



Business Plan
Warren Township High School
Illinois
2016-17
Timothy Le
Nicholas Zblewski

Table of Contents

Executive Summary	3
Company Profile	4
Legal Form of Business.....	4
Effective Date of Business.....	4
Company Mission Statement & Vision	4
Company Governance.....	4
Company Location.....	5
Immediate Development Goals	5
Overview of Company's Financial Status	5
Industry Analysis.....	5
Description of Industry.....	5
Size	6
Growth Rates	6
Nature of Competition	6
History.....	6
Target Market.....	7
Size	7
Growth Potential	7
Needs	7
Analysis of Market	7
Competition	8
Key Competitors	8
Potential Future Competitors	10
Marketing Plan and Sales Strategy.....	10
Key Message	10
Message Delivery	10
Sales Procedures	12
Operations	13
Business Facilities	13
Production Plan	14



Workforce Plan	15
Impact of Technology	15
Management and Organization	16
Key Employees.....	16
Advisory Committee	17
Employee Process	17
Compensation and Incentives	18
Long-Term Development.....	18
Future Goals	19
Risks and Potential Adverse Results	20
Strategy for Future Goals.....	20
Financials.....	20
Balance Sheet	21
Start-up Analysis.....	21
Loan.....	21
Year 1 Monthly Cash Flow	23
Year 1 Monthly Income Statement	24
Yearly Income Statements for Years 1, 3 & 5	26
Financial Assumptions.....	27
Supporting Documents.....	28
Boba Blended Menu.....	28
Opening Day Flyer	29
Works Cited	30



Executive Summary

Beverages are the staple to any lifestyle. Everyone has different aspirations; some to gain muscle, so they drink protein beverages; some to lose weight, so they drink tea; some to stay awake, so they drink coffee. However, Americans have fallen in love with coffee, leaving anyone who isn't a coffee lover nowhere to turn to for a beverage. Boba Blended is positioned to bring a solution to this problem by offering a variety of beverages in Gurnee, Illinois, in March, 2018.

Boba Blended will offer four main beverages: boba tea, smoothies, tea, and coffee. Additionally, customers will be provided with modern study spaces and quiet rooms to maximize customer satisfaction. Additives, such as tapioca or protein powder, will be available to every customer to maximize customer satisfaction and make Boba Blended unique. The business is focused on creating superior beverages that will satisfy customers and maximize profits. According to *Food Business News*, soda consumption has decreased while organic options have soared in demand in the past five years. Boba Blended intends to meet that demand in Gurnee by offering a unique type of beverage: boba tea. This Taiwanese beverage, also known as boba tea, is a unique type of tea that contains a tea base mixed with fruit or milk; it is typically accompanied with tapioca balls or fruit jellies. Boba Blended will also have options such as smoothies, coffee, and regular tea to ensure any customer will be satisfied.

As owners of a limited liability company, Timothy Le and Nicholas Zblewski bring marketing, accounting and finance, and business administration skills to Boba Blended. With this combination of skills and a unique product, boba tea, Boba Blended will be able to flourish. Timothy and Nicholas will also give back to the community through donations, fundraisers for local teams or clubs, and sponsorships. Additionally, the store will have a layout that will be student-friendly (high-speed Wi-Fi, outlets at each table, and private rooms) so students and business professionals will feel comfortable in the store, and other customers will also enjoy the humble environment.

Sales are projected from nearby competitor's financials and extensive research. Additionally, sales estimates were created honestly and conservatively to give Boba Blended realistic projections. Through hosting fundraisers, partnering with local businesses, and utilizing social media, Boba Blended anticipates a strong customer return rate. In future years, Boba Blended will expand to cover the Midwest region of the United States and will manufacture ready-to-drink beverages.



Company Profile

Legal Form of Business

Boba Blended will be a limited liability company. This form of business will allow for Boba Blended to determine its structure, protect the owners' assets, and build business credit. As LLCs are flexible in how they operate, Timothy and Nicholas can determine how profits are utilized. LLCs also keep owners' assets protected, which will allow for them to engage in greater risks than a normal partnership, such as expanding. Unlike a partnership, LLCs can develop business credit, which will allow for Timothy to keep track of financials through a business credit report and for Boba Blended to purchase future assets on account, rather than on the owners' personal credit. These advantages are why Boba Blended is a limited liability company.

Effective Date of Business

With the concept created in January, 2017, by Timothy Le and Nicholas Zblewski, Boba Blended will begin minor renovations in January, 2018, and will begin operations by opening its store in Gurnee, Illinois, on March 1, 2018.

Company Vision & Mission Statement

The vision of Boba Blended is to provide top-quality beverages at affordable prices. Students and families can purchase a soothing beverage on their way to school or work, but can also enjoy their beverage in the comfort of the student-friendly store.

Boba Blended's mission is to assist students and professionals in reaching their full potential. By offering student-friendly study spaces, high-quality beverages at reasonable prices, and community support, Timothy, Nicholas, and Boba Blended will be able to achieve this mission.

Company Governance

The company will be equally governed by two individuals, Timothy Le and Nicholas Zblewski. Boba Blended will have an advisory committee consisting of individuals crucial to the success of Boba Blended. This committee will be included in executive decisions of the company and monthly meetings will be held between the owners and the committee to evaluate the financial status of the business and ensure the company is operating ethically. Ultimately, Timothy and Nicholas will have the final word; however, if no compromise exists between them, the advisory committee will vote.



Company Location

The company's store will be located at 1508 Nations Drive, Gurnee, Illinois. Gurnee is an ideal location for Boba Blended to begin operations since boba tea is new in the Midwest, and Gurnee is located 40 miles from Chicago. Gurnee is also the entertainment center of suburbs north of Chicago due to its popular attractions: Six Flags Great America, Gurnee Mills Mall, and Great Wolf Lodge. Additionally, Boba Blended is within 20 miles of six high schools and two colleges, allowing a close connection between Boba Blended and local schools. Boba Blended is located next to a major interstate (I-94), which makes traveling to the store convenient for customers.

Immediate Development Goals

To provide high-quality products, a student-friendly study environment, and convenience in purchasing beverages, Boba Blended will need to meet the following immediate goals:

- Remodel the existing building to create a study-friendly work environment
- Update the drive-thru to be more appealing and efficient
- Form a mutually beneficial partnership with the neighboring fitness facility, FitNation
- Develop and implement a phone app along with a reward incentive program

Overview of Company's Financial Status

The total amount needed to initially establish Boba Blended is \$97,000. This total amount will be used to remodel the retail store, purchase necessary equipment, and advertise the opening. Sales are projected from nearby competitors and extensive research. Sales projections and expenses were created honestly and conservatively, and profits are still projected to be positive within the first year of operation.

Industry Analysis

Description of Industry

From 1990 to 2014, the wholesale value of the tea industry grew six-fold, from \$1.8 billion to \$10.8 billion, according to *US Market Research*. Tea has become an adequate substitute for caffeine-induced, sugar-enhanced beverages such as Coca-Cola. Beverages similar to Coca-Cola have been found in numerous studies to be closely linked to increased risk of Type 2 diabetes. In the past five years, traditional soda has lost \$1 billion in revenue, while healthier beverages continue to grow. As society shifts away from over-consuming sweetened beverages, the demand for healthy alternatives grows.



According to *Bubble Teaology*, tea sales have increased 165% since 1990, with the number of tea rooms offering sit down service rising about 15%. American interest in tea certainly owes some of its increase to the rise of gourmet coffee shops around the country in this same period. Most of working America has accepted the idea of expensive hot beverages as affordable luxuries, thanks to the marketing efforts of Starbucks. At the same time, fashion trends are always on the move. Now that premium coffee beverages are so widely accepted, savvy customers are looking for new, more unique treats to enjoy. Spurred by studies touting tea's health benefits, American consumers have been turning to tea as a more "natural" affordable luxury. In addition, the cultural connection of tea with all things "civilized" has made tea knowledge a mark of sophistication among many Americans.

Size

The tea beverage industry was valued at \$38.2 billion in 2015 and is projected to grow to \$44.3 billion by 2021. Additionally, the non-alcoholic beverage and soft beverage industries are valued at \$994.1 billion. The large markets of both the tea industry and non-alcoholic beverage industry allow Boba Blended to have room for growth.

Growth Rates

Specialty tea, like boba tea, is growing at extraordinary rates, according to the Tea Association of the United States of America. Specialty tea has been growing at an annual 8-10% rate, mainly due to students' and business people's delight in the discovery of new and differentiated flavors. This growth rate is expected to continue for the next five years, indicating an urgency to join the market.

Nature of Competition

Very few competitors truly compete with boba tea; however, coffee and soda are the default beverage for most, so they already control 70% of the non-alcoholic beverages market. Since boba tea is a new and unique type of beverage, many Americans will be hesitant to try the beverages. That makes the company's competition a distinct threat. Competition could also bring new customers. Customers who are trying to shift away from the sugar-enhanced beverages may be eager to try boba tea.

History

The oldest known boba tea consisted of a mixture of hot Taiwanese black tea, small tapioca pearls, condensed milk, and syrup made in 1980. Liu Han-Chieh noticed Japanese methods of making coffee to be peculiar, so he applied them to tea and included his traditional white tapioca. Most boba tea beverages are served cold; however, they can be served hot. Boba tea first gained popularity with its



boba green tea, which uses a jasmine-infused green tea base. Soon, fruit variations of tapioca began, known as lychee or jellies. Rather than having large black tapioca, small pearls of peach or plum flavoring became popular. Then tapioca began being consumed with fruit beverages, leading to large popularity across Taiwan. This mass popularity in Taiwan inspired Timothy and Nicholas to incorporate that beverage into the U.S. The owners believe that Americans will be able to see the health benefits, such as increased immune system efficiency and reduced risk of heart attack. This, coupled with the bountiful flavors that boba tea offers, will bring new customers to the business.

Target Market

Size

Gurnee, Illinois, is located near Wisconsin in northern Lake County. The total population size of Lake County, Illinois, is 703,462 with a median age of 36.7 years old, according to the 2010 U.S. Census Bureau. Fifty-four percent of that population consists of people ranging from 16 to 50 years old. Sixty-two percent of that population consists of students and businesspeople, making them a worthy target market.

Growth Potential

Local school districts see a slight increase in high school and college registration, indicating more students are coming to the Lake County area. Additionally, *Chicago Tribune* noted Lake County as second in the nation for wage growth. This wage growth will allow for businesspeople to have more discretionary income. This, in turn, allows for Boba Blended to have an abundance of potential in Lake County.

Needs

Students and businesspeople often find themselves stressed due to loads of work, extracurricular, obligations, and fast-paced lifestyles. Every student and businessperson needs a place to relax, focus on work, and a refreshing beverage to accompany them. Boba Blended will allow for both students and business people to utilize the conference rooms to conduct business meetings or study sessions.

Analysis of Market

Boba Blended is focusing on the 16- to 50-year-old demographic; more specifically, the students and businesspeople within this age group in Lake County. Because the percentage of students and businesspeople who consume tea (87% in 2015) is higher than the percentage of the total population of the United States who consume tea (69% in 2015), students and businesspeople will be the ideal market to target.



Competition

Key Competitors

1. Starbucks--An American coffee company and coffeehouse chain.

- a. Strengths



- i. Brand loyalty among customers - Customers that habitually go to Starbucks develop a bond with the business that can be difficult to break.
 - ii. Ambiance - Starbucks has created a consistent ambiance in every store. Customers know to expect a rich, warm color scheme, alternative music, organic-looking art, and baristas in green aprons in every store.
 - iii. Convenience - Baristas work quickly and keep long lines moving, keeping wait times low. They also maintain an image of high-quality products, giving customers a confidence in how their beverage will taste.

- b. Weaknesses

- i. Higher price points - Starbucks charges relatively high prices for premium beverages, making them less attractive to some consumers.
 - ii. Generalized standards for most products - Most Starbucks products are based on generalized corporate standards, restricting Starbucks from creating products unique to each store.
 - iii. Imitable products - Customers know what to expect from Starbucks and that prevents Starbucks stores from being unique.

2. Dunkin' Donuts--An American global donut company and coffeehouse chain.

- a. Strengths



- i. Strong brand name - Dunkin' Donuts is known worldwide for their donuts and coffee. Customers know what to expect when entering a Dunkin' Donuts.
 - ii. A wide variety of products - Dunkin' Donuts offers several options that compliment a coffee. Thus, customers know that Dunkin' Donuts can offer options.
 - iii. Effective marketing and advertising strategies - As an international business, Dunkin' Donuts has a strong marketing team that boosts sales in Dunkin' Donuts on the local level.

- b. Weaknesses

- i. Poor franchise relationships - Dunkin' Donuts has a significant history of lawsuits with its franchisees, which hinders their expansion rate and management quality.
 - ii. Unappealing in-store ambiance - Dunkin' Donuts has developed a reputation of being a quick fix. Studies show that customers expect their order in less than five minutes.
 - iii. Lack of local support - Dunkin' Donuts does not typically offer local fundraisers or local community help.

Boba Blended will be located in the heart of Gurnee, Illinois. While Boba Blended does not have a strong brand name or brand loyalty, it has strengths where its competitors have weaknesses. For example, boba tea naturally has a low production cost, thus allowing Boba Blended to charge lower prices than both Starbucks and Dunkin' Donuts. Additionally, the ingredients to create Boba Blended's beverages are organic and flavorful. These ingredients will result in tasteful beverages that can compete with Starbucks and Dunkin' Donuts imitable products.

The layout of the store will be convenient for both the customer and the employees. Employees will individually craft customers' beverages. After producing each beverage, the employee will deliver the order to the customer.

One of Boba Blended's goals is to be involved in the community. Hosting fundraisers for local events and partnering with nearby businesses will be crucial to differentiating the company from Starbucks and Dunkin' Donuts. This will give Boba Blended both brand recognition and community support, traits that are typically weak for a new business.

Another one of Boba Blended's goals is to hire a paid marketing intern over the summer. This intern will assist the owners during the summer months by handling the social media, connecting with other local businesses, and building brand recognition. This will allow Boba Blended to compete with some of the marketing strengths that the competitors have.

While Boba Blended's competitors may seem daunting, success is achievable. The combination of being a convenient location, affordable pricing, and providing consistent quality will allow for Boba Blended to become an intimidating competitor. Nicholas will focus on marketing to develop a reputable brand and establish a presence in the Lake County area. Additionally, marketing will expose individuals in Lake County to the idea of boba tea, creating a new market for the company.



Potential Future Competitors

1. Liquid Fusion – A café offering loose leaf and boba tea, plus fruit freezes and coffee in a modern and vibrant environment.
 - a. Barriers to enter
 - i. Location - Gurnee is a rapidly growing suburb of Chicago with limited retail space. If Liquid Fusion were to enter, it would find difficulty locating a successful spot.
 - ii. High start-up costs - Property and equipment can be very costly in Gurnee, which could deter Liquid Fusion if they desire a low entry cost.



Liquid Fusion is located 30 miles from Gurnee, Illinois, and has been expanding slowly. In the past ten years, they have expanded from one location to two. A manager reported that Liquid Fusion's owners are not entirely committed to the success of their business. However, they may expand to Gurnee, Illinois, making them a potential future competitor for Boba Blended.

Marketing Plan and Sales Strategy

Key Message

Boba Blended is inspiring students and professionals everywhere, one tasty and healthy beverage at a time. Boba Blended will spread this message across Lake County to grow toward the company's goals and customer base. This message will be spread in a variety of ways.

Message Delivery

Before opening day, several flyers and advertisements will be posted to raise awareness of the business. Then, during operations, Nicholas will continue marketing through hosting events, attending local fairs, and other advertising methods. Nicholas will also deliver Boba Blended's key message through his regular use of social media. Social media will play a big role in marketing for Boba Blended. Developing a strong online presence will be vital to increasing awareness of Boba Blended in the community and to increasing customer traffic flow.



Boba Blended is located on Nations Drive in Gurnee, Illinois. Boba Blended is visible to the traffic of Grand Avenue, a major thru-fare which has about 29,000 average daily traffic, and also I-94, which has about 97,900 average daily traffic. Additionally, nearby stores' popularity, such as Starbucks and Culvers, will help develop Boba Blended's presence in Gurnee. The company is also conveniently located approximately half a mile from Six Flags Great America, which has approximately 2.4 million visitors a year, and adjacent to the overpass that connects to the Gurnee Mills Mall, which has about 23 million visitors a year.¹ By utilizing the company's location and nearby tourist destinations through flyers and signs, the company's message will be delivered through the form of flyers and social media. An example of the opening flyer can be found in the supporting documents section (p. 29).



Figure 1: Map Showing Annual Daily Traffic Around Boba Blended's Building



Figure 2: The Logo of Boba Blended's Partnering Gym

Nicholas Zblewski will establish a partnership with the neighboring gym, FitNation, within the first year of operation to build a direct customer flow with “just out of the gym” people and Boba Blended. A direct channel between Boba Blended and FitNation will allow for Boba Blended to send their message clearly.

“Blender”, Boba Blended's phone application, created by Nicholas, will notify customers whenever there is a “Hot Deal”. This application will also include the entire menu in a visually pleasing format where customers will be able to scroll through the beverage options (or use the view all function) and “swipe right” for any beverage they wish to add to their shopping cart. Following the swipe will be additives in a similar format that customers can “swipe left” to decline the additive or “swipe right” to add that additive to the order/beverage. This way customers can interact with the application and see the variety Boba Blended



Figure 3: Image of the Boba Blended App's Home Screen

¹ Average daily traffic and visitor count derived from the 2010 Census.

offers. Additionally, the application will be updated whenever menu changes occur, along with price changes by either Nicholas Zblewski or the summer intern.

To engage the community and get the company's key message out there, there will be a community oriented section with a chalkboard. On this chalkboard, frequent customers can sign their name and create a tally of how many times they have been to the store. This method will develop a customer base for Boba Blended and new customers can potentially see friends they have and come back with them in the future. Also, the chalkboard will engage social media. Customers will be encouraged to tweet out or snapchat their name on the chalkboard, allowing Boba Blended to connect with the community on a personal level. Another part of the community oriented section is the business cork board. On this cork board, businesses can post job fairs, employment opportunities, and other relevant local information.



Figure 4: Image of Social Medias Boba Blended Will Use

Along with encouraging customers to utilize social media in the store, Boba Blended will advertise their own social media. Boba Blended will use Instagram and Twitter to notify the customers of “Hot Deals”, upcoming events, and business updates. On the Instagram page, a weekly photo will be uploaded, submitted by employees or customers. On the Twitter page, surveys will be posted to allow customers to provide feedback. Boba Blended will also use Facebook and LinkedIn to post educational readings, upload weekly blogs about the future of Boba Blended, and potentially stream live events. Nicholas will primarily handle the social media accounts to directly convey Boba Blended's key message to customers.

Sales Procedures

One of the company's immediate goals is to develop an incentive reward program to increase sales and customer satisfaction. This program will reward frequent customers with beverages, merchandise, or “shout outs” on the social media platforms. The program will have three levels: Tourist, Blendista, and Blender. Each level can be achieved with a certain number of points, or as the program calls them, tapioca. One dollar equals one tapioca. Any amount that is not exactly a dollar will count as a fraction of tapioca, allowing customers and the program to keep an accurate measurement of the customer's spending and tapiocas. These levels will hold for an entire year and reset annually. The Blender app will notify customers of upcoming deadlines for the programs.

1. Tourist, the first level of the incentive reward program, is achievable with the first purchase of a beverage. After downloading Boba Blended's mobile application, customers can redeem their first beverage and instantly achieve the first level. Customers on the tourist level can also redeem a free beverage when they achieve 50 tapiocas. Additionally, customers on the tourist level will receive emails periodically with special coupons tailored for them. For example, a tourist can receive a coupon for a free additive to any size beverage.
2. Blendista, the second level of the incentive reward program, is achievable after earning 250 tapiocas. Along with having previous level benefits, customers on the Blendista level will also have access to after-hour events, late night study days (primarily for final exams), and merchandise. Additionally, these customers will receive emails periodically with more prestigious coupons tailored for them. For example, a Blendista can receive a coupon for a buy one get one free any size beverage.
3. Blender, the third level of the incentive reward program, is achievable after earning 500 tapiocas on the Blendista level. This will be the highest level obtainable in the incentive reward program. Along with having previous level benefits, customers on the blender level can reserve study spaces for up to two hours, excluding final exam days. The blender level will also allow customers to receive \$2.00 refills if the customer does not leave the store, for up to three refills a day.

The primary in-store sales procedure will be through the blender vendors. These machines will take customers' orders and allow for employees to quickly and accurately produce customers' orders. Additionally, Boba Blended will provide small snack foods, such as peanut butter and jelly sandwiches, snack bars, and trail mix for customers in the store. Outlets will be accessible at every study space and Wi-Fi will range throughout the store to allow students and business people to stay connected.

Operations

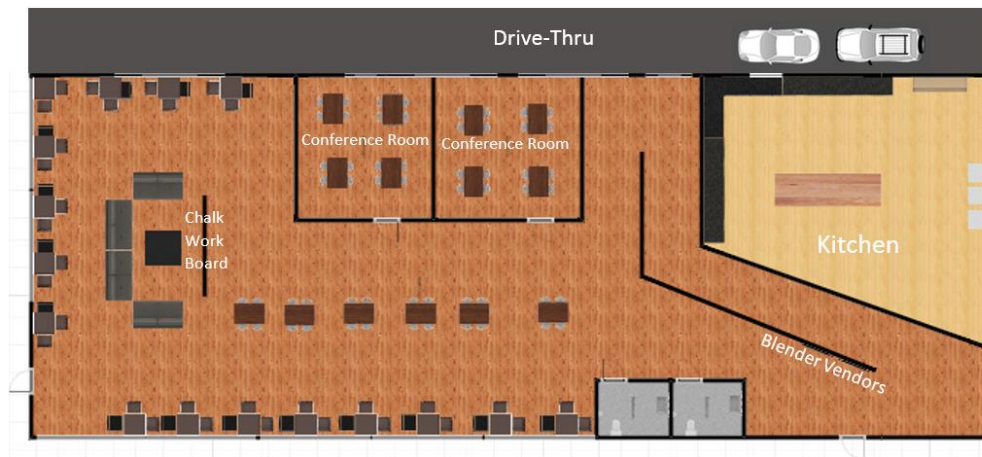
Business Facilities

Boba Blended's facility on Nations Drive is a 4,704 square foot building with a 1.79 acre parking lot. Approximately 80% of the building will be utilized for seating and customer resources to make it the most customer-friendly store in Lake County. Additionally, the two blender vendors will be included in this section. A blender vendor is a machine that will take customers' orders, explained in more detail in the production plan section. The remaining 20% of the building will be for the kitchen, staff room, and storage room.



The store will have a modern Asian-inspired interior, to mix the American style and boba tea concept. The chairs and study spaces will be comfortable so students can study for long hours without having back pain. There will be two study rooms that are sound-proof and contain monitors that can adapt to any type of laptop. This room will be available to anyone when not reserved by customers on the blender level. The monitor will allow for study groups to go through presentations, have video conferences, or work together on a project. By offering conference rooms, the business hopes to draw in students and business professionals for long periods of time. The floor plan below displays a glimpse of what the store will look like. We have several tables along the walls for easier access to outlets and to have an open floor space.

Figure 5: Store Floor Plan



Production Plan

There will be three types of employees the owners, teatender, and summer intern. These three positions will have overlapping duties such as preparing beverages, delivering beverages, and maintaining the cleanliness of the store. Owners will be focused on the financial stability of the business, marketing, and several other aspects of the company. Teatenders will focus mainly on preparing and delivering beverages, along with being customer friendly. Summer interns will focus on marketing for the business; however, they will also help during weekends as a manager of teatenders.

Upon entry to the store, a customer will be met with a blender vendor. There will be two blender vendors to expedite orders. Through this customer-friendly machine, customers will create their own beverage. By utilizing the blender vendor, customer-to-employee interaction will be minimized and customers will be confident no errors will be made with their order. Once an order is completed, the machine will ask customers if they would like to receive tapioca points for the Blender app or if they would like to sign-up for rewards via email. By having this prompt, customers will be encouraged to download the app and return frequently to earn rewards. After completing a cash or card payment, customers will receive a

receipt with their name and Boba Blended's social media accounts. An employee will receive the order on a monitor in the kitchen, prepare the beverage, and then deliver the beverage to the customer.

While the in-store production plan will require minimal customer-to-employee interaction, the drive-thru production plan will require significantly more customer-to-employee interaction. Teatenders will have headsets that will allow them to take customers' orders. The teatender who completes a customer's order will also complete the payment process, as well as, deliver the beverage through the drive-thru window.

Workforce Plan

One of the owners, Timothy or Nicholas, will always be at the store on weekends and will develop a schedule with managers to balance the weekdays. With one of the owners present, it will reduce the number of employees needed and also increase productivity by having a passionate manager, rather than a hired one. However, when an owner goes on vacation, a selected manager will assume the responsibilities. Along with Timothy or Nicholas, a teatender will be assisting with duties. On the weekends, an additional teatender may be working to help manage customer flow. There will be a total of six part-time teatenders and one summer intern, annually.

Typically, Nicholas will arrive at 6:00 a.m. to prepare for opening at 6:30 a.m. He will ensure the store is clean and that there are enough supplies for morning operations. A teatender will come at 6:30 a.m. to help Nicholas manage drive-thru traffic and update inventory. At 2:00 p.m., Timothy will change shifts with Nicholas, and bring in necessary supplies to maintain operations. Timothy and the teatender on duty will close the business at 10:00 p.m., clean up, and finalize inventory. Boba Blended will be open seven days a week, excluding holidays, with a minimum of two employees present on weekdays and a minimum of three employees present on weekends. These hours are subject to change; however, this will serve as the general plan of operations. Managers will be incorporated if necessary.

Impact of Technology

Technology will be a crucial part of the business. The company relies on the cash register to accurately document each transaction for future analysis. Technology seals the cups for beverages. Technology also provides clear communication for customers using the drive-thru. Additionally, several customers will utilize the phone application, Blender. The Blender Vendor will function through innovative coding and this use of technology will increase sales for Boba Blended.



Management and Organization

Boba Blended is owned and operated by Timothy Le and Nicholas Zblewski, business partners, as a limited liability company. Timothy acts as the accountant and recruiter for employees. Nicholas acts as the designer and marketer of products. Both partners will manage the store with their extensive experience in management in their related fields as mentioned above. They will be balancing their knowledge of beverage purchasing, brewing, and marketing, as well as, their knowledge of running a small, upscale beverage business. All of these traits will ultimately create success for Boba Blended.

As local business owners, Timothy and Nicholas understand the importance of treating their employees fairly. Each employee is crucial to the success of Boba Blended; however, inexperienced employees need to be managed. Since employees are part-time or temporary, the company will implement a tactical management style. Tactical management is a style in which the manager is more directive and controlling; thus the manager is making major decisions while staying in close contact with employees while they work. As employees develop skills and trust over time with the company, the company will incorporate some aspects of strategic management. Employees with experience will be more involved in decision making and will take responsibility for their work in this mix of management styles. Starting with a tactical management style will allow new employees to learn the skills necessary to operate Boba Blended through experience. Then, by incorporating strategic management, employees will have more freedom and will feel like a team member. The managers, primarily the owners, will be responsible for coordinating the talents of each employee to ensure Boba Blended performs well.

Key Employees

1. Owners

Timothy and Nicholas will be responsible for the entirety of the store and business. Nicholas will hold the lead role in marketing the business; however, he will welcome Timothy's input. Additionally, Nicholas will manage the inventory and cleanliness of the store. Timothy will create work schedules for employees, manage the business, and handle the financials of Boba Blended. Together, Timothy and Nicholas will be able to manage and market the business. They will also ensure smooth customer flow and work flow, as well as engage in customer interactions and aid teatenders in creating beverages. Additionally, the owners will strive for a positive environment, ensuring each employee and customer feels comfortable and positive in the store.



2. Teatender

Teatenders will be the primary employees for Boba Blended. The primary role of a teatender is to create quick, high-quality beverages. However, teatenders will be expected to engage in customer conversation, maximize customer satisfaction, and frequently maintain the cleanliness of the store. Teatenders will also process customers' transactions after completing their product, ensuring any additives are included in the final purchase.

3. Summer Intern

A unique type of employee Boba Blended will have is a summer intern. Each summer a college marketing student will take over a few of Nicholas' responsibilities of managing social media, developing marketing material, and updating the Blender app. Additionally, the summer intern will serve as manager on weekends and spend most of his or her time during the week pushing Boba Blended's marketing agenda. By having this intern, Nicholas can focus his attention on managing inventory and the store during the busy months of the summer.

Advisory Committee

Since Boba Blended is a LLC, a board of directors is not required; however, an advisory committee consisting of the accountant, a non-competitive local frozen yogurt entrepreneur, the family investor, and the two owners will meet monthly. In the summer, the intern will sit in during these meetings. The purpose of this monthly meeting is to update financials, evaluate the status of the business, and plan for the next month. Additionally, this meeting will allow all parties to voice their opinion about the business and give the owners guidance.

Employee Process

Teatender - Typically a part-time high school student or college student. The primary way employees will be hired is through Boba Blended's online application, which is accessible through the website and app. A secondary method of finding employees will be to contact local high schools' business departments and ask for a list of qualified students to contact. Potential employees will be expected to submit a resume, complete short answer questions, and undergo an interview conducted by Timothy. Timothy will interview each applicant to ensure employees hired are responsible and have accountability. Flexible, personable, and outgoing employees will be necessary to ensure Boba Blended will function and prosper.



Summer Intern - A student in college majoring in marketing. Nearby colleges, such as Loyola University and DePaul University, will be primary locations to recruit interns. Attending career fairs and utilizing the colleges' employment websites will allow for Boba Blended to find and recruit one summer intern annually. Interns will work from the beginning of June to the end of September. Similar to teatenders, Timothy will interview potential interns to ensure the intern has a strong character and diligent work ethic.

Compensation and Incentives

Boba Blended promises prospective teatenders flexible hours, a clean and vibrant work environment, and a free beverage with every shift. By offering them incentives similar to these, they will be satisfied working as a teatender. Additionally, teatenders are paid above minimum wage, receiving \$9.00 per hour as starting pay. After the first 100 work hours, teatenders will gain an increase in hourly wages of \$0.50. By setting this standard, employees will be incentivized to dedicate their time with the company and grow with Boba Blended. Pay raises thereafter will be given to teatenders who move into management positions, show strong commitment to the company, or dedicate numerous extra hours to the company. Each employee will go through an extensive evaluation by both Timothy and Nicholas to receive additional pay raises.

Boba Blended promises summer interns up to a 35-hour week schedule. College students depend on summer break to be their free time, so by giving summer interns a flexible and limited work week, they will be able to enjoy the summer. Additionally, Boba Blended will not have to, under Illinois law, pay for benefits, such as dental insurance or health insurance, for the intern. Summer interns receive the same benefits as teatenders; however, receive a \$10.00 hourly pay as a starting wage. While Boba Blended believes employees should receive fair pay, Boba Blended also strives to maximize employee satisfaction.

Timothy and Nicholas will each receive salaries paid bi-weekly that add up to \$35,000 each in the first year. This salary is expected to increase by \$5,000 each year, unless Boba Blended experiences growth that surpasses the projected financials. If this occurs, then the salaries will increase as a percentage of growth. Timothy will evaluate fair pay for the owners at the end of each fiscal year and consult the advisory committee to ensure the pay increase is appropriate.



Long-Term Development

Future Goals

By the third year of business, the company plans to complete three objectives. The first objective is to ultimately maintain profit and build a strong relationship with nearby schools. By keeping costs low and having a strong marketing presence, profits are projected to be positive. Also, by offering fundraisers and by supporting local schools, Boba Blended will have a direct connection with local schools. The second objective is to have an online presence within Lake County to directly connect with students. The company's wide usage of social media strategies will allow the company to achieve this objective. This objective is crucial for Boba Blended to have a strong marketing presence as well. The third objective is to become a central hub for students and business people in Lake County. Boba Blended will achieve this objective by promoting the quiet study areas and conference rooms available at the store as well as by reaching out to local school districts.

By the fifth year of business, Boba Blended will expand. Research shows that Libertyville, Illinois; Waukegan, Illinois; and Kenosha, Wisconsin are three growing areas with an abundance of students and potential. Thus, Boba Blended will expand to these three locations. Timothy and Nicholas will each manage two stores; however, they will still uphold their co-owner duties. Additionally, Timothy and Nicholas will evaluate Boba Blended's mission, strategies, goals, objectives, and vision with the advisory committee to keep up with technology and society to make any necessary changes. This will allow Timothy and Nicholas to align their vision for the future of the company and ensure Boba Blended is in the best shape for expansion.

By the tenth year of business, Boba Blended will be expanding further. Timothy and Nicholas will develop a management system that will allow for stores to operate entirely without either owner's physical presence. This system will include the hiring process, how to operate a store, and data on how other stores performed in their first year. By having this system, Boba Blended will be able to expand across the Midwest region of the U.S. efficiently. By utilizing this system, Boba Blended will expand to two major cities: Chicago, Illinois and Milwaukee, Wisconsin during the tenth year of operations. By achieving this goal, Boba Blended will develop a strong reputation and brand recognition in the Midwest region. Also at the ten-year mark, Boba Blended will begin developing a ready-to-drink boba tea product that can be sold off the shelf, so customers can enjoy beverages from the comfort of home.



Risks and Potential Adverse Results

In having a unique main product, boba tea, which many Americans have not heard of, customers will be hesitant to try the products of Boba Blended. However, to ensure every customer is satisfied, Boba Blended will advertise the various other options available and the numerous additives customers can have. By promoting this variety in Boba Blended's marketing plan, Boba Blended will also lower the threat of competitors. Unlike Starbucks and Dunkin' Donuts, Boba Blended does not have an established brand name to begin. Investing in Boba Blended's marketing will allow for Boba Blended to begin creating a respectable brand name for itself and allow for future expansion. With the innovative blender vendors and other technologies in the store, we foresee possible technological difficulties. For example, the blender vendors cease operations. While our cash registers serve for the drive-thru customers, they can also serve for the in-store customers. Similar to any business, employees pose a risk to the company through the foreseeable mistakes employees might make. However, the owners will train new employees through the company programs to ensure any mistakes can be resolved quickly and turned into a learning experience.

Strategy for Future Goals

Timothy and Nicholas will accomplish these goals by maintaining contact with the advisory committee, receiving feedback from the community, and setting priorities. Monthly meetings with the advisory committee and proper planning during these meetings will ensure Boba Blended is on track to achieve their goals. During these meetings, the status of the business will be evaluated and the future goals of Boba Blended will be discussed. By utilizing social media and customer surveys, customer feedback can be recorded and analyzed to make any necessary changes for Boba Blended. Additionally, the owners will align their views for the future of Boba Blended in a one hour, bi-weekly meeting. By developing the habit of having frequent meetings, these meetings can later be used to work on achieving goals, such as re-evaluating the company's mission, strategies, goals, objectives, and vision.

Financials

Boba Blended will be using an accrual-basis method to more accurately recognize income and expenses in the period to which they apply. Under this system, revenue will be recorded when it is earned and expenses will be recorded when they are incurred. Boba Blended chose the accrual method to have a more accurate picture of how the business is performing over the long-term. Additionally, Boba Blended will maintain records aligned with GAAP.



Balance Sheet

See Figure 6

A balance sheet is organized to list the assets and liabilities Boba Blended maintains on the first day of operations. After paying off loans and other expenses, an expected cash and cash equivalents asset of \$15,850 is reported on the balance sheet for March 1, 2018. Other assets and liabilities are aligned with the start-up analysis or loan. However, a \$200 accounts payable is not aligned with the start-up analysis or loan in the balance sheet. Every week Boba Blended will receive fresh, hormone-free milk from a nearby dairy store, Oberweis, to not only build a relationship with the local business, but to ensure fresh and local ingredients are going into the products. Oberweis will bill Boba Blended at the end of every period, with Boba Blended using accrual-basis accounting, the expense is immediately recorded at the beginning of operations.

Start-up Analysis

See Figure 7

Boba Blended will need a start-up capital of \$107,000. This start-up consists of three investments: owners' cash contributions of \$20,000, leasehold improvements of \$47,000, and family investors' \$40,000 loan. Each owner will invest \$10,000 to the business. Arcore Real Estate Group, the landlord, offers \$47,000 in leasehold improvements for signing a five year rent agreement contract. Additionally, Arcore agreed to postpone rent charges until operations begin. The family investors expect a monthly return on the \$40,000 loan with a 5% interest rate amortized monthly over five years. Arcore also projected the cost to remodel the building to be \$50,000. Resulting in an expected total start-up expense of \$91,150. The beginning cash balance of \$15,850 will be used to pay the loan and other expenses during the first two months of reconstruction and remodeling.

Loan

See Figure 8

A loan schedule for family investors consisting of the principal, interest, number of periods, yearly and monthly payments, and the first year of amortization is created to ensure proper returns on the investment. The investors expect their loan of \$40,000 to be returned over five years, with a 5% interest rate compounded monthly on the amount owed. The monthly payment Boba Blended must make to pay off the loan completely in five years is \$754.85.



Boba Blended	
Balance Sheet	
(in dollars)	
	March 1, 2018
Assets	
Current Assets:	
Cash and Cash equivalents	\$ 15,850.00
Inventories	\$ 3,000.00
Prepaid Expenses	\$ 2,700.00
Total Current Assets	\$ 21,550.00
Property and Equipment	\$ 33,550.00
Total Assets	\$ 55,100.00
Liabilities and Owners' Equity	
Current Liabilities:	
Accounts Payable	\$ 200.00
Total Current Liabilities	\$ 200.00
Long-term Liabilities:	
Loan Payable-Tri Le	\$ 38,821.18
Total Liabilities	\$ 39,021.18
OWNERS' EQUITY	
Timothy Le	\$ 8,039.41
Nicholas Zblewski	\$ 8,039.41
Total Stockholders' Equity	\$ 16,078.82
Total Liabilities and Stockholders' Equity	\$ 55,100.00

Figure 6: Boba Blended Balance Sheet

Start-up Analysis	
Start-up Capital	Cost
Owners' Cash Contributions	\$ 20,000.00
Leasehold Improvements	\$ 47,000.00
Family Investors	\$ 40,000.00
Total Available Cash	\$ 107,000.00
Cost of Capital Equipment	
Beginning Inventory	\$ 3,000.00
Equipment	\$ 33,550.00
Remodeling Costs	\$ 50,000.00
Licenses	\$ 500.00
Accounting Fees	\$ 400.00
Advertising (grand opening, etc.)	\$ 1,000.00
Deposits (public utilities, etc.)	\$ 500.00
Insurance	\$ 300.00
Other	\$ 1,900.00
Total Start-up Expenses	\$ 91,150.00
Beginning Cash Balance	\$ 15,850.00

Figure 7: Boba Blended Start-up Analysis Sheet

Loan Schedule		Loan Ammortization for Year 1				
		Mth #	Mthly Pay	Int.	Principal	Rem. Princ.
Principal	\$40,000.00					\$ 40,000.00
Interest	5%					
# of Periods	60					
Yearly Payment	\$ 9,058.20					
Monthly Payment	\$ 754.85					
		1	\$ 754.85	\$ 166.67	\$ 588.18	\$ 39,411.82
		2	\$ 754.85	\$ 164.22	\$ 590.63	\$ 38,821.18
		3	\$ 754.85	\$ 161.75	\$ 593.10	\$ 38,228.09
		4	\$ 754.85	\$ 159.28	\$ 595.57	\$ 37,632.52
		5	\$ 754.85	\$ 156.80	\$ 598.05	\$ 37,034.47
		6	\$ 754.85	\$ 154.31	\$ 600.54	\$ 36,433.93
		7	\$ 754.85	\$ 151.81	\$ 603.04	\$ 35,830.89
		8	\$ 754.85	\$ 149.30	\$ 605.55	\$ 35,225.34
		9	\$ 754.85	\$ 146.77	\$ 608.08	\$ 34,617.26
		10	\$ 754.85	\$ 144.24	\$ 610.61	\$ 34,006.65
		11	\$ 754.85	\$ 141.69	\$ 613.16	\$ 33,393.49
		12	\$ 754.85	\$ 139.14	\$ 615.71	\$ 32,777.78

Figure 8: Boba Blended's Loan Schedule

Year 1 Monthly Cash Flow

See Figure 9

Boba Blended will begin construction and remodeling in January, and expects to begin operations at the beginning of March. Having a beginning cash balance of \$15,850 after start-up costs (*See Figure 7*) allows for expenses incurred during the months of construction and remodeling to be covered. For example, in the month of January, an operating expense of \$800 (a result of purchasing insurance and an operating license) and a loan expense of \$754.85 has accrued. This results in an ending cash balance of \$14,295.15 for the month of January. This situation is the reason for borrowing a loan larger than the total start-up expense.

As shown on the projected statement of cash flow for year ending December 31, 2018, loan expense and depreciation expense are separate from the operating expense. While these two expenses are included in operating expenses on the income statement, they are separated on the cash flow statement to clearly show where cash is being spent. This separation will allow for more accurate judgement of budgeting and follows GAAP.

When operations begin in March, a negative cash flow of \$1,234.46 is projected. Sales are anticipated to be relatively low in the first month, due to the expectation that customers are to be hesitant to try a new and unique store. However, with Boba Blended's marketing and sales strategy, sales are expected to grow over the year causing an increased cash flow. Typical boba tea stores experience a decrease in cash flows in September, due to change in seasons from summer to fall. However, Boba Blended's target market of students and business people will increase cash flows and, in turn, maintain steady sales during these periods.



Year 1 Monthly Income Statement

See Figure 10

Boba Blended's monthly income projections were calculated through approximating average daily traffic (approximately 240) and the average spending per customer (\$5). One of Boba Blended's main competitors, Starbucks, has an average daily traffic of 500 and each customer typically spends \$7-9. Boba Blended's numbers were underestimated to ensure Boba Blended can handle the worst-case scenario. Furthermore, typical boba tea shops in the U.S. spend 20% of sales on producing their products; however, since Boba Blended will provide organic, fresh ingredients, Boba Blended will estimate cost of goods sold to be 25% of sales. Lastly, Boba Blended accounts sales allowances as 5% of sales to cover the expense of having discounts and fundraisers. By offering discounts and fundraisers, Boba Blended hopes to draw in new customers and build a larger customer base. Through successful marketing, curious customers, and location, Boba Blended expects these increased costs and precautions to result in higher profit.

Operating expenses were calculated through actual estimates or projections from nearby competitors. Boba Blended has several fixed expenses, such as rent and insurance, as well as several variable expenses, such as supplies and utilities. The fixed expenses make up 61.1% of the total sales. The variable expenses make up 3.53% of the total sales (income tax and operating profit make up the remaining percentage). To ensure proper marketing and financial projections, marketing expense, repairs and maintenance are classified as a fixed expense every month. If the budget for these expenses is not achieved in the month, the remaining balance will rollover to the next month. If the budget for these expenses is not enough in the month, the balance for future months will be decreased accordingly. This will allow Boba Blended to continue branding and maintain the wellness of the store. Situations like this explain why the variable expenses make up a small percentage of the total sales.

Overall, Boba Blended is projected to make a profit of \$16,335.94 in the first year of operations. This profit may be used toward upkeep of the store, additional marketing expenses, or unexpected payment of the loan. Owners will receive no portion of the profit; however, Timothy and Nicholas understand that their salaries will increase with the success of the business. Additionally, Timothy and Nicholas are motivated by passion, not greed, to run Boba Blended, creating a strong focus on growing the business rather than growing their salaries.



Figure 9: Boba Blended's Projected 1st Year Monthly Cash Flows

Projected Statement of Cash Flow for Year Ending December 31, 2018												
	Jan '18	Feb '18	Mar '18	Apr '18	May '18	Jun '18	Jul '18	Aug '18	Sep '18	Oct '18	Nov '18	Dec '18
Sales	\$ -	\$ -	\$ -	\$ 31,000.00	\$ 31,500.00	\$ 35,650.00	\$ 36,000.00	\$ 38,750.00	\$ 40,300.00	\$ 37,975.00	\$ 38,750.00	\$ 39,525.00
Sales Allowances	\$ -	\$ -	\$ -	\$ 1,550.00	\$ 1,575.00	\$ 1,782.50	\$ 1,800.00	\$ 1,937.50	\$ 2,015.00	\$ 1,912.50	\$ 1,937.50	\$ 1,976.25
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ 7,750.00	\$ 7,875.00	\$ 8,912.50	\$ 9,000.00	\$ 9,687.50	\$ 10,075.00	\$ 9,562.50	\$ 9,493.75	\$ 9,881.25
Operating Expenses	\$ 800.00	\$ -	\$ -	\$ 21,985.00	\$ 22,478.00	\$ 22,965.00	\$ 23,804.00	\$ 24,875.00	\$ 25,222.00	\$ 24,563.00	\$ 24,366.00	\$ 24,747.00
Loan Expense	\$ 754.85	\$ 754.85	\$ 754.85	\$ 754.85	\$ 754.85	\$ 754.85	\$ 754.85	\$ 754.85	\$ 754.85	\$ 754.85	\$ 754.85	\$ 754.85
Depreciation Expense	\$ -	\$ -	\$ -	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20
Estimated Income Tax	\$ -	\$ -	\$ -	\$ 23.41	\$ 66.15	\$ 447.39	\$ 303.45	\$ 520.26	\$ 921.42	\$ 1,291.45	\$ 1,728.40	\$ 1,194.93
Cash Flow	\$ (1,554.85)	\$ (754.85)	\$ (1,234.46)	\$ (1,420.20)	\$ 616.56	\$ 166.50	\$ 803.69	\$ 1,140.53	\$ (5.50)	\$ (326.95)	\$ 254.88	\$ 799.52
Beginning Cash	\$ 15,850.00	\$ 14,295.15	\$ 13,540.30	\$ 12,305.84	\$ 10,885.64	\$ 11,502.19	\$ 11,668.69	\$ 12,472.38	\$ 13,612.91	\$ 13,607.41	\$ 13,280.45	\$ 13,535.33
Net Change in Cash	\$ (1,554.85)	\$ (754.85)	\$ (1,234.46)	\$ (1,420.20)	\$ 616.56	\$ 166.50	\$ 803.69	\$ 1,140.53	\$ (5.50)	\$ (326.95)	\$ 254.88	\$ 799.52
Ending Cash	\$ 14,295.15	\$ 13,540.30	\$ 12,305.84	\$ 10,885.64	\$ 11,502.19	\$ 11,668.69	\$ 12,472.38	\$ 13,612.91	\$ 13,607.41	\$ 13,280.45	\$ 13,535.33	\$ 14,334.85

Figure 10: Boba Blended's Projected 1st Year Monthly Income Statement

Projected Income Statement for Year Ending December 31, 2018												
	Jan '18	Feb '18	Mar '18	Apr '18	May '18	Jun '18	Jul '18	Aug '18	Sep '18	Oct '18	Nov '18	Dec '18
Operating Revenue	\$ -	\$ -	\$ -	\$ 31,000.00	\$ 31,500.00	\$ 35,650.00	\$ 36,000.00	\$ 38,750.00	\$ 40,300.00	\$ 37,975.00	\$ 38,750.00	\$ 39,525.00
Sales	\$ -	\$ -	\$ -	\$ 31,000.00	\$ 31,500.00	\$ 35,650.00	\$ 36,000.00	\$ 38,750.00	\$ 40,300.00	\$ 37,975.00	\$ 38,750.00	\$ 39,525.00
Less: Sales Allowances	\$ -	\$ -	\$ -	\$ 1,550.00	\$ 1,575.00	\$ 1,782.50	\$ 1,800.00	\$ 1,937.50	\$ 2,015.00	\$ 1,912.50	\$ 1,937.50	\$ 1,976.25
Net Sales	\$ -	\$ -	\$ -	\$ 29,450.00	\$ 29,925.00	\$ 33,867.50	\$ 34,200.00	\$ 36,812.50	\$ 38,285.00	\$ 36,062.50	\$ 36,812.50	\$ 37,548.75
Cost of Goods Sold	\$ -	\$ -	\$ -	\$ 7,750.00	\$ 7,875.00	\$ 8,912.50	\$ 9,000.00	\$ 9,687.50	\$ 10,075.00	\$ 9,562.50	\$ 9,493.75	\$ 9,881.25
GROSS PROFIT	\$ -	\$ -	\$ -	\$ 21,700.00	\$ 22,050.00	\$ 24,955.00	\$ 25,200.00	\$ 27,125.00	\$ 28,210.00	\$ 26,500.00	\$ 27,318.75	\$ 27,667.50
Operating Expenses	\$ -	\$ -	\$ -	\$ 10,960.00	\$ 10,960.00	\$ 12,560.00	\$ 12,560.00	\$ 12,560.00	\$ 12,560.00	\$ 10,960.00	\$ 10,960.00	\$ 11,600.00
Salaries, Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 500.00
Licenses	\$ 500.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Legal & accounting	\$ -	\$ -	\$ -	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 2,000.00
Supplies	\$ -	\$ -	\$ -	\$ 1,221.00	\$ 1,347.00	\$ 1,482.00	\$ 1,402.00	\$ 1,854.00	\$ 1,826.00	\$ 1,619.00	\$ 1,415.00	\$ 1,253.00
Repairs & Maint.	\$ -	\$ -	\$ -	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 6,000.00
Marketing Expense	\$ -	\$ -	\$ -	\$ 640.00	\$ 640.00	\$ 640.00	\$ 640.00	\$ 640.00	\$ 640.00	\$ 640.00	\$ 640.00	\$ 6,400.00
Rent Expense	\$ -	\$ -	\$ -	\$ 7,840.00	\$ 7,840.00	\$ 7,840.00	\$ 7,840.00	\$ 7,840.00	\$ 7,840.00	\$ 7,840.00	\$ 7,840.00	\$ 78,400.00
Utilities Expense	\$ -	\$ -	\$ -	\$ 400.00	\$ 415.00	\$ 426.00	\$ 441.00	\$ 468.00	\$ 497.00	\$ 504.00	\$ 473.00	\$ 4,560.00
Insurance Expense	\$ 300.00	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600.00
Interest Expense	\$ 166.67	\$ 164.22	\$ 161.75	\$ 159.28	\$ 156.80	\$ 154.31	\$ 151.81	\$ 149.30	\$ 146.77	\$ 144.24	\$ 141.69	\$ 139.14
Depreciation Expense	\$ -	\$ -	\$ -	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 171.20	\$ 1,712.02
Total Operating Expenses	\$ 966.67	\$ 164.22	\$ 22,193.95	\$ 22,332.48	\$ 22,476.00	\$ 24,008.51	\$ 24,785.01	\$ 24,483.50	\$ 24,280.97	\$ 22,622.44	\$ 22,440.89	\$ 233,008.00
Profit Before Taxes	\$ (966.67)	\$ (164.22)	\$ (21,188.95)	\$ (21,182.48)	\$ (21,921.00)	\$ (12,486.31)	\$ (12,563.20)	\$ (12,671.50)	\$ (12,068.97)	\$ (11,015.03)	\$ (10,123.14)	\$ (24,382.00)
Estimated Income Tax	\$ -	\$ -	\$ -	\$ (93.22)	\$ 818.07	\$ 393.19	\$ 772.20	\$ 1,229.74	\$ 823.03	\$ 1,306.82	\$ 1,786.67	\$ 8,046.06
Operating Profit	\$ (966.67)	\$ (164.22)	\$ (21,188.95)	\$ (21,275.70)	\$ (21,102.93)	\$ (12,093.12)	\$ (11,791.00)	\$ (11,441.76)	\$ (11,245.94)	\$ (9,708.21)	\$ (8,336.47)	\$ (16,335.94)

Yearly Income Statements for Years 1, 3 & 5

See Figure 11

As mentioned in the 1st year monthly income statement analysis, sales for year one were calculated by approximating average daily traffic (240~) and the average spending per customer (\$5). Sales for year three are projected to be a 13.68% increase from year one, due to advertising, word-of-mouth, and being in operations for 12 months, rather than ten months. Sales for year five are projected to be a 38% increase from year three, due to implementing and executing the company's three-year goals, having a solid customer base, and successful marketing. Similar to year one, Boba Blended anticipated a 5% sales allowance for each year to cover the fundraising, donating, and discount expenses. Additionally, Boba Blended will maintain its 1:4 ratio of cost of goods sold to ensure a large enough budget to purchase fresh ingredients.

Salaries increase each year due to owners' increase in pay (\$35,000 each in the first year, \$42,500 each in the third year, and \$55,000 each in the fifth year); increase in employment to keep up with customer traffic, and employee pay. Other expenses are calculated through analysis of other nearby stores' costs, actual calculations through wholesalers, or are fixed. The rent expense is fixed for five years, at \$28 a square foot for 4704 square foot building. The rent is high due to the prime location of Boba Blended; however, this location will serve better for the business in the long run. The location will be more visible and will be easily accessible for all students and business people in Lake County. Another important expense to note is the depreciation expense. Depreciation expense drastically changes from year 3 to year 5 due to new additions of equipment to keep up with traffic flow increase.

While Boba Blended's sales are underestimated and expenses are overestimated compared to nearby competitors, Boba Blended is projected to still incur profit in year one, three, and five. This indicates strong success early on and will allow for long-term goals to have proper funding to be implemented. Similar to the year one monthly income statement, all operating profits may be used toward upkeep of the store, additional marketing expenses, or paying off the loan. However, an increase in sales and promotion from Boba Blended will ultimately increase the salaries of the owners, incentivizing them to grow the business.



Projected Yearly Income Statements			
	For Year Ended	For Year Ended	For Year Ended
	December 31, 2018	December 31, 2020	December 31, 2022
	Year 1	Year 3	Year 5
Revenue			
Sales	\$ 367,700.00	\$ 418,000.00	\$ 576,840.00
Less: Sales Allowances	\$ 18,385.00	\$ 20,900.00	\$ 28,842.00
Net Sales	\$ 349,315.00	\$ 397,100.00	\$ 547,998.00
Cost of Goods Sold	\$ 91,925.00	\$ 104,500.00	\$ 144,210.00
GROSS PROFIT	\$ 257,390.00	\$ 292,600.00	\$ 403,788.00
Operating Expenses			
Salaries, Wages	\$ 116,000.00	\$ 126,000.00	\$ 164,872.00
Licenses	\$ 500.00	\$ 250.00	\$ 250.00
Legal & Accounting	\$ 2,000.00	\$ 2,500.00	\$ 3,000.00
Supplies	\$ 15,000.00	\$ 20,000.00	\$ 35,000.00
Repairs & Maint.	\$ 6,000.00	\$ 8,000.00	\$ 10,000.00
Marketing Expense	\$ 6,400.00	\$ 7,200.00	\$ 8,000.00
Rent Expense	\$ 78,400.00	\$ 94,000.00	\$ 94,000.00
Utilities Expense	\$ 4,560.00	\$ 4,785.56	\$ 6,886.90
Insurance Expense	\$ 600.00	\$ 600.00	\$ 600.00
Interest Expense	\$ 1,835.98	\$ 1,078.07	\$ 280.35
Depreciation Expense	\$ 1,712.02	\$ 1,883.22	\$ 5,649.67
Total Operating Expenses	\$ 233,008.00	\$ 266,296.85	\$ 328,538.92
Profit Before Taxes	\$ 24,382.00	\$ 26,303.15	\$ 75,249.08
Estimated Income Tax	\$ 8,046.06	\$ 8,680.04	\$ 24,832.20
Operating Profit	\$ 16,335.94	\$ 17,623.11	\$ 50,416.89

Figure 11: Boba Blended's Projected Yearly Income Statements

Financial Assumptions

1. Boba Blended will operate in a fiscal year of 360 days
2. Cost of goods sold to be 25% or less of sales
3. Sales allowance to be 5% or less of sales
4. Loan will be paid at the minimum amount per month
5. Maintain financial records according to GAAP



Supporting Documents

Boba Blended Menu



BOBA BLENDED

SIZES OFFERED

Milk Tea		Smoothies	
• Small (12 oz)-----	\$3	• Small (12 oz)-----	\$3
• Medium (18 oz)-----	\$4	• Medium (18 oz)-----	\$4
• Large (24 oz)-----	\$5	• Large (24 oz)-----	\$5
		• Big Blend (30 oz)-----	\$6
General			
• Small (12 oz)-----	\$2		
• Medium (18 oz)-----	\$3		
• Large (24 oz)-----	\$4		



BOBA BLENDED

FLAVORS OFFERED

Milk Tea		Smoothies
• Almond	• Banana	• Strawberry Keke (Kiwi)
• Chocolate	• Coconut	• Pineapple Banana
• Grass Jelly	• Green Bean	• Glorious Orange
• Honeydew	• Lavender	• Avocado
• Mango	• Matcha (Green Tea)	• Strawberry Orange
• Milk Tea	• Red Bean	• Chocolate Strawberry
• Papaya	• Sesame	• Fruit and Yogurt
• Sea Salt Cream	• Taro	• Chocolate Peanut Butter
• Strawberry	• Honey Green	• Heavenly Blueberry
• Hokkaido Cream	• Durian	• Apple Banana
• Avocado	• Jack Fruit	• Pumpkin
• Yogurt	• Vanilla	• Kale Orange
	• Waffle	• Lemon Berry
	• Watermelon	• Kale



BOBA BLENDED

ADDITIVES OFFERED

Flavor Splashes	Healthy Additives
• Syrup Flavor Addition To Truly Blend Flavors	• Whole Fruit Chunks Added To Blends AND Teas
• Blueberry	• Banana
• Cantaloupe	• Apple
• Dark Plum	• Avocado
• Ginger	• Blackberry
• Grape	• Blueberry
• Green Apple	• Cantaloupe
• Hibiscus	• Cherry
• Kiwi	• Cranberry
	• Grape
	• Grapefruit
	• Kiwi
	• Mango
	• Orange
	• Goji Berry
	• Pineapple
	• Raspberry
Protein	
• Your Choice Of Powder To Blend Into Drinks (\$1.25/Scoop)	
• 100% Whey Gold Standard	
• Pro JYM by JYM	
• SYNTHA-6 by BSN	
• RSP Whey by RSP	
• 100% Natural Why by MET-Rx	
• Muscle Milk Powder	



BOBA BLENDED

SIDE SNACKS OFFERED

Snack Bars \$1	Protein Bars \$2
• LARABAR Bar	MusclePharm Combat Crunch Bar
• KIND Bar	MuscleTech NITRO-TECH Crunch Bar
• Annie's Chewy Gluten Free Granola Bar	Lenny & Larry's Complete Cookie
• CHIA Bar	Grenade Carb Killa Bar
• Health Warrior Chia Bar	MuscleTech Mission1 Clean Protein Bar
• Ginnybakes Love, and Apricot Ginnybar	BPI Sports Best Protein Bar
• FitJoy Bar	Met-RX Big 100 Bar
• Nature Valley Bar	Optimum Nutrition Opti-Bar
• Fiber One Bar	Pure Protein Bar
• Nutri Grain Bar	
• Clif Bar	



Opening Day Flyer

As seen in the start-up analysis, \$1,000 is allocated for advertising and the grand opening. This amount will primarily go toward printing and posting flyers a month in advance, advertising through social media, and creating an online website. As seen in the flyer, Boba Blended will be opening March 1, 2018. The flyer includes what products will be offered: boba tea, smoothies, coffee, and tea. The goal of including this information on the flyer is to intrigue customers to what boba tea is and the variety of other options to choose from when entering this store.

Additionally, social media and a website on the flyer will prompt online engagement. It is crucial to Boba Blended that the company

maintains an online presence with the Lake County community to stay connected with what customers want and to bring in new customers. Boba Blended will have an entire user-friendly website ready by February before flyers are hung around town, and social media pages will be updated with progress on rebuilding and reminders of the opening day.



Works Cited

- "Beverage Trends 2016." Food and Beverage News, Trends, Ingredient Technologies and Commodity Markets Analysis. Food Business News, Jan. 2016. Web. 21 Nov. 2016.
- "Bubble Tea Business Plan | BubbleTeaology." BubbleTeaology. N.p., 01 May 2016. Web. 21 Nov. 2016.
- Commentary. "America Is a Coffee Country—does Bubble Tea Stand a Chance?" Quartz. N.p., 11 Jan. 2016. Web. 21 Nov. 2016.
- "Consumer Spending by Age Group in 2013 : The Economics Daily: U.S. Bureau of Labor Statistics." U.S. Bureau of Labor Statistics. U.S. Bureau of Labor Statistics, n.d. Web. 21 Nov. 2016.
- Darin, Courtney. "Landlord Site Planning, Merchandising, Market Understanding | Arcore Real Estate Group." Arcore. Arcore Real Estate Group, n.d. Web. 21 Nov. 2016.
- Malik, Vasanti S. "Intake of Sugar-sweetened Beverages and Weight Gain: A Systematic Review." Sweetened Beverages and Weight Gain. The American Journal of Clinical Nutrition, 2012. Web. 21 Nov. 2016.
- Popkin, Barry M., PhD. "Changes in Beverage Intake between 1977 and 2001." American Journal of Preventive Medicine. Department of Nutrition, University of North Carolina, Oct. 2004. Web. 21 Nov. 2016.
- "Population Estimates, July 1, 2015, (V2015)." Lake County Illinois QuickFacts from the US Census Bureau. United States Census Bureau, 1 Apr. 2010. Web. 22 Nov. 2016.
- "Reference For Business - Encyclopedia of Small Business, Business Biographies, Business Plans, and Encyclopedia of American Industries." Reference For Business. Encyclopedia of America, n.d. Web. 21 Nov. 2016.
- Schmidt, Sarah. "Tea Sales on an Upward Trend in the U.S." Tea Sales on an Upward Trend in the U.S. Market Research, 18 Jan. 2016. Web. 21 Nov. 2016.
- Taylor, Kate. "Coke and Pepsi Are Finally Ditching Sugar." Business Insider. Business Insider, Inc, 23 Oct. 2016. Web. 21 Nov. 2016.

