



The Medicine Nook

Rithvik Vakacharla and Vanessa Formica

Advanced Corporate Finance

Dr. Ben Sopranzetti

Table of Contents

I. Executive Summary
II. Vision and Mission Statement
III. The Opportunity
IV. Business Model and Value Proposition
V. Marketing Strategy
VI. Industry Overview and Porter's Five Forces
VII. SWOT Analysis
VIII. Competitor Analysis
IX. Sustainable Competitive Advantage
X. Growth Opportunities
XI. Data Collection
XII. Financials and Valuation
XIII. Concerns and Considerations
XIV. Conclusion
XV. Appendix

I. Executive Summary

With the after-effects of the COVID-19 pandemic and the closing of Rutgers University's pharmacies, students at Rutgers have limited options to meet their convenience product and over-the-counter medication needs. As such, The Medicine Nook aims to be a premier option for students to meet their convenience products and over-the-counter medication needs via high-quality products and customer service. In the following pitch, the Medicine Nook team will hope to provide transparency into the business.

For a successful start to The Medicine Nook and to offer investors the opportunity to invest in the business at its conception, the company will seek a total of \$75,000 in initial equity investment. \$25,000 of the initial equity in founders' equity and \$50,000 from outside investors. This capital will be for installing four small pop-up shops near the student centers on each of Rutgers-New Brunswick's campuses. At these pop-up shops, we would be selling various items across four different categories: bandaging supplies, over-the-counter medications, convenience items, and personal care products.

Since the university intends to have a hybrid structure in the Fall, we believe that there will be enough foot traffic on Rutgers' campuses to support our business, especially considering that we would be one of the only drugstore options within walking distance of the Rutgers on-campus student population. Also, we anticipate that our convenient locations will attract both off-campus and commuter students since they will already be on campus attending classes.

II. Vision and Mission Statement

Vision Statement

“Be the main access point for all of Rutgers students’ needs related to over-the-counter medications and basic consumer items.”

Mission Statement

“Our mission is to make over-the-counter medicines and basic consumer staples easily accessible and affordable to all Rutgers students, and this can be achieved by selling our products at relatively low prices and placing our pop-up shops in locations that are within walking distance of any on-campus resident.”

III. The Opportunity

In Fall 2019, Rutgers University decided to [close all three of their on-campus pharmacies](#), forcing students to fulfill their pharmaceutical needs elsewhere. With the emergence of COVID-19, students across the campus are more vigilant with any health ailments. They have growing needs for pharmaceutical products such as over-the-counter medication and other convenience items. Furthermore, as Rutgers enters into a hybrid semester in Fall 2021, getting access to medicines is of utmost importance, with accessibility within a safe distance being a key concern. Unlike previous years and semesters, students are more likely to opt not to travel far from campus for their needs. A place for them to meet their pharmaceutical and convenience needs within walking distance is necessary. Students without access to common transportation such as cars will also need easy-to-access centers similar to the now-closed on-campus pharmacies.

The Medicine Nook will help Rutgers students have more direct access to over-the-counter medicines and ensure that they are safe in a hybrid education model with potentially reduced school services. The Medicine Nook is a pop-up pharmacy and convenience store that will open its small stores in key areas of the Rutgers-New Brunswick campus. Initially, the stores will be near four campus landmarks:

1. Douglass Campus Student Center
2. Livingston Campus Student Center
3. College Avenue Campus Student Center
4. Busch Campus Student Center



The pop-up pharmacy-like centers will sell common over-the-counter medication and convenience store items (listed below) from 9:00 AM to 7:00 PM. The Medicine Nook will be accessible to students who are afraid of leaving off-campus amid COVID-19 or lack access to cars or other vehicles.

The following common over-the-counter medicines, medical supplies, and convenience store items will be sold:

1. Bandaging Supplies: Bandages, Alcohol Wipes, Cotton Balls, Gauze
2. Over-The-Counter Medication: Tylenol, Aspirin, Advil, Vicks Vapo-Rub, Claritin, Zyrtec, Pepto-Bismol, Ear Drops, Eye Drops, Hydrocortisone, NyQuil
3. Convenience Items: Tissues, Paper Towels, Condoms, Feminine Hygiene Products, Q-Tips
4. Personal Care Products: Toothpaste, Toothbrushes, Deodorants, Soaps, Hand Sanitizer, Masks, Contact Solution

IV. Business Model and Value Proposition

Business Model

As mentioned previously, The Medicine Nook's main objective is to be a solution to the problem that is the inaccessibility of over-the-counter medications, hygiene products, and other essential consumer items within walking distance for Rutgers New Brunswick students. Since our locations will be small in square footage, we intend on relying heavily on high inventory turnover to generate sales since we will not be able to store large quantities of each product. We believe that this poses a strength to us as it minimizes our exposure to perishable inventory and reduces holding costs. This is especially important as a lot of our items are, in fact, perishable. However, the shelf-life is high for most products, such as for our over-the-counter products that typically have a [1–5-year shelf-life](#).

However, in a high inventory-turnover business model, we must ensure that there are no shortage issues. We intend to mitigate this risk by monitoring product demand on each of the items that we sell to replenish stock based upon that data. For example, if we find that some products are selling faster than others, we will replenish their stock faster than we would the products that do not sell as quickly. Essentially, we would be utilizing a just-in-time inventory system in which we would be purchasing the merchandise as soon as it is needed. However, we also anticipate having some safety stock for products that may have significant variability in demand. Additionally, since we intend to have four different locations, we would monitor product demand separately as some items may sell more quickly at one location than another.

Since we would be one of the only options within walking distance for Rutgers New Brunswick students to purchase the kinds of products we will be offering, we believe that we can demand a relatively high margin on most of our products while still being affordable. Although Kilmer's Market on Livingston Campus and At Your Doorstep on College Avenue Campus offer a limited assortment of consumer items, most of the products these locations provide are food-related, so we are not directly competing with them. As a result, we may only need to consider the pricing by competitors for a select few of our products.

The company's revenue will come from bandaging supplies, over-the-counter medications, convenience items, and hygiene products. Since we would not have a high degree of operating leverage due to low initial investment costs, we believe that we can become profitable relatively quickly as long as we generate enough revenue to cover those initial fixed costs. Lastly, we intend not to utilize RU Express to not complicate our accounts receivable and negatively affect our liquidity. However, this may be something to consider in the future once the business is more mature.

Value Proposition

Most Rutgers New Brunswick campuses do not have a drugstore or any store where they can buy over-the-counter medications and essential consumer items such as toothpaste, toothbrushes, and other personal care supplies. Therefore, The Medicine Nook would act as the main access point for Rutgers students to purchase these items at their convenience. This is especially important as most on-campus students do not have access to a car and cannot drive to a drugstore themselves. Although these students can buy most of our products online

through companies like Amazon, you are almost always required to purchase the products in bulk. For those who do not want to invest in their personal care items, over-the-counter medications, and other household supplies by buying several of them at a time, we would be the perfect solution as we would offer the products per item. Additionally, to ensure that our business aligns with the hybrid structure, the intention of using a pop-up shop structure rather than a typical brick-and-mortar store is so that customers would not be able to enter the building, therefore reducing the spread of COVID-19.

V. Marketing Strategy

The Medicine Nook's primary target market would be Rutgers New Brunswick students that live on the College Avenue, Livingston, Busch, or Cook/Douglass campuses. However, the entire market would include all Rutgers New Brunswick students. Since the university expects to implement a hybrid structure in the Fall, we anticipate high foot traffic near the student centers by both on-campus students, off-campus students, and commuters. Although we do not expect commuters and off-campus students, who have better access to vehicles, to be a significant portion of our customer base, some of these students may purchase items at our store out since they will be on campus attending classes.

To quantify our estimated market, we identified the number of Rutgers New Brunswick students enrolled during the year. We then researched how many of these students reside on-campus and how many reside off-campus, 43% and 57%, respectively. Since we assume that a more significant proportion of on-campus students would buy our products because they have limited access to a car, we estimate that about 75% of these students would be customers of ours. With respect to off-campus students, we estimate that only about 50% of them would be customers of ours as a majority of these students have access to a car and may prefer to shop at familiar stores.

Target Market Assumptions	
Total Rutgers Population (rounded)	40,000
% On-Campus	43%
Discount	75%
Estimated Market of On-Campus Students	12,900
Total Rutgers Population (rounded)	40,000
% Off-Campus	57%
Discount	50%
Estimated Market of Off-Campus Students	11,400
Total Market	24,300
Female (50%)	13,365
Male (50%)	13,365

The primary strategy that we would be relying upon for marketing is the Rutgers health facilities' endorsement, such as from the Hurtado Health Center and the Busch-Livingston Health Center. We believe we can achieve this endorsement as Rutgers has decided to close their own pharmacies and must refer students to another location for their basic over-the-counter medication needs. For example, if a student comes down with a fever and schedules an appointment at a Rutgers health center and the physician recommends that they use a certain OTC medication, the physician can refer our pop-up shop locations to buy that specific medication.

Additionally, when it comes to attracting college students, it is almost imperative that we establish a social media presence to increase the level of exposure to our primary target market: on-campus Rutgers New Brunswick students. We can do this with minimal costs since the social media platforms we would be using, Instagram and Tik-Tok, are free of charge. On Instagram, we would try to follow as many accounts as we can that have some variety of "Rutgers 2024" in their biographies. We would follow these accounts because it essentially forces the person to have to look at our account. Before following these accounts, we would

already have a few different informative posts uploaded that describe the products we offer, where we will be located, and chances of winning a gift card for one of our locations. We believe that we can generate enough interaction with these students if we already have a clean Instagram feed established and a way in which the students can potentially make money (through the giveaway).

The Tik-Tok account will have a different approach. Instead of spam-following Rutgers first-year students, most of our strategy related to our Tik-Tok account will center around making humorous content. This approach has proven advantageous for many companies such as Ryanair, a lower-end airline in Ireland. Their Tik-Tok account, [@ryanair](#), generated significant exposure and popularity because they would post content that combined popular and relevant memes with their business model. We would follow this same approach in hopes of “going viral” in a similar way that Ryanair did.

VI. Industry Overview and Porter's Five Forces

Industry Overview

While there is no truly comparable industry for The Medicine Nook, for the sake of this analysis, we will consider the pharmacy industry as the broad industry the business falls under. Within the pharmacy industry, there will be a focus on over-the-counter medication delivery services and vendors. The over-the-counter medication industry is a rather mature industry expected to grow at a [CAGR of 6.65%](#). Within the general pharmacy and medication industry, delivery service is a growing segment with the largest growth opportunity. While The Medicine Nook does not explicitly fall under any of these industry labels, if the business were to move forward with the growth opportunities discussed below, it would most likely fall under the delivery services industry.

Porter's Five Forces

Bargaining Power of Suppliers: The bargaining power of suppliers is **High** in the industry, especially for a new entrant. The bargaining power is high because suppliers determine the price for the medication and the convenience items. There is little price negotiation between the supply buyer and the supplier. For a smaller customer who is unlikely to purchase large quantities, there is a limited possibility for purchase discounts.

Bargaining Power of Buyers: The bargaining power of buyers is **Low-to-Medium** as there are other substitutes in the market for buyers to go to if they are unsatisfied with the quality of service or the ease of purchase. However, the power is at the maximum medium because there is a need for over-the-counter medication that cannot be shut away or forgotten.

Threat of New Entrants: The threat of new entrants is at a **Medium** level because larger players can enter the space and set up similar pop-up shops. The low capital expenditures make it easy for someone with sustainable access to cash to set up shops. However, it is important to note that threat is not high because the new entrants will need to have a dialogue with Rutgers and university officials to get permission to sell on campus.

Threat of Substitutes: The threat of substitutes is **Low** because there are not many alternatives to the actual over-the-counter medication that are sold. Specifically, there is brand loyalty to the medication the company will sell, and consumers are unlikely to switch to other products. Furthermore, there are no specific pop-up shop-like substitutes in the area.

Competitive Rivalry: The competitive rivalry is **Medium-to-High** because there is strong competition between the different pharmacies in the area. In the overall industry, there is price competition and compression in margins due to supplier power and the overall demand for medication from the target customer.

VII. SWOT Analysis

Strengths

The Medicine Nook has a number of strengths that put it in a superior position competitively.

The pop-up shops themselves are portable, which provides for a lot more flexibility in the event there needs to be a change in location. Additionally, using a pop-up shop structure rather than a standard brick and mortar store reduces infrastructure costs significantly. When it comes to our business model, a number of other strengths can be observed. For example, our high-inventory-turnover design reduces holding costs as there is less inventory that needs to be stored. Another advantage to having high inventory turnover is that it reduces exposure to inventory, and this is especially important as the majority of our items are in fact perishable, although the shelf-life is usually a year or more. As a result, this would reduce the likelihood of inventory going bad.

Another aspect of being a retailer is that we would not be making the inventory ourselves, so none of our capital will be tied up in raw materials or work in process. This enables us to have more liquidity and provides the flexibility to utilize the capital in other business areas instead.

Lastly, since the pop-up shops are small in square footage, we would only need to hire one or two people per location, so our labor costs should not be nearly as substantial as other industry players.

Weaknesses

Although the sizes of the stores do present several advantages, they also have a downside.

There are only a limited amount of products that we can store and sell because there is only so much space in each store, so we must be particularly selective regarding the products we want to sell. This is especially important as we do not anticipate having a warehouse that stores any excess inventory. Instead, the pop-up shops would also act as storage units.

Since we will be selling our products at affordable prices to attract college students and remain competitive against our rivals, we cannot generate exceedingly high-profit margins per unit.

Therefore, we must rely on a high inventory turnover ratio to increase the number of products we sell rather than focus on increasing the price. Also, since we will be just entering the market, we may initially struggle in comparison to the more mature players in the industry, such as Kilmer's Market, At Your Doorstep, and the local pharmacies in New Brunswick such as Rite-Aid and Walgreens, since our target market will be more familiar with these options and may choose to buy consumer items and over-the-counter medication from those stores instead.

Opportunities

Due to Rutgers' recent decision to close its pharmacies, the university's students can no longer pick up their prescriptions on campus. Instead, the prescriptions have been relocated to Walgreens inside of RWJ in New Brunswick. This is inconvenient for Rutgers students as it takes 15 minutes to get there by walking from the College Avenue Student Center, and for those students who do not even reside on the College Avenue campus, this proves to be considerably more difficult for them as they would first have to take a bus to the College Avenue campus. As

a result, we may find it a good idea in the future to partner with Rutgers or RWJ and agree on having our pop-up shops be a pick-up point for Rutgers students' prescriptions. By partnering with Rutgers or RWJ, we would be able to earn a commission from them in exchange for this service.

Another opportunity that we may consider is creating an app. This app would be a mechanism in which Rutgers students would be able to have their orders delivered to them or prepared in advance. If we were to implement this service, we would most likely follow the business models that the major delivery services such as Grubhub, Doordash, and Uber Eats use to generate both sales and profit. It may also be lucrative to begin accepting RU Express as a form of payment since Rutgers students typically have their RU ID on them at all times. Lastly, if the business is successful at the New Brunswick campus, it may be worthwhile to expand to Rutgers' other campuses in Newark and Camden.

Threats

Unfortunately, The Medicine Nook is subject to some potential threats, especially in terms of potential new entrants and current rivals. For example, there exists the threat that Rutgers could resume the sale of over-the-counter medications at its health centers. Another related concern is that Rutgers may be inclined to make its own drugstores if they realize that it may be a lucrative opportunity for them. In terms of current rivals, there is a threat that Kilmer's Market and At Your Doorstep, the only two stores on Rutgers premises where you can buy a select few personal care items, may shift their focus away from food-related products and more

towards the products we would be selling. This would be considered a threat as they would be considered more direct competitors.

VIII. Competitor Analysis

There are no direct competitors for The Medicine Nook, but indirect competitors are worth analyzing. Specifically, this section will assess convenience stores in proximity to Rutgers, prescription and over-the-counter medication delivery services, and local pharmacies in the New Brunswick area.

Rutgers “Convenience Stores”

At Your Doorstep: At Your Doorstep is a family-owned convenience store located at The Yard, a student residential building. The store is marketed towards Rutgers students and campus residents and offers hot sandwiches, drinks, snacks, warm beverages, other food items, and general convenience items.



Kilmer's Market: Kilmer's Market is a retail operation that provides food and non-food items on Livingston Campus. The store/marketplace is connected with Rutgers University as it accepts meal swipes from students. Common items purchased from the store include hot meals, toiletries, grocery supplies, and other products.



Prescription and Over-The-Counter Medication Delivery Companies

Amazon Pharmacy/Amazon: Amazon Pharmacy is a subsidiary of Amazon and an online pharmacy offering services in the United States since 2020. The company offers free home delivery to their Amazon Prime subscribers and is considered a disruptive force in the healthcare industry.



PillPack: PillPack is an online pharmacy and a subsidiary of Amazon.com. The company sorts and sells medication by dose for chronic conditions and delivers directly to a customer's home. The company is renowned for its convenient packaging and personalized service.



GeniusRx: GeniusRx is a full-service digital pharmacy that focuses on providing access to over-the-counter medication and pharmaceutical solutions. Via its AI-powered plans and dashboard, the company provides customized plans and medication.



AllianceRx: AllianceRx was formed in 2017 through a collaboration between Walgreens and Prime Therapeutics. The company acts as a home delivery pharmacy and helps ship and schedule prescription medication for free.



Local Pharmacies

There are several national and local pharmacies off-campus in the Rutgers and New Brunswick area where students can purchase pharmaceutical products and other items. Some of the more relevant pharmacies in the area include University Pharmacy and Surgical, Walgreens Pharmacy, Rite Aid Pharmacy, and Walgreens Pharmacy at St. Peter's University Hospital.



IX. Sustainable Competitive Advantage

Having a sustainable competitive advantage means that there are at least one or more aspects to our business and what we offer that cannot easily be replicated or exceeded by either a current competitor, a new entrant or a substitute. Some ways of going about this are ensuring barriers to entry and/or exit, differentiating our products, maintaining strong selling relationships, and/or fostering brand loyalty. Out of these different factors, we have decided to focus on brand loyalty and entry barriers to ensure that we maintain our competitive advantage. Additionally, it is important to ensure that what we can offer to the customer is either faster, better, or cheaper than competitors. We believe that we have achieved all three of these components, which are outlined in further detail below.

Brand Loyalty

For all of the different products that we intend on selling, we will be selecting the most popular brands of each of the items since those brands typically have the highest brand loyalty. For example, we would be selling Colgate for toothpaste, Advil for ibuprofen, and Q-tips for cotton swabs. We believe selling name brand products will encourage our target market to buy our products since they already have familiarity with the brands and most likely have more trust in them. This is especially important for over-the-counter medications since, according to [Mitsui & Co. Global Strategic Studies Institute](#), brand loyalty is considerably strong.

Barriers to Entry

The main barrier to entry related to our business is the locations in which we plan to have our pop-up shops. Since our intention is to saturate the Rutgers on-campus market, we would need Rutgers' permission to do business on each of the four campuses. Although we believe that we will achieve this since Rutgers currently has no other viable and convenient alternative, it is unlikely for Rutgers to permit more than one drugstore per campus since it would be redundant and space is limited. Therefore, we would feel protected knowing that we are the first affordable drugstore to be granted permission to do business on each of Rutgers-New Brunswick's campuses.

Faster, Better, & Cheaper

Faster: We would be faster than our competitors as we would be within walking distance of our target market. This is because we intend on having a pop-up shop near each campus's student center.

Better: Rather than having to buy drugstore items in bulk on amazon, we offer the option to buy one item at a time. Additionally, compared to At Your Doorstep and Kilmer's Market, we will provide significantly more variety regarding personal care items, hygiene products, and over-the-counter medications.

Cheaper: We would be the most affordable option for daily convenience item needs on Rutgers property, especially compared to Kilmer's Market and At Your Doorstep.

X. Growth Opportunities

The Medicine Nook has several different growth opportunities it can explore as it expands its business and is comfortably earning positive free cash flow and is profitable. It is important to note that it is unlikely for The Medicine Nook to consider implementing any growth opportunities in the first two years of service unless the firm is free cash flow positive earlier than expected or at a greater intensity than forecasted. Below, there will be a discussion of four primary growth opportunities: entry into the prescription medication field, the creation of a delivery phone application, the venturing of a partnership with Rutgers University to allow for the use of meal swipes and RU Express, and expansion into the Newark and Camden campuses.

Entry into Prescription Medication: To benefit from the lack of an accessible prescription medication pick-up point for students following the close of pharmacies, the company can partner with local pharmacies to allow the pop-up shops to act as pick-up points for the medication. The company would earn revenues via commissions for allowing pharmacies to use the shops as a pick-up point.

Delivery App: To become more accessible to the target demographic and increase its breadth and assets, The Medicine Nook can venture into creating a delivery app. The app would employ students as drivers to deliver prescription medication and other items the company sells at the pop-up shops to students' doorstep. The delivery app would work in a similar business model as food delivery companies.

Meal Swipes/RU Express: To increase revenues and the ease of purchase for customers, the company can partner with Rutgers, similar to other outside companies, to enable RU Express and Meal Swipes to use as a payment for the goods. A concern with this expansion would be that there would be a large amount of accounts receivables in the balance sheet and less access to cash as Rutgers can be difficult to get payment from (similar to Walmart and how it treats its suppliers).

Expanding Across Newark / Camden: A potentially feasible expansion idea for the company would be to expand the pop-up shops across the Newark and Camden campuses. The company would need to work with the other campuses' officials and follow a similar plan as the original plan. To make the process streamlined and more intimate with the campus officials, the business would partner with students or alumni from those campuses to manage the business and campus relationships.

XI. Data Collection

Primary Data Collection

To get a better understanding of whether or not The Medicine Nook is more than just an idea and rather a feasible business opportunity, we wanted to ask the general Rutgers New Brunswick population a few questions through a google form survey. This survey's main objectives were to determine Rutgers students' experiences living on campus, assemble opinions about the availability of personal care products and OTC medications at Rutgers, identify the most popular OTC medications among these students, and gauge interest in our business. According to the survey results from exactly 100 respondents, the majority of our initial assumptions were correct. For example, most students who said that they lived on campus did not have access to a car, and only 7% of respondents indicated that they felt that Rutgers provides an adequate amount of resources to buy basic personal care products and OTC medications on campus. However, the results from some of the other questions were slightly different from what we had originally expected. For example, we assumed that more students were aware of the Rutgers pharmacies closing in the Fall of 2019, but only 43% of our respondents indicated that they were informed about this.

Arguably the most important question we asked was, "If you lived on campus and there was an affordable and easily accessible drugstore on campus that provided OTC medications, personal care and hygiene products, bandaging supplies, and other convenience items, do you think that you would buy from it at least once?", and 86% of respondents said yes, 9% said maybe, and only 5% said no. Due to these survey results, we believe that our business model is sound and

would solve the problem that many students face regarding the inaccessibility of personal care, convenience, and medicinal products on-campus. For reference, the results from this survey can be found in the appendix.

Secondary Data Collection

Besides the google form survey, the rest of our data collection originated from the internet. For example, when determining the per-unit cost of each of our products, we found the average price that bulk stores charged for the exact products we intend to sell. Additionally, to identify what a reasonable sales price would be, we compared our pricing to that of our competitors. We made sure to keep our prices in the lower end to remain competitive and stay true to our mission of being affordable. Lastly, we referred to several different websites when determining the expenditures that should be included in our initial investment and what they would typically cost. Lastly, we utilized the internet in our valuation assumptions as well. For example, we based our terminal value multiple off of the industry's EV / EBITDA multiple.

XII. Financials and Valuation

Initial Investment

To have a successful start to The Medicine Nook and its shops, the business would need a **\$75,000** initial investment. This investment will preferably be an equity investment given the difficulties interest and debt payments place on a startup's levered free cash flow. Below is a breakdown of how The Medicine Nook team will look to use the initial investment.

Initial Investment	
Security Cameras	\$300.00
Initial Inventory	\$7,800.00
Cleaning Supplies	\$400.00
Fire Extinguisher	\$200.00
Shop Building Cost	\$30,000.00
Improvement Costs	\$20,000.00
Cash Register	\$168.00
Square POS	\$680.00
iPads for Square POS	\$600.00
Uniforms	\$400.00
Insurance	\$1,000.00
Cash on Hand	\$13,452.00
Total Initial Investment	\$75,000.00
Founders' Equity	\$25,000.00
Outside Investment	\$50,000.00

Security Cameras: The company will have 4 total cameras (1 camera per store) to monitor the employee running the shop and protection. The cost of the 4 cameras will be **\$300**.

Initial Inventory: To make sure The Medicine Nook is ready for business, ~**\$7800** of the initial investment will go towards the cost of initial inventory. In the appendix section,

an inventory schedule and breakdown is listed and linked. The initial inventory amount is the amount of inventory the business will aim to replenish with each turn.

Cleaning Supplies: The Medicine Nook estimates a **\$400** expense for cleaning supplies evenly distributed across the 4 stores.

Fire Extinguisher: The Medicine Nook estimates a **\$200** expense for 4 fire extinguishers.

Shop Building Cost: The actual shops will resemble a portable concession stand linked in the appendix. The company will purchase 4 shops at \$7,500/shop for a **\$30,000** expense.

Shop Building Improvement Costs: There will be a **\$20,000** expense to alter and improve the shops to hold inventory and have the Medicine Nook brand and scheme.

Cash Register: Each store will have a cash register for a total expense of **\$168**.

Square POS Stand: Each store will have a Square POS Stand for a total expense of **\$680**.

iPads for Square POS System: Each store will have an iPad for a total expense of **\$600**.

Uniforms: The Medicine Nook estimates a **\$400** expense for uniforms.

Insurance: For compliance and liability purposes, The Medicine Nook will expense **\$1000** for retail insurance (split across 4 shops).

Cash on Hand: For liquidity purposes, the company will hold **\$13,452** in cash to have easy access to cash since CASH IS KING!

Income Statement

Sales Revenue: Our approach to determining sales revenue can best be observed in our “Inventory & Pricing Schedule” that is located in the appendix. Essentially, what this table shows is that we first listed out the products we wanted to sell and organized them into four categories: bandaging supplies, over-the-counter medication, convenience items, and personal care products. We based our decisions about what over-the-counter medications we should sell on the question in the google form survey that asked, “What over-the-counter (OTC) medications do you use most often, if any?”. We then navigated to several different bulk store websites to identify what it would cost to buy these products in bulk, and we used this information in the cost per unit section.

Sales price per unit was determined by looking up each product's costs on several different retail websites and then discounting the average price to be within the lower range of prices. Sales quantity was calculated by first estimating what percentage of the market would buy the product and the average number of times per person that a product would be purchased per year. Since our business model is high-inventory-turnover focused, we wanted to ensure that the quantities we arrived at and the number of units we have on hand provide a high inventory turnover for a majority of the products. Lastly, in order to identify what the sales growth should be for each of the different categories, we assume that OTC medications will grow at a faster rate than the other three categories because of the pipeline we would have from the Rutgers health centers referring our pop-up shops to the students that use their services. Sales growth numbers can be found in the “Income Statement Assumptions” exhibit in the appendix.

Cost of Goods Sold: The initial cost of sales numbers was entirely based on each item's cost per unit multiplied by the number of our estimated sales for the year. Then, in the years afterward, we utilized a straight-line assumption by keeping the same COGS margins for all four categories. This is because we do not anticipate either increasing our products' prices, nor do we want to falsely assume that our suppliers would eventually grant us discounts as we would still be considered a small business and would not quite have the economies of scale to demand lower costs per unit. The other component to our cost of goods sold is the charges that would be accrued from the use of the Square point-of-sale system. We assume that about half of our sales would be transacted through the POS system as all of our products are below \$6 and some may prefer to use cash to avoid any additional charges or for a matter of convenience.

Operating Expenses: A benefit to our locations' size is that our operating expenses are relatively low. Due to the fact that we would only need one person working the shops at a time, wages are only about \$55,000 per year. The way in which we arrived at this number can be followed in the “Labor Schedule” in the appendix. Subsequently, utilities and electricity are also at the lower end because our shops are so small in square footage and would not require as much gas or electricity to keep them running. Additionally, we do not have expenses related to rent as we are erecting the structures ourselves, and instead of assuming that Rutgers would charge us something similar to a rent expense, we include a “Rutgers dividend” that will be discussed in more detail below.

Depreciation was estimated by first assuming that the useful life of both the pop-up shop structures and the capital improvements is 10 years. To determine what these capital

improvements should be each year, we used a 2.5% of COGS assumption due to the fact that maintenance capital expenditures are typically based on the cost of sales each year. The other operating expenses include:

- **Insurance** of \$83 per month or \$1000 per year. These numbers were based on the monthly commercial umbrella insurance cost for retail stores on [Insureon](#).
- **Uniform expense** of \$400 per year or \$40 per person. Therefore, we assume to have about 10 employees per year.
- **Marketing expense** of \$1,000 per year.

Rutgers' Dividend: As mentioned earlier, we anticipate that we will have to allot a portion of our income to Rutgers to continue doing business on their properties. Therefore, we calculated that 20% of our net income would be granted to them to compensate them for enabling us to use some of their lands and marketing our shops through the Rutgers health centers.

Valuation

To determine an initial valuation for The Medicine Nook, the team decided to conduct a net present value and free cash flow analysis. The team determined a conservative valuation of ~\$440,000 with assumptions shown below.

Valuation Statistics	
Discount Rate	30.00%
Exit EBITDA Multiple	15.00x
Sum of Disc. UFCFs	\$83,088.12
Disc. TV	\$356,038.02
Enterprise Value	\$439,126.14
Enterprise Value	\$439,126.14
Initial Investment	\$75,000.00
Net Present Value	\$364,126.14
Money on Money	5.86x
Approx. 5-Year IRR	42.40%

A 30% discount rate was used because of the high risk involved with startups and the higher return on equity required from early-stage investors. The terminal value EBITDA multiple used was a discount to the median average for the pharmacy and drugstore industry.

XIII. Concerns and Considerations

There are two key concerns or considerations that we must examine regarding the industry that we will be entering and the premises we will be located on.

Liability Surrounding OTC Medication Abuse/Shrinkage

In the business of selling over-the-counter medicines, we must take into consideration the liability that exists surrounding the dangers of a customer of ours potentially abusing the medicine, the medicine expiring, or not swiftly removing a medicine that gets recalled before a customer can purchase it. In each of these three scenarios, [the retail store is liable](#). Therefore, to mitigate these risks, we will be setting up security cameras to monitor stealing. Additionally, we will require the employee to conduct an inventory count at the end of their shift to ensure that the amount left reconciles with the amount recorded to have been sold.

Rutgers' Permission to Sell on Campus Property

Since our pop-up shops will be located near the student centers on each of Rutgers-New Brunswick's campuses, this would mean that we would need the university's permission to do business on their property. Although this would initially complicate our ability to get started with the erecting of the four structures, we believe that this will only be a temporary obstacle as we would only need to ask for their permission once. In the event that Rutgers declines our request, we would most likely be able to utilize the areas on the very outskirts of the campus property that would still be within walking distance of the on-campus residents. However, we do not anticipate this being necessary as we believe that if we distribute 20% of our net income to Rutgers, they will be especially inclined to enable us to do business on their premises.

XIV. Conclusion

The Medicine Nook is an actionable solution and business that solves a dire problem – the lack of sufficient sources for students to fulfill their over-the-counter medication and convenience item needs. The company scratches the itch of both customers and investors. For customers, The Medicine Nook will be a cheaper, better, and faster option to purchase over-the-counter medication and convenience items in a COVID-19 and hybrid-learning environment. The revenue capacity, high inventory turnover, and strong balance sheet scratch the itch of investors looking for high IRR and NPV businesses to invest in. The Medicine Nook is the perfect business for everyone.

In the hybrid-learning situation, The Medicine Nook is a phenomenal business as it enables students to reduce their exposure to the pandemic and others via a closed-off store model and, more importantly, addresses a key problem for Rutgers students – the closing of pharmacies across the different campuses. The Medicine Nook team is extremely confident that the business offers an excellent long-term investment opportunity given the large addressable market, the existence of itchy customers, and strong financial and growth prospects.

XV. Appendix

Picture of Shop (Unchanged)





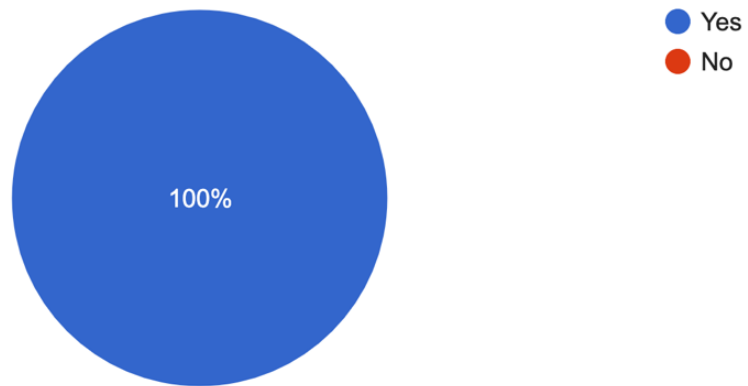
Inventory and Pricing Schedule [\(Link\)](#)

Inventory & Pricing Schedule															
Category	Item	Brand	Unit	per Shop	# of Shops	Total Cost	per Unit	Profit Margin	Quantity	Turnover/Year	Revenue	Profit	Sold	Purchases	% of Market
Bandaging Supplies	Bandages	Goodsense	\$1.40	25	4	\$140.00	\$2.50	44.00%	5000	50.00	\$12,500.00	\$5,500.00	\$7,000.00	3	20.58%
Bandaging Supplies	Alcohol Wipes	DDI	\$0.99	50	4	\$198.00	\$3.00	67.00%	2500	12.50	\$7,500.00	\$5,025.00	\$2,475.00	1	10.29%
Bandaging Supplies	Cotton Balls	DDI	\$1.11	25	4	\$111.00	\$2.00	44.50%	3000	30.00	\$6,000.00	\$2,670.00	\$3,330.00	1	12.35%
Bandaging Supplies	Gauze	DDI	\$0.59	10	4	\$23.60	\$2.00	70.50%	1000	25.00	\$2,000.00	\$1,410.00	\$590.00	1	4.12%
Bandaging Supplies						Subtotal	\$472.60			Subtotal	\$28,000.00	\$14,605.00	\$13,395.00		
OTC Medication	Ibuprofen	Advil	\$3.50	25	4	\$350.00	\$4.00	12.50%	4800	48.00	\$19,200.00	\$2,400.00	\$16,800.00	3	19.75%
OTC Medication	Acetaminophen	Tylenol	\$3.50	25	4	\$350.00	\$5.00	30.00%	3000	30.00	\$15,000.00	\$4,500.00	\$10,500.00	2	12.35%
OTC Medication	Acetylsalicylic Acid	Aspirin	\$1.50	25	4	\$150.00	\$5.50	72.73%	2500	25.00	\$13,750.00	\$10,000.00	\$3,750.00	1	10.29%
OTC Medication	Petroleum Jelly	Vicks VapoRub	\$1.44	25	4	\$144.00	\$2.00	28.00%	800	8.00	\$1,600.00	\$448.00	\$1,152.00	1	3.29%
OTC Medication	Loratadine	Claritin	\$1.56	50	4	\$312.00	\$2.00	22.00%	5000	25.00	\$10,000.00	\$2,200.00	\$7,800.00	5	20.58%
OTC Medication	Cetirizine	Zyrtec	\$4.20	24	4	\$403.20	\$5.00	16.00%	3000	31.25	\$15,000.00	\$2,400.00	\$12,600.00	2	12.35%
OTC Medication	Bismuth Subsalicylate	Pepto-Bismol	\$0.74	50	4	\$148.00	\$1.00	26.00%	2000	10.00	\$2,000.00	\$520.00	\$1,480.00	2	8.23%
OTC Medication	Ear Drops	Momentum	\$0.79	24	4	\$75.84	\$5.00	84.20%	2000	20.83	\$10,000.00	\$8,420.00	\$1,580.00	1	8.23%
OTC Medication	Eye Drops	Family Care	\$0.79	24	4	\$75.84	\$4.00	80.25%	2000	20.83	\$8,000.00	\$6,420.00	\$1,580.00	1	8.23%
OTC Medication	Hydrocortisone	Natureplex	\$0.69	24	4	\$66.24	\$3.00	77.00%	250	2.60	\$750.00	\$577.50	\$172.50	1	1.03%
OTC Medication	Cough Syrup	NyQuil	\$1.50	25	4	\$150.00	\$2.00	25.00%	5000	50.00	\$10,000.00	\$2,500.00	\$7,500.00	1	20.58%
OTC Medication						Subtotal	\$2,225.12			Subtotal	\$105,300.00	\$40,385.50	\$64,914.50		
Convenience Items	Tissues	Kleenex	\$2.30	25	4	\$230.00	\$3.25	29.23%	7500	75.00	\$24,375.00	\$7,125.00	\$17,250.00	3	30.86%
Convenience Items	Paper Towels	Bounty	\$1.25	25	4	\$125.00	\$3.00	58.33%	5000	50.00	\$15,000.00	\$8,750.00	\$6,250.00	2	20.58%
Convenience Items	Condoms	Durex	\$0.80	25	4	\$80.00	\$1.00	20.00%	5000	50.00	\$5,000.00	\$1,000.00	\$4,000.00	5	20.58%
Convenience Items	Pads	Always	\$0.23	135	4	\$123.00	\$0.50	54.44%	10000	18.52	\$5,000.00	\$2,722.22	\$2,277.78	4	41.15%
Convenience Items	Tampons	Tampax	\$0.17	125	4	\$84.00	\$0.50	66.40%	10000	20.00	\$5,000.00	\$3,320.00	\$1,680.00	4	41.15%
Convenience Items	Cotton Swabs	Q-Tips	\$2.32	25	4	\$232.00	\$3.00	22.67%	500	5.00	\$1,500.00	\$340.00	\$1,160.00	1	2.06%
Convenience Items						Subtotal	\$874.00			Subtotal	\$55,875.00	\$23,257.22	\$32,617.78		
Personal Care Products	Toothpaste	Colgate	\$0.85	25	4	\$85.00	\$2.00	57.50%	2000	20.00	\$4,000.00	\$2,300.00	\$1,700.00	2	8.23%
Personal Care Products	Toothbrush	Oral-B	\$0.65	25	4	\$65.00	\$1.50	56.67%	1000	10.00	\$1,500.00	\$850.00	\$650.00	1	4.12%
Personal Care Products	Deodorant (Men's)	Speed Stick	\$0.92	25	4	\$92.00	\$3.50	73.71%	1000	10.00	\$3,500.00	\$2,580.00	\$920.00	2	4.12%
Personal Care Products	Deodorant (Women's)	Secret	\$0.99	25	4	\$99.00	\$3.50	71.71%	1000	10.00	\$3,500.00	\$2,510.00	\$990.00	2	4.12%
Personal Care Products	Hand Soap	Softsoap	\$1.40	25	4	\$140.00	\$2.50	44.00%	5000	50.00	\$12,500.00	\$5,500.00	\$7,000.00	3	20.58%
Personal Care Products	Hand Sanitizer	Germ-X	\$1.11	20	4	\$88.80	\$2.50	55.60%	2500	31.25	\$6,250.00	\$3,475.00	\$2,775.00	3	10.29%
Personal Care Products	Surgical Masks	Miplni	\$0.10	100	4	\$40.00	\$0.50	80.00%	10000	25.00	\$5,000.00	\$4,000.00	\$1,000.00	10	41.15%
Personal Care Products	Contact Solution	Fresh Lady	\$2.00	10	4	\$80.00	\$5.00	60.00%	500	12.50	\$2,500.00	\$1,500.00	\$1,000.00	1	2.06%
Personal Care Products						Subtotal	\$689.80			Subtotal	\$38,750.00	\$22,715.00	\$16,035.00		
All Categories						Total	\$7,833.24			Total	\$227,925.00	\$100,962.72	\$126,962.28		

Survey Results

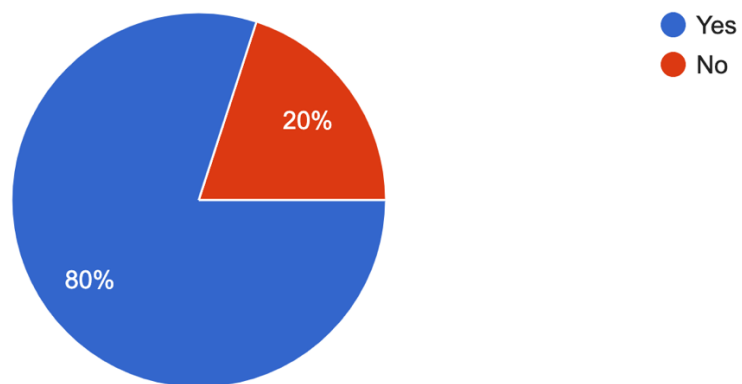
Are you/were you ever a Rutgers-New Brunswick student?

99 responses



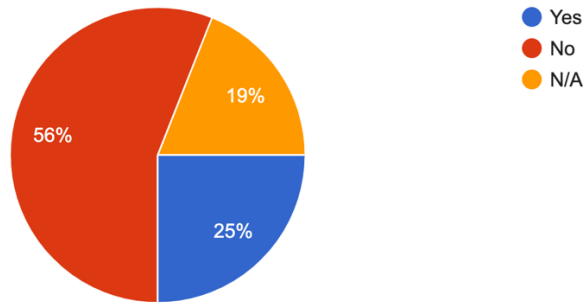
Have you lived on campus at Rutgers before?

100 responses



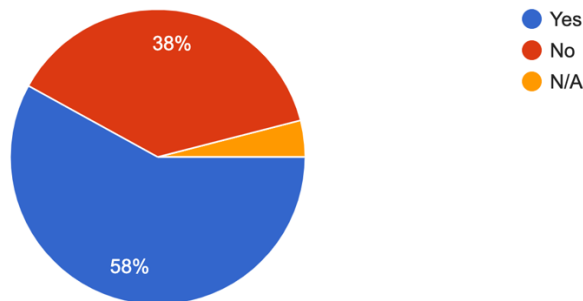
If you've lived on campus before, did you have access to your own car? If you've never lived on campus, select N/A

100 responses



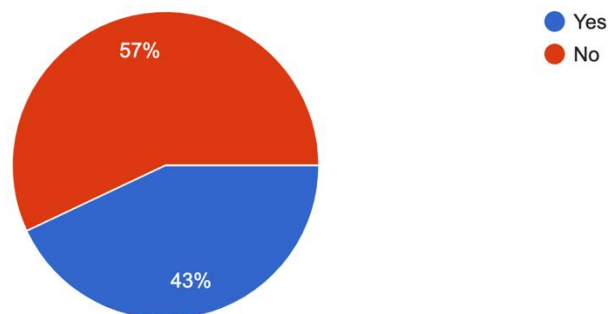
Have you ever utilized any of the resources provided by the Rutgers health centers (Hurtado, Busch-Livingston, etc.)?

100 responses



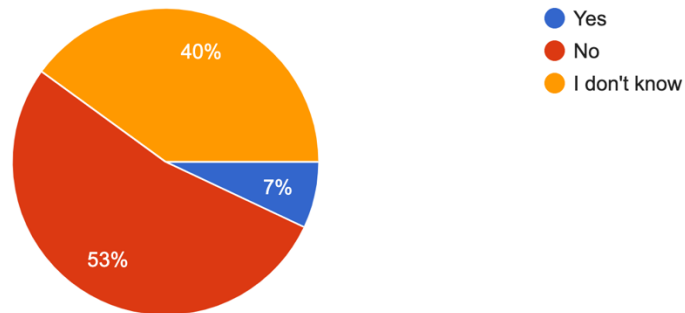
Did you know that Rutgers closed all three of its pharmacies in the Fall of 2019?

100 responses



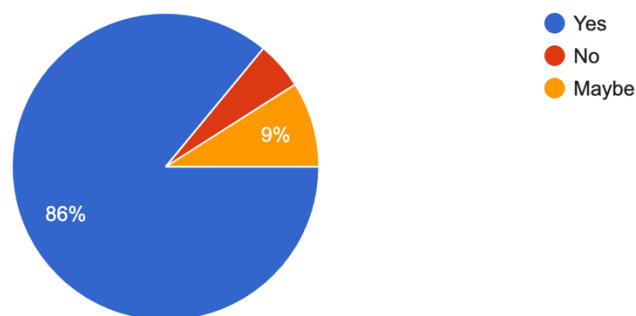
After the closing of its pharmacies, do you feel that Rutgers provides an adequate amount of resources to buy basic personal care products and OTC medications on campus?

100 responses



If you lived on campus and there was an affordable and easily accessible drugstore on campus that provided OTC medications, personal care and h...u think that you would buy from it at least once?

100 responses



Labor Schedule

Labor Schedule	
Assumptions	
Daily Hours	10
# of Stores	4
Daily Payable Hours	40
Hourly Wage	11
Daily Expense	\$440.00
Days/Week	7
# of Weeks in Operation	36
Discount (Owners Running)	50%
Yearly Expense	\$55,440.00

Operating Working Capital & Capital Expenditures Assumptions

Operating Working Capital & CapEx Assumptions						
	2021	2022	2023	2024	2025	2026
Beginning PPE	0.00	45,000.00	42,907.93	40,712.38	38,503.91	36,397.19
Capex	50,000.00	3,231.04	3,475.05	3,846.82	4,387.31	5,163.88
New Depreciation	5,000.00	323.10	347.50	384.68	438.73	516.39
Old Depreciation	0.00	5,000.00	5,323.10	5,670.61	6,055.29	6,494.02
Ending PPE	\$45,000.00	\$42,907.93	\$40,712.38	\$38,503.91	\$36,397.19	\$34,550.67
Maintenance Capex as a % COGS		2.50%	2.50%	2.50%	2.50%	2.50%
Useful Life	10					
Changes in OWC as a % of Net Income		10%	10%	10%	10%	10%
Changes in OWC		\$2,436.63	\$2,956.27	\$3,736.91	\$4,857.96	\$6,449.21

Income Statement Assumptions

Income Statement Assumptions					
	2022	2023	2024	2025	2026
Sales Revenue Growth (YoY)					
Bandaging Supplies	N/A	5.00%	6.00%	7.00%	8.00%
OTC Medication	N/A	10.00%	15.00%	20.00%	25.00%
Convenience Items	N/A	5.00%	6.00%	7.00%	8.00%
Personal Care Items	N/A	5.00%	6.00%	7.00%	8.00%
COGS Margins (as a % of sales)					
Bandaging Supplies	47.84%	47.84%	47.84%	47.84%	47.84%
OTC Medication	61.65%	61.65%	61.65%	61.65%	61.65%
Convenience Items	58.38%	58.38%	58.38%	58.38%	58.38%
Personal Care Items	41.38%	41.38%	41.38%	41.38%	41.38%

Income Statement

Income Statement					
	2022	2023	2024	2025	2026
<u>Sales Revenue</u>					
<i>Bandaging Supplies</i>	28,000.00	29,400.00	31,164.00	33,345.48	36,013.12
<i>OTC Medication</i>	105,300.00	115,830.00	133,204.50	159,845.40	199,806.75
<i>Convenience Items</i>	55,875.00	58,668.75	62,188.88	66,542.10	71,865.46
<i>Personal Care Items</i>	38,750.00	40,687.50	43,128.75	46,147.76	49,839.58
Total Revenues	\$227,925.00	\$244,586.25	\$269,686.13	\$305,880.74	\$357,524.92
<u>Cost of Goods</u>					
<i>Bandaging Supplies</i>	13,395.00	14,064.75	14,908.64	15,952.24	17,228.42
<i>OTC Medication</i>	64,914.50	71,405.95	82,116.84	98,540.21	123,175.26
<i>Convenience Items</i>	32,617.78	34,248.67	36,303.59	38,844.84	41,952.43
<i>Personal Care Items</i>	16,035.00	16,836.75	17,846.96	19,096.24	20,623.94
<i>Square Charges (2.5% of 50% of Sales)</i>	2,279.25	2,445.86	2,696.86	3,058.81	3,575.25
Total Expenses	\$129,241.53	\$139,001.98	\$153,872.88	\$175,492.34	\$206,555.30
Gross Profit	\$98,683.47	\$105,584.27	\$115,813.24	\$130,388.40	\$150,969.62
<u>Operating Expenses</u>					
<i>Wages</i>	55,440.00	55,440.00	55,440.00	55,440.00	55,440.00
<i>Marketing</i>	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
<i>Depreciation</i>	5,000.00	5,323.10	5,670.61	6,055.29	6,494.02
<i>Utilities and Electricity</i>	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
<i>Insurance</i>	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
<i>Uniform Expense</i>	400.00	400.00	400.00	400.00	400.00
Total Operating Expenses	\$67,840.00	\$68,163.10	\$68,510.61	\$68,895.29	\$69,334.02
Pre-Tax Income	\$30,843.47	\$37,421.16	\$47,302.63	\$61,493.11	\$81,635.59
<i>Tax Expense</i>	6,477.13	7,858.44	9,933.55	12,913.55	17,143.47
Net Income to All	\$24,366.34	\$29,562.72	\$37,369.08	\$48,579.56	\$64,492.12
<i>Rutgers Dividend (20% of Net Income)</i>	4,873.27	5,912.54	7,473.82	9,715.91	12,898.42
Net Income to Equity	\$19,493.07	\$23,650.18	\$29,895.26	\$38,863.64	\$51,593.70
EBITDA	\$35,843.47	\$42,744.27	\$52,973.24	\$67,548.40	\$88,129.62

Discounted Cash Flow & NPV Analysis

Discounted Cash Flow & NPV Analysis						
	2021 (Year 0)	2022	2023	2024	2025	2026
EBIT		\$30,843.47	\$37,421.16	\$47,302.63	\$61,493.11	\$81,635.59
Plus: Taxes		6,477.13	7,858.44	9,933.55	12,913.55	17,143.47
Net Operating Profit After Tax		\$24,366.34	\$29,562.72	\$37,369.08	\$48,579.56	\$64,492.12
Plus: Depreciation		5,000.00	5,323.10	5,670.61	6,055.29	6,494.02
Less: Capex		3,231.04	3,475.05	3,846.82	4,387.31	5,163.88
Less: Changes OWC (10% of Net Income)		2,436.63	2,956.27	3,736.91	4,857.96	6,449.21
Unlevered FCF	-\$75,000.00	\$23,698.67	\$28,454.50	\$35,455.96	\$45,389.58	\$59,373.05
Terminal Value						\$1,321,944.23
Discounted Unlevered FCF (30% Discount Rate)	-\$75,000.00	\$18,229.75	\$16,836.98	\$16,138.35	\$15,892.15	\$15,990.89
Discounted Terminal Value						\$356,038.02
Net Present Value				\$364,126.14		

Sensitivity Analysis

Sensitivity of NPV: WACC v. Exit EBITDA Multiple					
\$364,126.14	20.00%	25.00%	30.00%	35.00%	40.00%
11.00x	\$420,367.89	\$336,031.64	\$269,182.67	\$215,679.65	\$172,470.90
13.00x	\$491,202.53	\$393,788.26	\$316,654.40	\$254,987.84	\$205,243.56
15.00x	\$562,037.16	\$451,544.89	\$364,126.14	\$294,296.02	\$238,016.22
17.00x	\$632,871.79	\$509,301.51	\$411,597.87	\$333,604.21	\$270,788.88
19.00x	\$703,706.42	\$567,058.14	\$459,069.61	\$372,912.40	\$303,561.54