

**Document Preview – This is only a portion of the entire, customizable document.**

## Executive Summary

*Joe's Enterprises for Fast Food, Inc.* is a small food service company incorporated in 1997 in Illinois that specializes in providing high-quality fast food via company-owned portable carts in high-density urban office locations. The business is operated under the name *Joe's Redhots*. This plan recommends that the board of directors approve borrowing \$1 million from three current banks to expand marketing and distribution of its current six-cart operation in downtown Chicago. Net profit return on investment in three years is estimated at 243 percent for the \$1 million in funding, after pay back.

*Joe's Redhots* estimates 2000 sales to reach \$3 million, with net earnings of \$212,500 (7.1 percent of sales). Sales are expected to reach \$12 million, with net earnings of \$1,280,100 (10.7 percent), by the end of 2002. *Joe's* has six contracts and options for 24 more contracts with office buildings on Michigan Avenue and other locations in Chicago for indoor/outdoor year-around food service. These high-traffic locations generate an average of \$300,000 in annual sales per cart (i.e., 1,000 sales per week @\$6.00 average per sale). *Joe's* has grown to annual sales of \$1.8 million in three years with net earnings of \$128,900 (7.2 percent), from a single cart in 1995.

Sales Estimates (in \$1,000's)					
Year	1999	2000	2001	2002	2003
Sales	\$1,800	\$3,000	\$6,000	\$9,000	\$12,000
Cost of Goods	540	900	1,800	2,700	3,600
Gross sales revenues	1,260	2,100	4,200	6,300	8,400
Overhead	860	1,428	2,643	3,844	5,034
Marketing	180	300	600	900	1,200
Earnings before interest and taxes	220	372	957	1,555	2,166
Taxes and interest	91	159	445	663	886
<b>Net</b>	<b>\$129</b>	<b>\$213</b>	<b>\$512</b>	<b>\$892</b>	<b>\$1,280</b>

## Business Positioning Strategy

*Joe's Redhots* sells premium-quality hot dogs and other ready-to-eat luncheon products to upscale business people in high-traffic urban locations. *Joe's Redhots* is positioned versus other luncheon street vendors as the "best place to have a quick lunch." Reasons why are that *Joe's Redhots* have the cleanest carts, the most hygienic servers, the purest, freshest, products, and the best values. Prices are at a slight premium to reflect this superior vending service. *Joe's Redhots* also is known for its fun and promotional personality, offering consumers something special every week for monetary savings and fun.

Each of the carts carries a sign saying "**Joe's Redhots—Satisfy yourself for \$2.00! You deserve it!**" The message is targeted to all passing potential customers who want to indulge themselves inexpensively with a hot dog. There also may be a subliminal message for sinful or forbidden indulgence, too, since most hot dogs are high in fat and unsaturated fats. This unique selling proposition is self-targeting since only consumers who like hot dogs and feel that they deserve an

inexpensive indulgence will believe this message is *meaningful* to them. The benefits of this message are relatively unique: “inexpensive satisfaction plus indulgence.” Informal, qualitative research revealed that the target market of busy office workers are constantly in conflict with themselves about wanting a juicy, delicious hot dog and trying to watch the fats and amount of meat in their diets.

Moreover, the hot dogs that *Joe’s Redhots* serves *aren’t* high in fat. They are high quality, all natural products with no preservatives or harmful chemicals. *Joe’s Redhots* vendors make it a point to let customers know that indulging themselves is both inexpensive *and* healthy. Although the signs emphasize hot dogs, each of *Joe’s* carts offers an extensive menu of healthy and reasonably priced food.

### Marketing Strategy

*Joe’s Redhots* was created to attain leadership of mobile, cart serving units in large urban business centers. *Joe’s* targets upscale, urban office workers seeking fast, convenient, portable, breakfast and lunch meals. Each cart, which costs about \$20,000, is capable of housing enough food to serve about 200 to 250 meals per day.

*Joe’s* differentiates and positions its business from the competitive fast food and other take-out restaurants with its *products* (providing high-nutrition, 100 percent all-natural, no artificial ingredients, colors, additives or preservatives convenience foods and snacks), its *concern for the environment* (biodegradable, recyclable containers/wrappers and PR tie-ins), and its *service* (a no-questions-asked money-back guarantee of all products sold and the best-trained company server personnel in the category).

*Joe’s Redhots* food products are priced at parity with, or at a slight premium over, competitive offerings, whether all-natural or not. Extensive promotional activity, including free samples and daily specials, help to ensure that *Joe’s* customers perceive that they are receiving higher quality products and prompt, courteous service in exchange for the slight premium in price.

*Joe’s Redhots* has been successful in establishing contract alliances with real estate management companies for permanent lease sites inside and outside key office buildings, and for cooperative sale of beverages and minor snack items through existing lobby shops. All existing leases permit storage of the vending cart at a secure site within the building in which it operates.

Customer loyalty is encouraged with development and promotion of new and revolving seasonal menu selections each quarter, daily customer sampling, and bonus specials. Training includes “friendly personality” recruiting, a minimum of six hours of company training, mentoring, and apprentice management programs.

### Advertising and Promotion

To support its expansion efforts, *Joe’s Redhots* considered using popular media, such as TV, radio, and newspapers to advertise, along with promotional free product samples and coupons. However, informal discussions with suppliers revealed that competitors in the downtown office area were spending little or no money to promote and advertise their cart luncheon business. It appears that the most successful hot dog cart operations spent about 5 percent of net sales revenue for promotion and advertising. Because this business plan anticipates rapid growth through the addition of new carts, *Joe’s Redhots* plans to spend at least 10 percent of net sales during the first year.

Based on this decision, advertising and promotional possibilities were prioritized in order of probable effectiveness, with estimated costs:

Advertising	Promotion
TV (\$500/30-second ad/station)	Free samples (\$25/day @\$0.25 each)
Radio (\$50-100/60-second ad/station)	Coupons (\$5/day @\$0.25 each)

Sample Preview