

# Flavorfil Business Plan

## April 2021

### Executive Summary

Flavorfil's motto is 'Maximize hydration, minimize waste'. Under this motto, the company aims to satiate users' thirst with less impact on the planet's limited resources. While also changing the current image of water fountains to be more sophisticated and option packed. Intelligent product design and a large magnitude of local flavor brand partnerships will make this a possibility. Operations begin in Gainesville, and as the company expands, so will its reach. Flavorfil is an optimal device for high density areas that encounter high, and frequent traffic, including university buildings, school hallways and company offices. Furthermore, the machine will have an outdoor model that is perfect for parks, trails and beaches. The team expects to grow year over year around the world as users shift from single use, highly consumerist lifestyles, to more resource friendly, circular lifestyles.

The company will work to combat the growing issue of single-use plastic consumption that contributes to environmental pollution by providing refreshing and flavorful drink options in conjunction with water fountains. This will encourage users to carry a reusable water bottle and be more environmentally conscious while enjoying their beverage and staying hydrated.

We will sell units of concentrated healthy flavoring syrup through our custom Flavorfil dispensers. At the machine, users pay \$0.99 via credit card to add 1 unit of syrup to their water bottle, of which we pay a 7% commission to the property owner where our machine is located. To improve customer loyalty and decrease order friction, we will sell 50 prepaid units for \$29.99 through our phone app, redeemed at any Flavorfil dispenser by scanning the customer's unique barcode, displayed either on the phone or on a Flavorfil sticker on the customer's reusable bottle.

In 2021 we will focus on R&D of our Flavorfil dispensers, finding a contract manufacturer, and purchasing bulk quantities of concentrated syrup. In 2022 we will install 60 machines, as well as launch our app. By year-end 2023 we will have 155 installed dispensers across our local region.

By targeting reusable bottle users, Flavorfil seeks to enter several growing industries relating to beverages and automated vending. These markets include the vending machine, reusable bottle, and the non-alcoholic beverage markets. Though we will be faced with competition from well-known products such as the Coca-Cola Freestyle, Dasani PureFill, and SodaStream machines, Flavorfil will continue to innovate with new product models, soda flavors, and software for customer interaction.

# Value Proposition

The issue that the Flavorfil company wishes to resolve is the considerable amount of single-use plastic bottle waste that pollutes the environment due to consumers' affinity toward flavored drinks rather than reusable and more sustainable public water fountains. Because water fountains do not provide these flavored options, consumers purchase single-use bottled beverages from vending machines or other convenient vendors. This action contributes to the more than 38 million plastic bottles that are sent to landfills in the US alone, which poses a significant threat to the environment. In addition to environmental pollution, 90% of the cost of these drinks come from the bottle itself, making them economically inefficient compared to the low cost of using a water fountain. Then from a public health perspective, individuals that choose to consume these drinks tend to gravitate toward highly processed and sugary products that offer little to no nutrients and inadequate hydration.

The solution our team proposes is a flavor dispensing system for use in conjunction with water fountains and personal reusable water bottles. The product would be a modular designed machine that can be installed adjacent to public water fountains in higher traffic areas, and would allow the user to dispense drops of liquid flavoring into their water bottles. This system would allow the user to choose their preference of flavored drinks while minimizing the amount of plastic waste as no extra packaging is required for purchase.

Our product generates value to the customer by supplying a flavorful and refreshing drink at a much lower cost than other vendors, meanwhile providing an increased level of convenience. Customers will find value in being able to conveniently locate a machine and refill their personal water bottles without having to travel to a nearby store or purchase a new bottle to carry along with their own. Since the machine works with available water fountains, the company will be able to provide flavored drinks at a lower price point due to the low cost of the flavoring itself and lack of need for a plastic container. Another way in which this provides value to the customer is by incentivizing the act of carrying a reusable water bottle in order to reduce plastic waste, as well as encouraging adequate hydration through the use of flavored water. This appeals to the customer's ethical values by allowing them to take individual responsibility in reducing single-use plastic consumption, and provides a sense of moral satisfaction for taking action for the environment. The developed flavoring product would also provide a lighter and more nutritious alternative to hyper-palatable drinks, which in turn generates value to the customer by encouraging healthy habits and decreasing the consumption of highly processed ingredients.

# Company Overview

With the increase of market size for reusable water bottles, more people are opting to choose a sustainable method of consuming beverages. However, studies indicate that while more than half of the population reported owning a reusable water bottle, only 36% of users regularly carry it with them, and 31% even feel guilty purchasing a throwaway plastic bottle. Flavorfil's

vision is to provide widespread access to flavored beverages such that the convenience would encourage consumers to become more aware of their responsibility in reducing single-use plastic consumption. Flavorfil was inspired by the increase in popularity of liquid drops for flavoring water as an alternative to purchasing premade bottled drinks, and sought to develop a method in which consumers may have convenient access to their preferences while reducing plastic waste.

The Flavorfil company is founded by five students attending the University of Florida in Spring 2021, and together have developed a three-stage plan for conducting business. The initial stage includes research and development, in which a workspace will be designated for the design and manufacturing of the unit itself and ultimately be contracted with a manufacturer to mass-produce the machines. The development of a mobile app will also begin its initial phases of research. This stage also includes communicating and negotiating with water flavoring companies in order to obtain bulk quantities for distribution in the machines. The second stage will be in the following year in which the first installations of the machines will be conducted in high-traffic areas that are in close proximity to the company headquarters. This stage includes contracting with potential business locations to lease the machine space. By the end of this second year, the Flavorfil mobile app will be introduced in which customers will be able to purchase multiple uses of the flavorings that may be redeemed at the machines, as well as be able to locate where machines are near them and provide feedback to the company. Branded barcode stickers will also be created and mailed out to customers for use with their water bottles to easily scan and pay at the machines. The final stage is during which the machines will be efficiently manufactured and installed such that a total of 115 machines will be in use at various locations. Further investments and partnerships will also be explored.

After a series of investment rounds, the Flavorfil company was determined to be valued at \$2.9 million. Each of the five founders hold 13.9% of the company for a total of 69.5%, with the remaining 30.5% owned by its shareholders. The company intends to find more investment opportunities for the future and continue to grow the business. The primary office will only be required for use by its founders, which means that only minimal space will be needed at 600 square feet for five employees. Other infrastructure such as the manufacturing and research warehouses will be contracted with businesses to determine the necessary space and facilities required.

## Products/Services

### Product Overview

Our product consists of concentrated flavoring syrups that will be dispensed from our custom Flavorfil machines. We will maintain ownership of the machines, and enter contracts with businesses to host our machines on their premises in return for a sales commission, following the established model of typical vending machines.

The customers will bring their own reusable bottles, as well as first fill their bottles with water such as at a water fountain. We will make it a priority to have our Flavorfil machine located in close proximity to an already-installed water fountain to increase our conversion. They will then initiate payment to our Flavorfil machine, which will dispense one unit of concentrated flavoring into their bottle. Each machine will have multiple flavorings to choose from through an integrated touch screen, but the flavorings will all be healthy, low-calorie options. The exact methods of payment along with our associated revenue streams are outlined below.

## Per-Unit Payment

Payment made through the Flavorfil machine itself will be via credit card. Our current price for this is \$0.99 for each unit of flavoring. This price is close to the minimum viable amount we would be able to charge, as a fee would need to be paid to the credit card processor for each purchased unit of approximately \$0.13 as well as the commission to the property owner where our machine is located of 7%. After interviews with target customers, we determined that the additional effort and cost to accept and handle cash payments would not be economical.

## In-App Bulk Prepaid Purchase

To establish customer loyalty, increase ease of payment flow, as well as decrease our transaction costs, we will launch the Flavorfil app. Through the app, our customers will purchase a multi-pack of 50 flavoring units for \$29.99. Whenever the customer wishes to add flavoring to their water bottle, they will scan a barcode that is displayed on their phone with the barcode scanner built into each Flavorfil machine. Because the units have already been purchased, we will not have to pay any commission when they are redeemed.

To increase our brand awareness and further reduce payment friction, we will mail a custom Flavorfil sticker to users who sign up with our app. This sticker will have our Flavorfil logo alongside a copy of the user's unique barcode, which they will be able to adhere to their reusable bottle. Then, redeeming a flavoring unit is as simple as scanning the bottle and choosing a flavor.

## Management Team

Maintaining a team of engineers is simple. When a problem arises, the team solves our way out of it using math and science. Strategically placing the members of the team around the company to make sure the work is done in a quality-over-quantity way is how we chose our roles.

### I. Chief Executive Officer - Charles Richardson

As a computer science major, Charles is familiar with the processes of achieving optimal outputs. He oversees the team, maintains the vision, culture and values of

the company to ensure that the company stays on the right path through the turbulence of the market environment. External relations also fall under Charles responsibilities.

II. Chief Financial Officer - Joe Dvorak

Precision and attention to detail are the strengths of a biomedical engineering major. Joe fulfills those talents by keeping finances under proper care, maintaining accurate projections to reach a profit by the end of 3 years as expected.

III. Chief Operations Officer - Kaitlin Smith

This mechanical engineering major knows the importance of keeping the gears turning to reach a desired point. Kaitlin maintains accounts and documentation of the team. Kaitlin also oversees internal projects and ensures they are done iteratively and quickly.

IV. Product Design - Preston Daniels

Aerospace engineering has a long history of iterative development. With a major on the team, Preston will make sure that our products stay competitive in the market with designs through prototyping and testing

V. Market Analyst - Myles Dixon

To make sure the team heads in the right direction, Industrial and Systems Engineering major Myles Dixon is responsible for studying market trends and fluctuations and determining how they impact the product. Interviewing and testing are big parts of Myles tasks.

The team will onboard a long-term software engineer and a long-term social media manager as the company continues to scale. These roles are not part of the management team, but it is important to outline that their roles will be essential in maintaining the momentum of the company.

## Market Analysis

By targeting the multi-inclusive market of reusable bottle users of all ages, FlavorFil plans to utilize our unique position in several stable consumer markets to realize substantial gains and company growth. These include the beverage industry, the vending machine industry, and the reusable bottle and plastic replacement industry. Data from market interviews conducted with users of reusable bottles and standard vending machines demonstrated common trends in reusable bottle and vending machine usage, with some of the most prominent trends being displayed below:

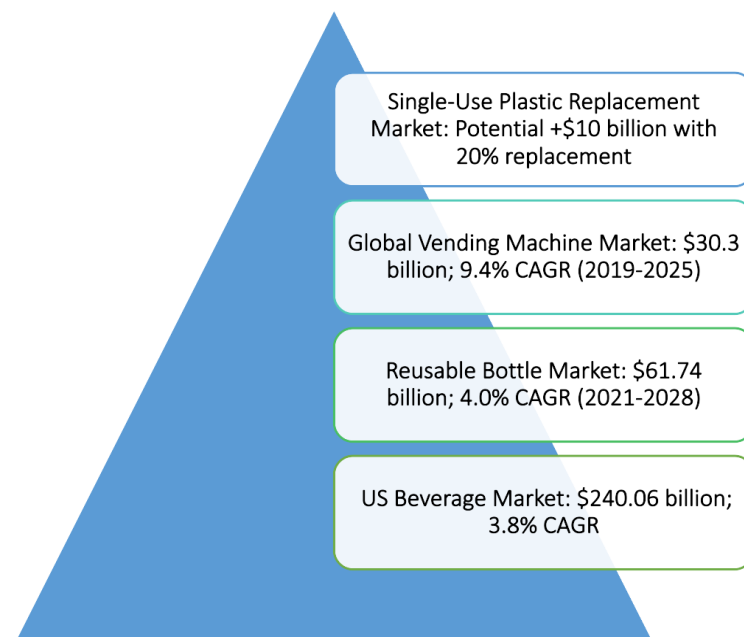
- Credit cards were the most selected form of payment
- Fruit-based flavorings were the most popular flavor options

- Consumers to not generally like purchasing single-use plastic bottles
- New and unique flavor options encourage consumer interest

This empirical form of data collection agrees with the market analysis conducted on the industries and reflect a high potential for the growth of both the markets and our company as a whole.

The global non-alcoholic beverage market sat at an excess of \$919 billion in 2019. Due to the COVID-19 virus, the market was reduced to \$746 billion, with the United States contributing \$240.06 billion (32.2%) in total. Despite this setback, the market is still projected to reach \$1.2 trillion by 2027, with a compound annual growth rate (CAGR) of 3.8%. The beverage market is a stable market that rewards improvement and change. In the past five years, market research says that innovative, health-focused beverages that had features such as being all natural, ecologically friendly, zero sugar, dye free, or having added vitamins and minerals have been at the forefront of the market as increasingly more individuals focus on improving their personal health.

Another market Flavorfil intends to capitalize on is the global vending machine market. As of 2018, the global vending machine market had a \$30.3 billion dollar volume, with a projected CAGR of 9.4% through 2025. This relatively high growth can be attributed to advances in vending machine technology and an increase in beverage variety, both of which have allowed for an increase in the range of products that a vending machine can sell as well as their accessibility, especially when it comes to matters such as ease of payment and locational availability. Flavorfil seeks to become an industry leader through the introduction of our revolutionary new vending machine design that adds flavor to preexisting water, opposed to making its own water-based beverage, cutting costs while allowing for an equally flexible and interchangeable variety of beverage options to consumers.



## Current beverage and bottle market conditions

Flavorfil also plans to work alongside the growing reusable bottle industry as our company grows. Currently, the global reusable bottle industry has a market size of \$61.74 billion with an expected 4% CAGR through 2028. As consumers become more eco and money conscious, more and more are purchasing these bottles, meaning there are more individuals able to utilize our machines. Additionally, our dispensing machines will each come equipped with scanners that can scan both a phone app as well as a sticker that can be attached to the consumer's reusable bottle. This encourages the purchase and utilization of reusable bottles by consumers, who will then be able to use our machines more frequently due to the increased ease of ordering.

Lastly, Flavorfil will serve as a leader in the burgeoning single-use plastic replacement industry. This industry is still relatively new, but is estimated to realize gains of over \$10 billion with a 20% decrease in plastics, such as the use of the plastics in drink bottles, can and bottle holders, and straws. Our Flavorfil units encourage our consumers that own water bottles, but still facilitates the re-use of empty single-use beverage bottles while incentivizing our users to switch to single-use plastics for increased ease of use and customization.

## Future Market Potential

Flavorfil is a product rooted in innovation and will continue to innovate as time progresses to better improve our product-market fit. The development and implementation of dye-free, all-natural, vitamin boosted, and zero-sugar syrup product lines is one way our company plans to grow with the changing market. Additionally, improvements to our machine capabilities, such as machines that are able to dispense and carbonate water are being sought out to increase our consumer base. Lastly, we plan on releasing our own line of Flavorfil brand reusable bottles, potentially with greater incentives and rewards available at our machines.

## Competitive Analysis

Flavorfil's primary competition comes from companies that offer customers with a variety of flavored beverage options while they are away from their homes. This includes devices such as the Coca-Cola Freestyle Machine, the Dasani Purefill, and the SodaStream, in addition to standard vending machines and individually packaged flavoring syrups and powders, such as those made by MiO, Crystal Light, and Dasani. Though these competitor companies have the advantage of being in the market for longer, allowing them to grow larger, Flavorfil has a large number of advantages over these present companies that will

## Competitors

Flavorfil's competitors can be divided into two main categories, product dispensers and finite-use products. The first category consists of devices that provide consumers with multiple beverages over its lifetime. Competing products that utilize this include the Coke Freestyle machine, the Dasani Purefill, and the SodaStream. The Coke Freestyle machine and Dasani Purefill both operate by combining flavored syrup with sparkling or flat water, and then dispensing this combination into the consumer's container. The Coke Freestyle and Dasani Purefill machines allow for product customization via their touch-screen panels allowing for mixing drinks for a precise flavor combination. The SodaStream operates slightly differently, allowing the users to manually carbonate their beverage to a specific amount of carbonation and then manually add their desired flavoring to the bottle of carbonated water. The last device in this category is the standard vending machine. This product dispenses single-use bottles or cups of a desired beverage in a single-use container for the user to consume and then dispose of.

The second category of competing products are those that can only be used over a finite period. This includes portable containers of flavored syrups and powders, such as the ones made by MiO, Dasani, Crystal Light, Gatorade, and Propel. These products come in containers that must be routinely purchased and disposed of to utilize. Though they do offer customizable drink possibilities, powders usually require usage of large containers to mix due to their large, pre-measured packages. Syrups are typically easier to mix, but require larger plastic containers.

## The Flavorfil Advantage

Flavorfil's advantage lies in versatility, both in our product and our business model. Our machines were specifically designed with efficiency in mind, allowing for a product that does not need to take up a large amount of space or connection to a business's water supply. This in turn will allow Flavorfil to install machines in a greater selection of locations compared to product dispensers, which require preexisting business contracts and connection to utilities such as water, making it easier for our consumers to locate and utilize our product. Due to reduced machine costs, and the inexpensive cost of flavoring syrup, Flavorfil will be able to sell our products at a price that is much cheaper than drink dispensers, which can charge over \$2.50 for a 20 fl. oz bottle. Even with our company's projected growth plan of offering a dispensing model that can also supply carbonated and flat water to consumers, our products will still be much cheaper than soda costs as water is inexpensive and we will not need to pay for plastic bottles.

Furthermore, Flavorfil's syrup flavors can be rapidly developed and improved, which will permit us to easily add new products to our machine's product line. These developments include additions such as sugar-free, all natural, dye-free, and vitamin and electrolyte-boosted syrups as well as syrups made by other brands like Coca-Cola and Pepsi. This allows for collaboration with competitors opposed to pure competition. Finally, Flavorfil's website and app facilitate



increased consumer feedback and interaction, making our consumers feel better represented and supported by our company.

## Anticipated Competitor Reaction and Flavorfil's Response

After Flavorfil's first year of operation, companies will likely begin attempting similar product releases with their own respective devices. Our two largest and most similar competitors, the Coca-Cola Freestyle machine and Dasani Purefill are already well-established products available for commercial use, but we anticipate these companies to release smaller, free-standing products that can be installed in a greater variety of places like the Flavorfil machines. If SodaStream decides to follow our company's direction, it will either need to first develop a product that dispenses water and soda. This is because the company's current model requires a carbonating bottle to be used repeatedly, meaning there would not be a reliable way to clean the bottle thoroughly after each use. However, as the SodaStream model is the smallest of the product dispensers, they will likely be able to produce a Flavorfil-sized machine much easier than Coca-Cola or Dasani, making them our greatest potential competition.

Flavorfil's business model was designed in a way that acknowledges the growth of our competitors, and sets out to preemptively eliminate the need for companies to mimic our product design and take our customers. All of the necessary legal filings will be done within our first year, securing our product design and branding from potential competitors. Flavorfil also plans to preemptively eliminate the need for similar products with partnerships with competing brands. Flavorfil will allow competitors with a branded syrup product to ensure mutual gains. This alternative would save large-scale competitors such as Pepsi and Coke the need to develop their own drink dispensing machine, and instead contribute a smaller amount of their earnings and resources to our machines.

## Marketing/Sales/Distribution

### Marketing

Our Flavorfil dispensers will be placed in optimized high traffic areas in public spaces such as Universities, malls, and business campuses. Our target market consists of people from high income areas that are concerned about the environment and public and personal health. After 1 year of product development, we will launch our first 5 Flavorfil dispensers in January of 2022. It is important that these initial dispensers are installed in areas that have high pedestrian traffic. The initial usage of our dispensers in the first few months will show how our marketing campaign has impacted our sales.

As a company, Flavorfil has goals with its marketing campaign. The first of which is to be known as a company that provides an alternative to flavored bottled beverages that will help

to minimize plastic waste and help the environment. With this, we want to be known as a way to get hydrated in a cheap and flavorful manner. To accomplish this goal, we will produce quality products with a premium looking machine. We will market our dispensers initially through word-of-mouth and social media marketing. The social media campaigns would come from our social media accounts but will also come from social media influencers talking about how they feel about our product. One way that we will generate word of mouth marketing is by sending customers a QR code sticker. If a customer buys a bulk purchase through the application, we will mail them this QR code sticker that can be put on their water bottle and scanned at POS. This QR code sticker will be free marketing for Flavorfil as they will then be displaying our logo on their reusable water bottles.

## Sales

Once our customers are aware of our product, our sales will increase. We project that as our company becomes more ingrained in the culture of the area we will be able to increase sales of our bulk purchases through the application. The application will come out 6 months after the product goes to market, so there will be time to generate good will with the community. Once this is out, the bulk sales through the application will come from our most loyal customers. As time goes on, more people will learn of this deal and begin purchasing this as well instead of the single serving at POS. The expected growth of sales at both POS and with bulk purchases is further explained in the financial analysis. Regarding pricing, we will charge \$0.99 for one fill at the machine and \$29.99 for the bulk purchase of 50 fills.

## Milestones

### 2021 - Year 1

Flavorfil's first year will be focused on research and development. We will need to set up a workspace with the ability to work on electronics hardware and software, metal sheet forming, and 3D-printing mockups. We will finalize the technology of the Flavorfil dispensers, then work with a contract manufacturer to produce the machines.

Near the end of year 1, we will reach out to companies that currently produce water flavorings that are sold in small quantities directly to consumers. We will negotiate to buy these flavorings in larger bulk quantities, which we will be able to repackage into an appropriate container to load into each Flavorfil dispenser.

During the design process, we will conduct more interviews with target customers to refine the design of the dispenser and ease out any unforeseen bumps. We will also be able to seek customer preferences for which flavorings exactly to purchase.

## 2022 - Year 2

Next year we expect to begin installing our Flavorfil dispensers in optimal, high-traffic areas near our headquarters location for ease of maintenance and refinement. This will require entering into contracts with retail businesses such as malls to lease the space for our machines, and exact negotiation of the sales commission, which we are targeting at 7%. By year-end we plan to have 60 Flavorfil dispensers installed and operational.

In June of 2022 we will begin rolling out our Flavorfil phone app on Android and iOS. Customers will be able to purchase multi-packs of flavorings which can be redeemed one at a time at any Flavorfil dispenser. We will then create the design of our branded barcode sticker and mail them to our first users.

## 2023 - Year 3

By the beginning of year 3 we expect to have streamlined the Flavorfil dispenser installation process. This will enable us to reach 155 total installations at the end of the year, serving our customers within a region. We also will seek other monetization opportunities, such as leasing our dispensers to companies that would like to offer Flavorfil flavorings to their employees as a perk.

# Financial Analysis/Plan

## Revenue Model

Flavorfil will see profitability within three years. We have a three step plan that will ensure that we stay on track. The first step will happen during the first year. Flavorfil will be focused on R&D, designing the technology, and manufacturing our machines to build inventory. We will also be developing a payment system, including a sole payment method, POS credit cards, and Google/Apple Pay. The second step will be the initial roll out of our machines. FlavorFil's second year will see the beginning of machine installation, at a growth rate of 5 machines installed per month. We expect a starting amount of 10 customers utilizing each of our machines per day upon initial installation. We anticipate this to grow linearly by 1 customer per day until we hit 20 in November, where we see a plateau in customers/machine/day. We believe after 20 customers/machine/day, customer's drawn by Flavorfil's newness factor will be reduced, causing the purchases of loyal customers and new customers to fluctuate around 20. The third step will occur 6 months into year 2, when we expect to begin receiving prefill payments as our customers become more accustomed to our product, realizing a 20% growth rate from that point forward as our revenue increases. By our third year, we believe our machine installation growth rate will stabilize at about 8% per year to accommodate for an increase in demand. Each machine's customers will remain at an average of 20/machine/day as more machines will be

available for our customers to use. By the closing of Year 3, we expect our cumulative revenue to be in the ballpark of \$1.1 million.

## Cash Flow Projection

A Pro-Forma for our cash flow projection is shown below.

<b>FlavorFil</b>				
<b>3-year Pro Forma Financials Projection</b>				
Year in Model		2021	2022	2023
		Totals	Totals	Totals
<b>Revenue</b>				
One Fill Paid at Machine		\$0	\$198,990	\$740,718
50 Pre-paid Fills		\$0	\$13,525	\$378,774
<b>Gross Revenue</b>		\$0	\$212,515	\$1,119,492
<b>Cost of Goods Sold</b>				
<b>Cost of Goods Sold</b>		\$0	\$201,031	\$703,361
<b>Gross Profit (Loss)</b>		\$0	\$11,485	\$416,131
Gross Margin (%)			5.4%	37.2%
<b>Expenses</b>				
<b>Total Expenses</b>		\$515,324	\$341,324	\$408,324
<b>EBITA or Net Income (Loss)</b>		(\$515,324)	(\$329,839)	\$7,807
<b>Net Margin (%)</b>			-155.2%	0.7%

### Staff with Benefits

As startup founders, we will be working fulltime and will pay ourselves very little and live below our means, to ensure the money is spent properly with the company. As revenue grows, our incomes will slowly trail that.

### Direct Labor

We require an installation engineer and a machine maintenance and restocking worker. They will both make \$15 an hour. The installation engineer will work about 10 hours per week, focusing on installing the machines and ensuring their functionality. The machine maintenance and restocking worker will work 5 hours a week, focusing on refilling and maintaining used machines.

### Marketing Expenses

Developing a website will be an iterative process. As the company develops, so will the site. The site will be updated every two months by the CEO and the part time full stack developer. The hosting will cost about \$50 a month. Market research will be in step with website development in regard to costs, where most of the research will be done through in-person interviews and demonstrations with plenty of documentation (video, written) uploaded to the site.

### Facilities

For a total of 5 employees in a dense office space with minimal common areas, the needed office size will be 600 square feet. The average price per square foot of office space per year in Florida is around \$18, which totals to a \$10,800 cost per year. The average cost of electricity per square foot is about \$1.44 per year and natural gas \$0.30, which comes out to a yearly cost of \$1,044. The average cost to furnish an office with used or entry level furniture is about \$5 per square foot, which will be a one-time investment of \$3000. Due to the small size of the office space and few employees, cleaning fees are minimal and therefore excluded.

### IT/IS

Zoom Communications will be our preferred method of contact with the outside world, this will cost \$1200/year for a team of 8. We will also use Google Workspace, which costs \$12/month/user. This cost has been added to the cost of zoom and will be put away at the beginning of the year for an annual payment. These costs increase year over year as the company grows. The budget for computers and other electronics is set at \$5000 for the first year, and increases as the company grows. Software costs are high to pay for the coding of both the machines and the app, this also includes productivity software Monday.com \$160/month for all members. Wifi and network supplies are about \$100 per month. No budget for phones and PDAs, as each employee will use their own phone.

### Internal Project Resources

Flavorfil will put a priority on teamwork within the office with team brainstorming sessions, these sessions will not be very costly, but they will be frequent. We will set a \$200/month budget to ensure we have the resources we need to brainstorm effectively.

### Manufacturing Contractors and Cost of Goods Sold (CoGS)

The bulk of manufacturing costs associated with our company will stem from the contracting required for the construction of the FlavorFil machine. Online data for independent contractors is scarce, and often requires an in-depth mock-up or CAD in order to get an accurate quote. The closest available data was relating to soda can vending machines and manual soda fountains, which cost in the range of \$1,200 to upwards of \$3000. This led to an estimate of \$1,700 for a syrup-dispensing machine composed of polycarbonate plastic (\$1.39/sq ft.) and stainless steel (\$4.78/sq ft). \$1200 serves as our base estimate for the cost of the machine. We

believe this to be a reasonable estimate, as the FlavorFil device will be significantly smaller than a standard soda fountain or vending machine. Our device will also be more streamlined, and will not require extra components for storing, cooling, or manually dispensing water. Both of these considerations mean our machine will require less raw materials overall. However, since the machines will still require aesthetic customization and wiring, we decided to add \$500 to our estimate to serve as financial padding for our projections.

Since we intend to work with contractors that supply their own raw materials, our materials and subcontracting costs are fairly low as a tradeoff to our high contracting costs. Our FlavorFil machines will require LCD touch screens, which cost about \$350 for a 13" panel. Since it is unlikely we will be able to acquire these screens via our contractors, these will need to be subcontracted. The only materials FlavorFil will be accountable for is the flavoring syrup our machines will use, which will cost roughly \$8 per gallon.

An important thing to note about our CoGS estimate is that it was assessed using the expense recognition principle (ERP) in accordance with generally accepted accounting principles (GAAP). ERP dictates that expenses such as CoGS are recorded in the period the revenue is delivered, opposed to the period the physical payment has occurred. As such, our Year 1 expenses are listed as \$0 since we have not yet delivered our service to any customers. Furthermore, our monthly contracting and subcontracting costs reflect the cost of manufacturing the FlavorFil machines that were installed in that current month. Our monthly materials costs reflect the cost of syrup per serving (\$0.013) and the amount of servings we predict to sell, which can be found in the "Revenue Model" section of the spreadsheet.

### R&D Expenses

All of our major R&D costs will be in year 1. While it is difficult to accurately estimate the supplies and equipment required to fully develop our FlavorFil machine based on other companies since every invention is different, we have conservatively allocated \$200,000 for the year.

### Travel

An upfront cost of \$30k will go to purchasing a company van, \$200 in gas per month is accounted for, and \$1k in repairs is priced in at the beginning of every year.

### Selling Expenses/Commision

The average commission for each purchase will be around 7% for the POS purchases. This commission would go to the business owner that the FlavorFil machines would be placed in. This would not apply for purchases made through the app or website.

### Office Support

According to Business News Daily, Office Supplies costs would be around \$80 annually for a startup. Office equipment would be a one time purchase. This would include desks and

office chairs for each employee. Average desk would be around \$300 per desk and the average office chair would be around \$60 a chair. This would come to around \$1800 for the desks and \$360 for the chairs. This equipment would be for the 6 office employees.

### Professional Fees

In the first year a lot of legal fees will be incurred. Articles of Incorporation must be filed and this will cost between \$1500-\$4000 dollars in the first month. An intellectual property assignment agreement and patents will need to be filed for the product. Most companies will need to have Employment Agreements, Independent Contractor Agreements, Customer Agreements, an Option Plan, and Corporate resolution fees. Patent fees are much higher but this would only be necessary after the product is developed. The first year will be used for R&D so this fee will likely not be incurred until around 6 months into the process, but it would be a one time fee. This would likely cost about \$8000 in legal fees. This will likely be about \$600 a month as needed to ensure that the company is running smoothly for general fees. For accounting and bookkeeping fees, this would average to about \$3000 a year. This is based off of the average accounting fees for a small business. Typical advisor fees for a small private company are usually within \$1000-\$6000 annually. It will be assumed that our fees would likely be around \$3000 a year and this would be broken up monthly into \$250 a month in fees.

### Miscellaneous

According to Just Business, the average startup will spend around \$1200 per year for business insurance. The average small business also spends an average of \$200 on first-class mail a month.

## Investment Opportunity

Our company puts people and the planet first. We serve customers drinks that make them feel good in the moment, and hours later. We target the prepared customer who has their personal bottle on hand, and reduce dependence on disposable bottles to stay hydrated.

Investing in Flavorfil comes with great peace of mind. Nobody in the world can survive without hydrating themselves and by providing people with a convenient and resource-friendly method of getting their hydration, an investment will put your money in a beneficial place for civilization.

Given the current hydration environment, a few, large brands dominate the market with their products (Ex. Coca Cola, Pepsi). On the downside, these brands provide unhealthy options and produce high quantities of waste as a byproduct. On top of this, their flavor options are often exclusive, and it is rare to find competing brand flavors at the same location. Flavorfil plans to combat all of these problems by first gaining insight on what the local market prefers, then forming flexible contracts with local beverage producers to fill the machines with desirable flavors. This design allows Flavorfil to test and reiterate faster and more often than the big name brands.

As society trends towards more “eco-friendly” lifestyles, Flavorfil is here to make sure that people do not need to continue filling their reusable bottles from low-sitting, angled-dispensing fountains. Additionally, it gives users a chance to add some flavor to their drinks without having to produce more waste than necessary or go into a restaurant to use a non-modular ‘freestyle’ system.

With the install of an app and the tap of a barcode, users will be able to get a variety of flavors for no more than a few cents per fill. This concept will have customers coming back to these machines every time they finish their drinks on the go. Businesses and organizations will realize great health benefits by adding the units to their locations.

Finally, Flavorfil has projected profitability within 3 years. Due to high upfront design and manufacturing costs, we will begin installing machines within months of inception. This will quickly begin covering costs. Given that our machine design is modular, if one projected location does not get the expected traffic, we will be able to quickly move it to a different location where traffic is more promising.



## Works Cited

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