressive array of entertainment, from Latin music, to hip-hop, disco, and live bands. The restaurant is located on the Peachtree Street side of the club. In the evening, the restaurant generally features a dj or a live band, while the large club portion in the rear of the establishment features a large dance floor and a dj.

It is very popular and regularly features large crowds. Kaya maintains limited parking immediately adjacent to the club.

**Cosmopolitan:** Cosmopolitan is located in a converted house in Midtown. It is a very small venue featuring a casual-upscale dining menu. The club is converted to a cocktail bar/nightclub in the evening with a small dance floor. It has no designated parking.

Newly arrived to the Atlanta scene, the club features long lines in the evenings. Quite often the club is not able to accommodate the numbers of people interested in visiting the establishment.

**The Somber Reptile:** Located in downtown Atlanta on Marietta Street, the club features live rock bands and a cajun oriented menu. The clientele is growing steadily as the club's reputation grows. It offers an alternative to the traditional Atlanta nightlife scene.

The Somber Reptile is part of the growing renovation trend taking place in the warehouse district along Marietta Street just west of Downtown Atlanta. While it naturally draws from the nearby residents, it competes directly with the rock music venues located in Little Five Points on the east side of the Atlanta.

**Cafe/Apres Diem:** Cafe Diem, the first coffeehouse/restaurant to be located south of Ponce De Leon Avenue on the northeast side of Atlanta, has enjoyed extraordinary success. Formerly located on Highland Avenue, the business recently (and reluctantly) located to a strip mall in midtown after a lengthy dispute with its former landlord. It's departure from the immediate area provides an extraordinary opportunity for The Watertower to capitalize on an even greater unmet need for a casual restaurant/coffeehouse experience.

**Highland Bagel/Caribou Coffee:** Located on North Highland Avenue, this is a traditional corporate coffeehouse which provides morning coffee and sandwich service. The owners are currently expanding to provide evening service.

## **Strategy and Implementation Summary**

### **5.0 Strategy and Implementation Summary**

The Watertower's strategy is based upon targeting and serving:

The atypical Atlanta intown resident. This urban professional works long hours and has relatively little time to cook at home. She/he has an active social life and spends a substantial amount of disposable income maintaining it.

The many downtown businesses which regularly use restaurant dining as an function of conducting business.

The tourist and convention populations centered in downtown venues.

## **5.1 Competitive Edge**

The Watertower maintains a competitive edge in several significant areas:

The facility's location puts it into close proximity to substantial populations of affluent Atlantans.

The owner, a 16-year-resident of Atlanta, was educated in and works professionally in northeast Atlanta. His early work experience included a substantial period working within a casual/upscale restaurant in the mid-to-late 1980s in Virginia Highland. As the Dean of Students at Emory University School of Law, he has conferred over 1,300 law degrees during his tenure, most of them have remained in the Atlanta area. His position at Emory also required him to manage significant catering budgets. The owner, through his business, academic, and community activities, maintains a substantial Atlanta-based network of professionals.

The facility's construction will easily allow for flexible dining/coffeehouse/entertainment options making it attractive to numerous populations.

The facility's location in an Empowerment Zone and local Enterprise Zone provides significant tax advantages.

## **5.2 Value Proposition**

We think our value proposition is quite clear and quite easily distinguished from most others in the market. We offer affordable and accessible menu items and entertainment as measured by their inherently natural value, at an affordable price that will encourage regular visits.

## **5.3 Sales Strategy**

The first category of our sales strategy is to establish and maintain a position with our primary constituents: intown Atlanta residents within a 4 mile radius of The Watertower's location. We will depend upon keeping these people happy with our food and beverage products and entertainment options.

Our second strategy is to utilize the downtown hotel/convention business through developing and maintaining close relationships with the planners of upcoming conventions and their respective attendees in order to create a "private function/party" option for corporations visiting Atlanta during the early part of the week, as well as encouraging individual visits by conventioners later in the week. This strategy will also target the many hotel concierges who are available to promote dining options located within two miles of downtown hotel venues.

Our third strategy targets the more than 500,000 visitors to the Martin Luther King National Historic Site. This segment provides mainly lunch business.

Fourth, the restaurant will target sales to downtown and midtown businesses (particularly law firms) for regular business lunch and dinner entertaining.

### **5.3.1 Sales Forecast**

Our sales forecast assumes no change in cost of prices, which is a reasonable assumption for the last few years.

We are expecting to increase sales from \$2.0 million at the end of 2002, to \$2.5 million by the end of 2004. The growth forecast is in line with the restaurants in the area and is tied to the projected increase in population of the immediate area.

The combined sales figures (across all sale items for the restaurant and coffee shop) presume an average of 2.5 "turns" per day for a 155 seat dining room with an average tab of \$12.54. The business will be open an average of 26 days per month.

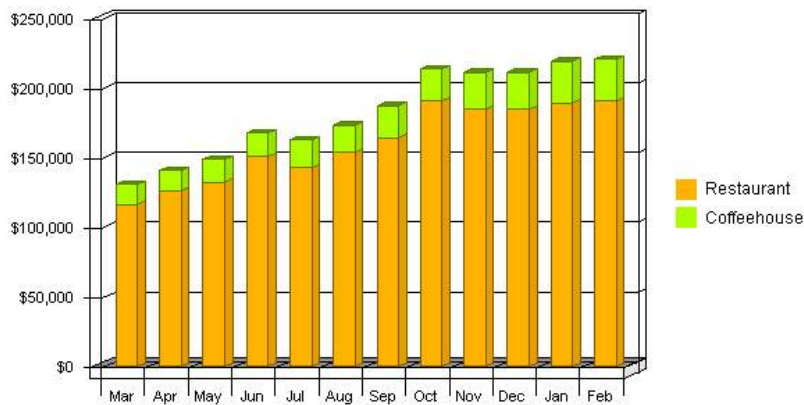
The projections show increases in:

November, resulting from Halloween party planning for Emory University graduate and professional students.

January, based upon corporate Christmas party and New Year's Eve programming.

May, as a result of catering programming scheduled for Emory University Commencement functions.

### Sales Monthly



### Sales Forecast

Sales Forecast			
	FY 2002	FY 2003	FY 2004
Sales			
Restaurant	\$1,926,217	\$2,078,138	\$2,285,951
Coffeehouse	\$260,384	\$273,403	\$287,073
Total Sales	\$2,186,601	\$2,351,541	\$2,573,024
Direct Cost of Sales			
Restaurant	\$1,270,196	\$1,277,010	\$1,340,860
Coffeehouse	\$78,112	\$0	\$0
Subtotal Direct Cost of Sales	\$1,348,308	\$1,277,010	\$1,340,860

## 5.4 Milestones

The accompanying table lists important program milestones, with dates and managers in charge, and budgets for each. The milestone schedule indicates our emphasis on planning for implementation.

What the table doesn't show is the commitment behind it. Our business plan software includes complete provisions for plan-vs.-actual analysis, and we will be holding monthly follow-up meetings to discuss the variance and course corrections.

### Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Leasehold Buildout	11/1/2000	2/1/2001	\$30,000	David Patton	Owner
Equipment Installation	1/1/2001	2/1/2001	\$75,000	David Patton	Owner
Marketing Plan	1/1/2001	5/1/2001	\$4,500	Cindy Abel	Marketing
Fixture/table Construction	12/1/2000	5/1/2001	\$3,500	David Patton	DNP/PTC
Begin Construction Process	10/1/2000	3/1/2001	\$0	M.Syphoe	HDDC
Design Management	5/1/2000	12/1/2000	\$0	R.Rauh	R.Architects
Legal Research	1/1/2000	4/1/2000	\$1,000	Patton/Moser	Legal
Interior Design	10/1/2000	7/1/2000	\$0	K.Brown	C.Concepts
Entertainment Research	2/1/2000	12/31/2000	\$0	David Patton	Owner
Purchasing Research	1/1/2000	10/1/2000	\$0	David Patton	Owner
Totals			\$114,000		

## 5.5 Marketing Strategy

The most important element of our marketing strategy is the delivery of a quality product. Our food, beverage, newspaper/magazine, and entertainment products must first sell themselves through word of mouth.

Next, the packaging of The Watertower's concept and external messages have to fit our positioning. We offer an upscale feel without a required "pinch" in your wallet. We then communicate this through the free weekly media (*Creative Loafing*, *Southern Voice*, and others), radio advertising on particular jazz, acid-jazz, Latin, and dance-oriented music shows, and traditional public radio sponsorships.

Through establishing relationships with the concierges of the local hotels and with the Atlanta Convention and Visitors Bureau, we will then attempt to create opportunities for visitors to the city to look forward to experiencing The Watertower.

### **5.5.1 Positioning Statement**

For our most important target market, local residents who crave new and sophisticated dining/entertainment/coffeehouse options, The Watertower satisfies the need for a casual, all-in-one dining and entertainment experience. Unlike our key competition, The Watertower is designed to handle this need from its inception, starting with the general construction of the facility. The general food programming, coupled with the entertainment programming, will offer the customer an experience unlike anything he or she has currently available.

### **5.5.2 Pricing Strategy**

Our food, drinks, and entertainment options are priced to give us an attractive margin while at the same time offering value to the consumer. We want repeat business. We also want the experience to remain fresh. Therein lies why the food, beverages, and musical/entertainment programming will be relatively flexible.

A sample menu is included in an appendix.

*\*\*Some supplemental materials are not available for this sample plan.*

### **5.5.3 Promotion Strategy**

We will promote our company name and label almost more than the product itself, because to be successful we have to stand for brand-name integrity, excellent menu offerings, and first class entertainment and fun. Therefore, our promotion strategy includes focusing on events and messages that match:

1. Our participation in the Chocolate Soul and Funk Jazz Kafe' special promotions and the Sweet Auburn and Inman Park festivals is important because these are events that bring our target market together.
2. Our participation in local radio and specifically targeted PBS shows on the local stations.
3. Public relations programs focusing on related opportunities, guest appearances on local radio, etc.
4. Advertising placed carefully, in mostly-alternative channels like *Creative Loafing*, *Southern Voice*, university newspapers, etc.

### **5.5.4 Marketing Programs**

Our marketing program will be handled by Cindy Abel of Real World Communications. With an annual budget of \$16,000, and with a milestone beginning in August, Ms. Abel will assist with the initial marketing programs and ongoing efforts to increase the visibility of The Watertower and its offerings.

### **5.5.5 Sales Programs**

Specific Sales Programs:

1. Special Event Sales: Develop opportunities to sell to companies for private parties and special events. The specific responsibility is with the owner with assistance from the manager on staff and Real World Communications.
2. Music Related Special Events: Develop relationships with artists and promoters in the area to feature artists rising in popularity, either through CD release parties or live performances.
3. Artist/Studioplex Special Events: Develop opportunities to host or cater artist openings.

## **5.6 Strategic Alliances**

We depend on our alliances with personnel at Emory University, the Historic District Development Corporation, the Atlanta Executive Network, The Atlanta Convention and Visitors Bureau, and local music promoters to generate continuous leads for new sales and promotional opportunities. We need to make sure that the personnel of these allies are especially aware of our support and reciprocation.

## **Management Summary**

### **6.0 Management Summary**

The Watertower is owned by a limited liability corporation including David N. Patton IV and the Historic District Development Corporation. Mr. Patton will also operate as general manager/managing partner. Crucial employees include an additional manager who will assist in maintaining and reviewing operations of the restaurant and the entertainment venue/bar, and a chef who will manage kitchen operations.

Additionally, an assistant manager/senior server and a sous-chef/line cook will perform secondary management functions.

Part-time personnel will be hired to handle bartending, serving, and dishwashing functions.

### **6.1 Organizational Structure**

The Watertower is owned by David N. Patton IV (80%) and the Historic District Development Corporation (20%). Mr. Patton who will also operate as general manager/managing partner.

An additional manager (to be hired) will assist in maintaining and reviewing operations of the restaurant and the entertainment venue/bar.

A chef (to be hired) will manage kitchen operations and be crucial to maintaining food inventory stability and assistance in menu development.

An assistant manager/senior server (to be hired) who will be a salaried employee, will provide regular table service as well as assistance to the manager and the general manager.

A sous-chef/line cook (to be hired) will perform secondary management functions in the kitchen as well as provide assistance to the chef in main kitchen/cooking functions.

Part-time personnel will be hired to handle bartending, serving, and dishwashing functions.

The marketing, and accounting function will be handled by independent contractors/consultants.

**6.2 Personnel Plan**

The personnel plan calls for hiring 5 full-time salaried employees at start-up. Part time barristas/bartenders will have to be hired to manage approximately 135 hours of operation per week, servers/waiters will have to be hired for approximately 203 hours of operation per week, and dishwashers will have to be hired to handle approximately 62 hours of operation per week.

Any additional hires will be part time and devoted to the expansion of any catering function, as well as increased capacity/operation of a private party function.

Employee salaries are as follows:

<b>Position</b>	<b>Salary</b>
Owner/General Manager	\$39,900
Chef	\$30,000
Manager	\$28,000
Sous-chef/Line Cook	\$23,000
Assistant Mgr/Senior Server	\$14,560 + Tips
Barristas/Bartenders	\$7/Hour
Servers	\$3/Hour + Tips
Dishwashers/Bussers	\$6/Hour

**Personnel**

Personnel Plan			
	FY 2002	FY 2003	FY 2004
Owner/Manager	\$39,996	\$39,996	\$39,996
Employees	\$282,012	\$282,012	\$282,012
Total People	21	21	21
Total Payroll	\$322,008	\$322,008	\$322,008

**6.3 Management Team**

**David N. Patton IV - Owner and General Manager:** Mr. Patton worked for 6 years as the Dean of Students for Emory University School of Law. While working at Emory, he was responsible for special event planning and catering, particularly related to student centered events. Mr. Patton is the Chairman of the Board of Directors of the Historic District Development Corporation, an organization devoted to the redevelopment of the properties and neighborhood surrounding Atlanta's Martin Luther King National Historic Site and Preservation District. He is also a member of the Advisory Board for the Atlanta Executive Network, a 1,000+ member business organization in Atlanta, and the past Chairman of the Board of Directors for Fulton County Court Appointed Special Advocates. Prior to his position at Emory, Mr. Patton worked as an attorney for a Cincinnati, Ohio-based law where he specialized in litigation and small business development. Mr. Patton received his law degree from the University of Georgia in 1991 and his undergraduate degree from Emory University in 1988. Mr. Patton put himself through college working in a casual dining establishment in the Virginia Highland neighborhood in the late 1980s.

The following potential managers are under consideration for employment

**Nicolas Godebert - Chef:** Mr. Godebert is currently the Executive Chef of the Chanteclair Restaurant, St. Martin, F.W.I. He has been in this position since 1997. Prior to this appointment, he was the sous-chef at Dessirier Restaurant, Paris, France and the sous-chef for the Raphael Hotel Restaurant, Paris, France. He received his apprenticeship and cooking school certificate from the Sous l'Olivier Restaurant and the Ecole de Paris des Metiers de la Table in 1993, respectively.

**Cristina Brito - Manager:** Ms. Brito, currently a food and beverage supervisor for the Westin Atlanta North hotel, received her start in the hotel and restaurant business in Recife-PE/ Brazil. At the Mar Hotel, she was responsible for the sales and marketing of a five-star establishment. She maintained extensive contact with corporate clients, thus requiring her to speak English, French, Italian, and Portuguese fluently. Ms. Brito has extensive experience in Atlanta's catering industry dating from 1988, as well as experience as a chef.

#### **6.4 Management Team Gaps**

The management team will have to partially rely upon outside contractors/consultants for both the marketing and accounting functions.

The management team is still in the early stages of formation. Nicolas Godebert and Cristina Brito are under heavy consideration. Cristina Brito is currently working as a consultant on many issues facing the establishment of The Watertower's start-up.

### **Financial Plan**

#### **7.0 Financial Plan**

We want to finance growth mainly through cash flow. We recognize that this means we will have to grow more slowly than we might like.

The most important indicator in our case is inventory turnover. We have to make sure that food inventory turnover stays at approximately four turns per month, or we risk loss through spoilage.

We do not want to let our average collection days get above 45 under any circumstances. This could cause a serious problem with cash flow, because our working capital situation is tight. Most credit sales will be via credit and debit cards. We do have plans to initiate direct billing for law firms and other businesses conducting regular visits.

We must target a net profit of 14% at the least, and hold marketing costs to no more than one to three percent of gross sales.

#### **7.1 Important Assumptions**

The financial plan depends on important assumptions, most of which are shown in the following table. The key underlying assumptions are:

We assume a slow-growth economy, without major recession.

We assume of course that there are no unforeseen changes in technology to make equipment immediately obsolete.

We assume access to equity capital and financing sufficient to maintain our financial plan as shown in the tables.

### General Assumptions

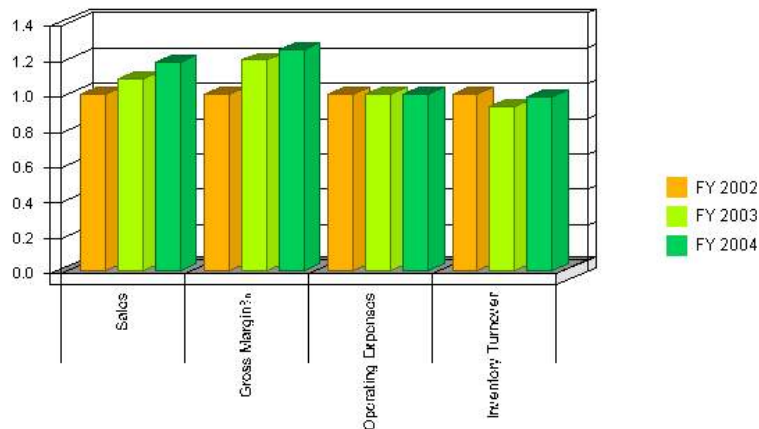
General Assumptions			
	FY 2002	FY 2003	FY 2004
Plan Month	1	2	3
Current Interest Rate	12.25%	12.25%	12.25%
Long-term Interest Rate	6.75%	6.75%	6.75%
Tax Rate	25.42%	25.00%	25.42%
Other	0	0	0

### 7.2 Key Financial Indicators

The most important indicators in our case are daily seating "counts" and weekly sales numbers. We must also make sure that we are turning our inventory rapidly so as to avoid food spoilage.

We must target net profit/sales figures toward the 14% level with gross margins never dipping below 38%. Marketing costs should never exceed three percent of sales.

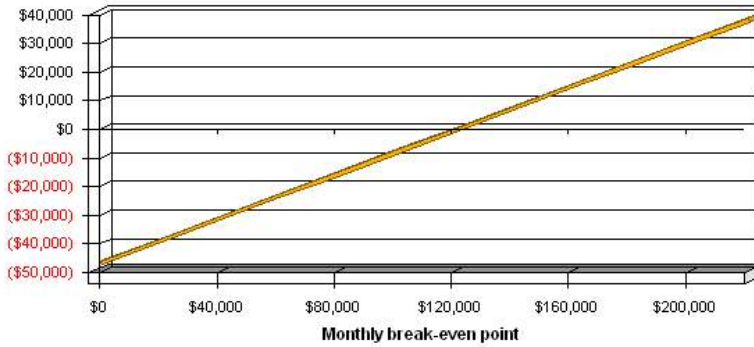
### Benchmarks



### 7.3 Break-even Analysis

The Break-even Analysis shows that The Watertower has a good balance of fixed costs and sufficient sales strength to remain healthy. Our break-even point is \$106,101 on sales averaging \$12.54 per patron. This break-even position is achieved on a monthly fixed cost of \$57,873 and and per unit/patron variable cost of \$5.70.

## Break-even Analysis



Break-even point = where line intersects with 0

## Break-even Analysis

Break-even Analysis	
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Monthly Revenue Break-even	\$122,179
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Assumptions:	
Average Percent Variable Cost	62%
Estimated Monthly Fixed Cost	\$46,841

## 7.4 Projected Profit and Loss

We expect income to approach \$2.1 million for calendar year 2002. It should increase to \$2.57 million by the end of the years covered in this plan.

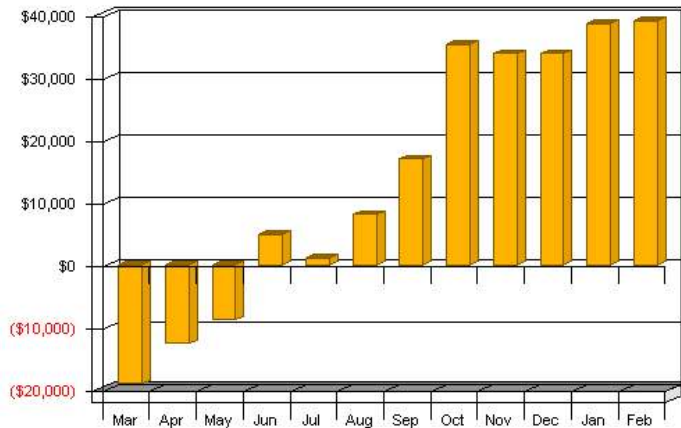
### Profit and Loss

Pro Forma Profit and Loss			
	FY 2002	FY 2003	FY 2004
Sales	\$2,186,601	\$2,351,541	\$2,573,024
Direct Costs of Goods	\$1,348,308	\$1,277,010	\$1,340,860
Other	\$0	\$0	\$0
	-----	-----	-----
Cost of Goods Sold	\$1,348,308	\$1,277,010	\$1,340,860
Gross Margin	\$838,293	\$1,074,531	\$1,232,164
Gross Margin %	38.34%	45.69%	47.89%

Expenses			
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Payroll	\$322,008	\$322,008	\$322,008
Sales and Marketing and Other Expenses	\$80,800	\$80,800	\$80,800
Depreciation	\$6,900	\$6,900	\$6,900
Leased Equip/Van/Dispensing Systems	\$12,600	\$12,600	\$12,600
Utilities	\$24,000	\$24,000	\$24,000
Insurance	\$20,940	\$22,000	\$23,000
Other Taxes	\$24,000	\$24,000	\$24,000
Payroll Taxes	\$70,842	\$70,842	\$70,842
Other	\$0	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$562,090	\$563,150	\$564,150
Profit Before Interest and Taxes	\$276,203	\$511,381	\$668,014
EBITDA	\$283,103	\$518,281	\$674,914
Interest Expense	\$48,095	\$43,298	\$41,442
Taxes Incurred	\$55,675	\$117,021	\$159,254
Net Profit	\$172,433	\$351,062	\$467,318
Net Profit/Sales	7.89%	14.93%	18.16%

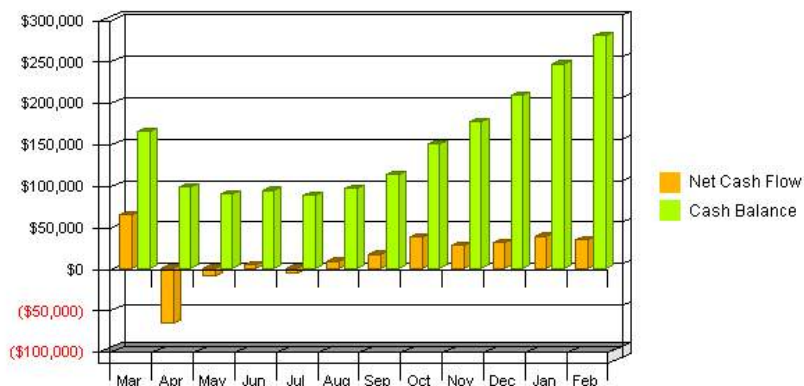
### Profit Monthly



### 7.5 Projected Cash Flow

We expect to manage cash flow over the next three years with minimal new investment required over the first two years. It is our expectation that revenue beyond projected sales will be invested in retiring long-term debt early.

## Cash



## Cash Flow

Pro Forma Cash Flow			
	FY 2002	FY 2003	FY 2004
Cash Received			

Cash from Operations			
Cash Sales	\$2,186,601	\$2,351,541	\$2,573,024
Subtotal Cash from Operations	\$2,186,601	\$2,351,541	\$2,573,024

Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$29,559
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$2,186,601	\$2,351,541	\$2,602,583

Expenditures	FY 2002	FY 2003	FY 2004
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Expenditures from Operations			
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Cash Spending	\$322,008	\$322,008	\$322,008
Bill Payments	\$1,633,772	\$1,677,517	\$1,773,221
Subtotal Spent on Operations	\$1,955,780	\$1,999,525	\$2,095,229
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$23,160	\$26,435	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$27,430	\$29,329	\$31,339
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$2,006,370	\$2,055,289	\$2,126,568
Net Cash Flow	\$180,231	\$296,252	\$476,015
Cash Balance	\$280,231	\$576,483	\$1,052,498

## 7.6 Projected Balance Sheet

As shown in the Balance Sheet, we expect a healthy growth in net worth from approximately \$172,000 at the end of 2002 to almost \$1 million by the end of the plan period.

### Balance Sheet

Pro Forma Balance Sheet			
	FY 2002	FY 2003	FY 2004
Assets			
Current Assets			
Cash	\$280,231	\$576,483	\$1,052,498
Inventory	\$129,671	\$122,814	\$128,955
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$409,902	\$699,297	\$1,181,453
Long-term Assets			
Long-term Assets	\$595,040	\$595,040	\$595,040
Accumulated Depreciation	\$6,900	\$13,800	\$20,700
Total Long-term Assets	\$588,140	\$581,240	\$574,340
Total Assets	\$998,042	\$1,280,537	\$1,755,793

Liabilities and Capital	FY 2002	FY 2003	FY 2004
<b>Current Liabilities</b>			
Accounts Payable	\$27,818	\$136,826	\$146,543
Current Borrowing	\$6,690	(\$19,745)	\$9,814
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$34,508	\$117,081	\$156,357
<b>Long-term Liabilities</b>	\$667,969	\$638,640	\$607,301
Total Liabilities	\$702,477	\$755,721	\$763,658
Paid-in Capital	\$98,000	\$98,000	\$98,000
Retained Earnings	(\$96,679)	\$75,754	\$426,817
Earnings	\$172,433	\$351,062	\$467,318
Total Capital	\$173,754	\$524,817	\$992,135
Total Liabilities and Capital	\$876,232	\$1,280,537	\$1,755,793
Net Worth	\$295,565	\$524,817	\$992,135

### 7.7 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 5812, Eating Places, are shown for comparison. The ratios show a plan for balanced, healthy growth.

#### Ratios

Ratio Analysis				
	FY 2002	FY 2003	FY 2004	Industry Profile
Sales Growth	0.00%	7.54%	9.42%	7.60%
<b>Percent of Total Assets</b>				
Inventory	12.99%	9.59%	7.34%	3.60%
Other Current Assets	0.00%	0.00%	0.00%	35.60%
Total Current Assets	41.07%	54.61%	67.29%	43.70%
Long-term Assets	58.93%	45.39%	32.71%	56.30%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	3.46%	9.14%	8.91%	32.70%
Long-term Liabilities	66.93%	49.87%	34.59%	28.50%
Total Liabilities	70.39%	59.02%	43.49%	61.20%
Net Worth	29.61%	40.98%	56.51%	38.80%

Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	38.34%	45.69%	47.89%	60.50%
Selling, General & Administrative Expenses	30.51%	30.77%	29.62%	39.80%
Advertising Expenses	0.73%	0.68%	0.62%	3.20%
Profit Before Interest and Taxes	12.63%	21.75%	25.96%	0.70%

Main Ratios				
Current	11.88	5.97	7.56	0.98
Quick	8.12	4.92	6.73	0.65
Total Debt to Total Assets	70.39%	59.02%	43.49%	61.20%
Pre-tax Return on Net Worth	77.18%	89.19%	63.15%	1.70%
Pre-tax Return on Assets	22.86%	36.55%	35.69%	4.30%

Additional Ratios	FY 2002	FY 2003	FY 2004	
Net Profit Margin	7.89%	14.93%	18.16%	n.a
Return on Equity	58.34%	66.89%	47.10%	n.a

Activity Ratios				
Inventory Turnover	10.91	10.12	10.65	n.a
Accounts Payable Turnover	63.04	12.17	12.17	n.a
Payment Days	13	18	29	n.a
Total Asset Turnover	2.19	1.84	1.47	n.a

Debt Ratios				
Debt to Net Worth	2.38	1.44	0.77	n.a
Current Liab. to Liab.	0.05	0.15	0.20	n.a

Liquidity Ratios				
Net Working Capital	\$375,394	\$582,217	\$1,025,096	n.a
Interest Coverage	5.74	11.81	16.12	n.a

Additional Ratios				
Assets to Sales	0.46	0.54	0.68	n.a
Current Debt/Total Assets	3%	9%	9%	n.a

Acid Test	8.12	4.92	6.73	n.a
Sales/Net Worth	7.40	4.48	2.59	n.a
Dividend Payout	0.00	0.00	0.00	n.a