

CONFIDENTIAL

Medway Meats

Test Plan

Prepared on 12th November 2014

**Medway Meats
1340 Toorak Road**

Camberwell VIC

3124

Executive Summary

Who we are

Medway Meats sells a range of products that you can't get anywhere else in the Medway area. We have sourced a variety of speciality meats from around the country, from suppliers who deal solely in the luxury meats market. As such, we can virtually corner the market for specialist meat products in this location.

The products we offer include all sorts of cuts of the most popular meats - pork, beef, lamb and chicken – dressed and garnished in unique mouth-watering styles. We also offer a range of pates, sauces and accoutrements.

What's more, we supply a catalogue of exotic meats, such as crocodile and ostrich. These exotic products will really set us apart from your average local butchers.

What we sell

Services provided include managing petty cash, preparing GST and PAYG accounting. Also preparing and filing tax returns and preparing reports showing the health of business' finances. And sales of accounting software such as Saasu, along with training on it.

Our competition ranges from large, national-chain accountancy firms like Chapman & Swain to smaller one-man operations such as P. Brown Books. We have a strategy for competing against each, as discussed in the Competitor Analysis section.

Who we sell to

Medway Meats' target market is primarily mid-high income households based in Kew and the surrounding areas.

We will also sell to upmarket restaurants and caterers in the area. In total, we estimate that there are approximately 50,000 mid income and around 20,000 high income householders in our catchment area.

There are around 2,000 businesses and caterers who would be suitable to sell our products.

In the future, we will develop our own branded line of products with a view to having them sold in upmarket national supermarkets such as IGA and stores such as David Jones Foodhall.

Financial Summary

To date, Sam Rice and Sean Collins have invested \$95,000 in Medway Meats between them. This money has gone on securing a 5-year lease on the shop property and paying for specialist equipment.

The business requires initial start-up capital of \$55,000. This money will be spent on the marketing activities detailed in the Marketing Plan section of this business plan, as well

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as securing the initial stock needed, and paying the first year's wages of Sam's apprentice. Our projected profits are \$30,000 in Year 1, \$70,000 in Year 2 and \$110,000 in Year 3.

We intend to raise the start-up capital for the business through a bank loan. This is preferable to finding a private investor, as we feel the sum we need is not high enough to give away a substantial share in our business.

Ideally we would like to pay back the loan over 5 years, increasing the repayment amounts on a year-by-year basis as our profit margin grows. The details of this are to be worked out with the business manager of the bank.

Business Information

Formation date

23rd September 2014

Business Overview

Medway Meats is a newly-formed speciality charcuterie that will open for business in the coming year. It will sell a wide selection of speciality cooked meats and pates. Products are to include prime Australian beef, free-range poultry, fresh pork and lamb. Also available upon request will be speciality items including buffalo, kangaroo, alligator, quail and ostrich.

Customers will be made up of medium and high-income customers in the Medway area, as well as high-end caterers and restaurants.

Medway Meats is a limited liability company owned by its two co-founders. It will be managed and directed by Sam Rice, an expert butcher and charcutier with over 20 years' experience, and Sean Collins, an experienced retail food service manager. Rice will serve as the company's CEO and Collins as the company's COO.

Sam Rice owns 49% of the company and Sean Collins owns 51%. Management responsibilities will be shared, but final decisions are to be made by Collins in the result of a difference of opinion.

The partnership agreement sets out what is to happen should the partnership need to be dissolved, with one partner able to buy out the other. There are also methods put in place to determine the company's valuation should this happen.

Management and Staff

The management of Medway Meats is divided between the two owners. Sam Rice is the CEO and Sean Collins is the COO. In terms of practical responsibilities, this will break down as follows:

CEO responsible for:

- Developing new product lines
- Sourcing investment
- Management of new staff
- Manage annual budget

COO responsible for:

- Sourcing new products based on CEO's recommendations
- Payment and delivery of stock
- Develop training programmes and procedures for new staff
- Marketing including website and PPC management

In the first two years, both members of the management team will take a hands-on approach to the business. Rice will be using his expertise as a master butcher to cut and

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dress the meat products, with the help of an apprentice, while Collins will at act as the front-of house, serving customers and taking phone and email orders.

By the end of year two a second apprentice butcher will be taken on to ease some of Rice's workload, so that by year three he will be able to dedicate more time to managing the direction and expansion of the business rather than doing the practical butchery.

Ownership and Protection

Business Structure

Currently the business does not have any copyrights, trademarks or patents pending. However we will be looking into creating our own range of branded meat products in year three, and at this point we protect our brand with a trademark.

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Products and Services

Current Products and Services

The following products will be offered by Medway Meats on a regular basis

Beef – Wagyu beef, shish kebabs, Porterhouse steak, filet mignon, Brazilian steak burgers, single bone rib roast, T-bone steak

Fresh Poultry – Free-range stuffed chicken thighs, corn fed whole chicken, mini chicken fillets, confit duck leg, Barbary duck leg, whole mallard

Lamb – meatballs, shish kebab, neck fillet, chops, cutlets, ribs, foreshanks, rack of lamb, lamb shoulder, boneless leg of lamb

Pork – sausages (various), pork chops, hand-cured bacon, marinated pork steaks, classic pork rack, pork fillet, pork joint, belly pork, shoulder pork

We will also supply wild game upon request, ordered in ad hoc as and when needed and cut to customers' preference. This will include buffalo, crocodile, ostrich, kangaroo and quail amongst others.

All products will be sourced from suppliers within a 200 kilometre radius of the store, both to keep the product fresh and to minimise the impact of trucking costs on the environment.

Products will be bought as whole animals and will be butchered by Rice in the store, along with the help of an apprentice. All meat is to be sold while still fresh.

Certain products may go out of stock at times of the year due to high demand. In the event of this, the sales staff will give customers suggestions of alternatives, including the more niche special orders, to make sure all customers leave satisfied.

Future products and services

In year three, Rice and Collins will look into the possibility of creating a range of Medway Meats branded meat products, with a view to selling them to national supermarket chains as well as restaurants nationwide.

Marketing Plan Overview

Overview

Medway Meats intends to make a big splash within the local community upon opening, with a highly visible marketing campaign to let mid and high income households know we are here. One of our primary goals is to make large volumes of sales immediately upon launch. To this end, we'll be doing the following:

- Deliver flyers to mid to high income households
- Place ads in two local papers in the run up to the launch
- Give out flyers in the high street in the week leading up to opening
- Set up website prior to opening
- Book a listing in the Yellow Pages
- On the day of launch, a free tester stall will be set up outside the shop offering passer-by a chance to try our more exotic meats such as crocodile and ostrich.

After launch, the following tactics will be used:

- Further flyer deliveries to high-income households
- Promotion of business on the web using PPC advertising
- The creation of a regular email newsletter to promote deals and special items we have in

Positioning

For those who with excellent taste who like the finer things in life, Medway Meats provides a selection of the most delicious traditional meat cuts, as well as an exciting range of exotic meats for the adventurous. The perfect choice for those who want something unique instead of the same-old-same-old from the supermarket.

Pricing

Medway Meats prices are at the upper end of what the market will bear. We offer a luxury product, and in order to cover our costs as well as maintaining the perception of a luxury brand, we have higher prices than the average butchers.

Promotion

Medway meats promotional activities will include:

- 300 flyers to be designed by Sam Rice's niece, a Graphic Design student.
- 150 to be posted to mid and high income households. Ellie, Sam's niece will be paid \$100 and the flyer will go into her college portfolio.
- The remaining 350 flyers to be handed out on the high street in the week leading up to the launch
- A large advert to be placed in the local paper on the two consecutive Saturday's before the charcuterie's launch. Saturday is the papers biggest readership. The ads will cost \$180 each.
- Website to be created using a local web developer for no more than \$500.
- A listing to be placed in the Yellow pages at a cost of \$75 per month

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- Free tester stall to be set up outside the charcuterie offering free tastes of our more exotic products. Total cost not expected to be more than \$500. Testers available will be kangaroo pate, ostrich cutlets, quail eggs, crocodile steak bites and gourmet jams.

After the launch, we will:

- Have a second flyer designed by Ellie on the same payment basis as the first, offering several introductory deals.
- 300 of these will be delivered to high-income households.
- A budget of \$550 a month will be ring-fenced for Pay per Click advertising for the website. Sean Collins will manage this, having had experience in running PPC campaigns in a former job.

An email letter will be created and sent out once a month – again by Sean - to customers who sign up for a mailing list when they come into the shop. The newsletter will have special deals and offers they can only receive if they quote a password in the email.

Distribution

Medway Meats' customers will buy our products first and foremost at our shop. We intend to build up a loyal local customer base, many of whom will become repeat customers.

We will also generate sales through our website, with products to be shipped from the store. Any products ordered online will be shipped on the same day via courier to ensure freshness. Order will be taken throughout the day and shipped out at 5pm in bulk.

We will take telephone orders also, with the option for customers to either collect their goods from the shop or have it delivered. Customers will pay the courier fee for both online and phone order deliveries.

We will also be selling our products to local restaurants and caterers. Ideally we would like to have our business name referenced on the menu of these restaurants, however this may not always be possible. As an alternative we will offer to provide a flyer with our details on, to be attached to menus or placed inside them.

In year three, once we have built up a solid reputation, Medway Meats will look into selling a range of our own, branded products through other local retailers and national chain supermarkets.

Sam Rice and Sean Collins are to have a meeting to discuss this possibility at the beginning of year three, and if it's considered a viable option, a plan will be put in place regarding the creation of a product range and development of the brand, as well as reaching out to suitable retailers.

Market Analysis

Our Target Market

Medway Meats' potential customers are divided into the following groups:

Medway's high income households – Any household with an annual income of over \$200,000 in the Boroondara area (60% of which consist of 2 adults)

Medway's medium income households – Any household with an annual income of over \$100,000 (around 30% of which are made up of households with 2 adults, and 10% made up of households with one adult)

High income households bordering the Boroondara council – Any household with an annual income of over \$200,000 in the areas bordering Boroondara – specifically Whitehorse, Banyule, Yarra, Stonnington, and Monash (58% of which consist of 2 adults)

Restaurants – Upmarket restaurants in the Boroondara area and the neighbouring districts

Caterers – High-end caterers in the Boroondara area and the neighbouring districts

Target Market Size

In total, we estimate that there are approximately 150,000 mid income and around 50,000 high income householders in our catchment area.

There are around 5,000 businesses and caterers who would be suitable to sell our products.

Competitors

Competitor Overview

Medway Meats has no direct competition in terms of product offered, but there are a number of notable businesses that could potentially capture some of our market share. The biggest competitor the business has is the newly opened IGA Supermarket on Cotham Road.

The IGA store does not have the depth and breadth of fine meat products that Medway Meats has. However they have an advantage in that customers will go to them to get all their shopping under one roof, and once there they have the opportunity to choose IGA's range of meats rather than ours. It is the only IGA in the surrounding suburbs and is located under a mile away from our shop.

Also in the vicinity is Marsden & Sons – a local butcher. Marsden's is a typical high-street butcher, supplying standard cuts of meat such as lamb chops, steaks, pork fillets etc. Marsden's currently has the second biggest market share in the area, as it has been a fixture in the community for decades and has a loyal customer base.

There are also numerous butchers and supermarkets throughout the local and surrounding suburbs that provide meat and meat products. Critically however, none of them provide a luxury or specialist meat offering. Anybody looking for specialist or exotic meats locally will only have one option – us.

SWOT Analysis

Our Strengths

Medway Meats has a number of key strengths. Firstly, there's the fact that there is no other business like this nearby. While there are butchers, Medway Meats differentiates itself by providing an upmarket, high-quality product – you won't find specialist meat products like this in any of the local butchers or supermarkets in the area.

Then there's the fact that Sam Rice is a master butcher with 20 years' experience, and Sean Collins has proven himself an expert at sourcing products, cost effectively, from around the country in previous jobs.

And the location of the business, Burke Road in Camberwell, is one of the most affluent areas of the surrounding suburbs, placing it right in the heart of the business' target market demographic.

Our Weaknesses

Because of the specialist nature of the product, there are few wholesalers that offer it, which can mean an over-reliance on certain suppliers – and the consequent repercussions when they don't have particular items in stock.

In order to combat this, Sean Collins will try to find at least two new suppliers by the end of the first year – this might mean changing certain items sold for new ones, and any decisions on this are to be made in collaboration with Sam Rice.

Our Opportunities

Aside from exploiting the gap in the market for a charcuterie in the local area, there are a number of food fairs throughout the year that Medway Meats will take part in – both as a sales and a marketing exercise. These are a great opportunity to build up our reputation locally.

By year three, when staffing levels allow, we also plan to have a presence at the Melbourne Food and Wine Festival and Royal Melbourne Show. These are excellent money-making opportunities that see huge sales. Sean will manage the food stall, which will sell exotic meat burgers and sausages.

Our Potential Threats

The current perception of the economy may be a concern for Medway Meats. If people still have an austerity mindset, they will be less likely to spend money on goods that are perceived as luxury – which is exactly where Medway Meats positions itself in the market.

There is also the recent opening of an IGA supermarket on Cotham Road to consider – feasibly some of the custom which would otherwise go to Medway Meats might be siphoned off here due to a shared target market demographic.

Sales & Cost of Sales Forecast

	Year 1	Year 2	Year 3
Unit Sales			
Price Per Unit			
Sales			
Total Sales	0	0	0
Direct Cost Per Unit			
Direct Cost			
Total Direct Cost	0	0	0
Gross Margin	\$0.00	\$0.00	\$0.00
Gross Margin %	0%	0%	0%

Cash Flow Statement

	Year 1	Year 2	Year 3
Incoming funds			
Loan received	0	0	0
Drawn on lines of credit	0	0	0
Cash from sales	0	0	0
Accounts receivable remittances	0	0	0
GST recoveries	0	0	0
Total incoming funds	0	0	0
Outgoing funds			
Salaries	0	0	0
Employee related expenses	0	0	0
GST remittances	0	0	0
Tax on profits payable	0	0	0
Accounts payable remittances	0	0	0
Additions to fixed assets	0	0	0
Direct Costs	0	0	0
GST to suppliers payable	0	0	0
Loan repayments	0	0	0
Lines of credit repayments	0	0	0
Interest on loans	0	0	0
Interest on credits	0	0	0
Total outgoing funds	0	0	0
Net incoming/outgoing funds	0	0	0
Cash and bank balance, beginning of period	0	0	0
Cash and bank balance, end of period	0	0	0

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Cash Flow Monthly Summary

	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Year 1												
Incoming	0	0	0	0	0	0	0	0	0	0	0	0
Outgoing	0	0	0	0	0	0	0	0	0	0	0	0
Net Funds	0	0	0	0	0	0	0	0	0	0	0	0
Starting	0	0	0	0	0	0	0	0	0	0	0	0
Closing	0	0	0	0	0	0	0	0	0	0	0	0
Year 2												
Incoming	0	0	0	0	0	0	0	0	0	0	0	0
Outgoing	0	0	0	0	0	0	0	0	0	0	0	0
Net Funds	0	0	0	0	0	0	0	0	0	0	0	0
Starting	0	0	0	0	0	0	0	0	0	0	0	0
Closing	0	0	0	0	0	0	0	0	0	0	0	0
Year 3												
Incoming	0	0	0	0	0	0	0	0	0	0	0	0
Outgoing	0	0	0	0	0	0	0	0	0	0	0	0
Net Funds	0	0	0	0	0	0	0	0	0	0	0	0
Starting	0	0	0	0	0	0	0	0	0	0	0	0
Closing	0	0	0	0	0	0	0	0	0	0	0	0

Profit and Loss Statement

	Year 1	Year 2	Year 3
Revenue	0	0	0
Direct Cost	0	0	0
Gross Margin	0	0	0
Gross Margin %	0%	0%	0%
Expenditure			
Salaries	0	0	0
Ancillary Staff Costs	0	0	0
Total Expenditures	0	0	0
Operating Profit/(Loss)	0	0	0
Interest Incurred	0	0	0
Depreciation/Amortization	0	0	0
Profit/(Loss) before tax	0	0	0
Tax on profits	0	0	0
Profit/(Loss) after tax	0	0	0

Balance Sheet

As of Period's End	Starting Balances	Year 1	Year 2	Year 3
Fixed Assets				
Tangible Assets	0	0	0	0
Accumulated Depreciation	0	0	0	0
Total Fixed Assets	0	0	0	0
Current Assets				
Accounts Receivable (Debtors)	0	0	0	0
Cash & Bank	0	0	0	0
Total Current Assets	0	0	0	0
Current Liabilities				
Accounts Payable (Creditors)	0	0	0	0
GST Payable	0	0	0	0
Tax on profits payable	0	0	0	0
Short Term Debt (less than 1 yr)	0	0	0	0
Total Current Liabilities	0	0	0	0
Net Current Assets	0	0	0	0
Long-Term Debt (more than 1 yr)	0	0	0	0
Net Assets	0	0	0	0
Share Capital	0	0	0	0
Retained Earnings	0	0	0	0
Total Owners Equity	0	0	0	0

Note: This balance sheet is intended as a guide for planning purposes only. Figures are rounded up or down to the nearest dollar.

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