

# Below-6

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## Executive Summary

Imagine your perfect high-end restaurant: classy food, good music, and amazing service. The night has just begun and you take a sip of your cocktail only to be disappointed by its watered down taste. There is one common problem that all high-end restaurants face: keeping drinks cool without watering them down. Below-6 is an electronic cooling plate that keeps drinks at the perfect temperature of below 6 degrees. It is the perfect solution for high-end restaurants who are willing to go above and beyond to deliver high-quality service. It is a premium product which is currently the only solution in the market that tackles the need for a high-quality, long-term drink cooling system for everyday restaurant use.

Below-6 features a thermoelectric cooling module (TEC) that is set to maintain a fixed temperature, which gives it a competitive advantage over traditional coasters. It is user-friendly and only requires one-time charging for the day, making it an ideal product for restaurant use. Below-6's high build quality is meant for long term use, eliminating the waste created from disposable paper coasters. Furthermore, Below-6's elegant and stylish appearance compliment the style of any high-end restaurant.

"According to a survey conducted, 70.2% of surveyed people prefer cold drinks over warm drinks ... and 74.5% of respondents feel that ice dilutes the flavour of their drinks at restaurants. This shows a year long demand for restaurants to serve cold drinks to increase their customer satisfaction and gain a competitive advantage in their respective industry".<sup>1</sup>

Our team consists of five partners who have theoretical and practical knowledge about the business environment, learned through their coursework and case competitions at Wilfrid

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<sup>1</sup> Cheng, Xie, Froggatt, Mistry, Shao (2018), *New Venture Proposal*, Assignment submitted to BU111, Wilfrid Laurier University

Laurier University. As double degree students, we also have mathematical and computer science backgrounds, which will help to ensure consistent financials and constant technological innovation.

Below-6 will be an one-time purchase product. We will generate recurring revenue in the future by offering a subscription based service for maintaining and repairing Below-6 post-purchase. This will be implemented after the company has revenue to fund the service. Below-6 will retail for \$50 per plate, and cost \$24.53 to produce, thus leave our company with an almost 51% margin per unit.

Based on our initial cash budget and financial needs for marketing, advertising, and production, we ask for \$26,000 for 15% equity in our company. This will accommodate our operations for the next eight months. In the first two months, most of our financing would go into advertising Below-6 through social media. This will position Below-6 as an attractive product in the minds of customers dining at high-end restaurants. The company would also purchase demo units and initial stock for the first quarter with this budget. The remaining funds will go towards establishing our subscription based service for the post-purchase support system to expand revenue streams and maintain long term customer relations.

## Key Financials

Each partner will contribute \$1,500 giving \$7,500 as our starting balance. \$1,600 will be an initial cost, spent on logo design and the down payment for office rental. After two months, we will hire one sales agent at a fixed salary of \$72,000 per year, with a second one in month four. This puts our payroll at \$12,118 per month. Our office will be rented for \$600 per month. We also plan to spend \$348 in transportation and office supplies. This covers the travel costs for approximately 200 km of travel per day, and other additional costs. The \$2,000 advertising costs will cover advertising on social media, web hosting, and \$500 worth of demo units. We are building cash at a rate of \$15,000 per month and we are burning cash at a rate of \$7358.12 per month. Therefore we have a monthly cash build rate of \$7641.88 for the first 8 months. The ending cash balance in the eighth month is \$2,718.16, but we are predicting higher sales as we gain a stable position in the market. This means we expect to be cash flow positive by the end of month 8, and our profits should continue to grow from then on.

Table 1 & 2: Cash Budget Worksheet and Cash Budget <sup>2</sup>

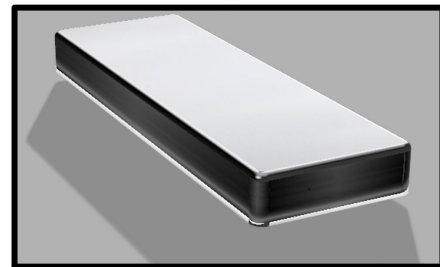
<b>Cash Budget Worksheet</b>	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8
Unit of Sales	1	2	8	15	18	21	25	30
Net Sales	\$ 1,000.00	\$ 2,000.00	\$ 8,000.00	\$15,000.00	\$ 18,000.00	\$ 21,000.00	\$ 25,000.00	\$ 30,000.00
Net Purchases	\$ 490.54	\$ 981.08	\$ 3,924.33	\$ 7,358.12	\$ 8,829.74	\$ 10,301.37	\$ 12,263.53	\$ 14,716.24
<b>Cash Budget</b>								
Beginning Cash Balance	\$ 5,900.00	\$ 3,461.46	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00
Add: Receipts	\$ 1,000.00	\$ 2,000.00	\$ 8,000.00	\$15,000.00	\$ 18,000.00	\$ 21,000.00	\$ 25,000.00	\$ 30,000.00
Total Cash Available	\$ 6,900.00	\$ 5,461.46	\$ 10,500.00	\$17,500.00	\$ 20,500.00	\$ 23,500.00	\$ 27,500.00	\$ 32,500.00
Less: Disb. for Purchases								
Purchases	\$ 490.54	\$ 981.08	\$ 3,924.33	\$ 7,358.12	\$ 8,829.74	\$ 10,301.37	\$ 12,263.53	\$ 14,716.24
Rent	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00	\$ 600.00
Marketing	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
Wage	\$ -	\$ -	\$ 6,000.00	\$12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
Payroll tax	\$ -	\$ -	\$ 58.80	\$ 117.60	\$ 117.60	\$ 117.60	\$ 117.60	\$ 117.60
Transportation and others	\$ 348.00	\$ 348.00	\$ 348.00	\$ 348.00	\$ 348.00	\$ 348.00	\$ 348.00	\$ 348.00
Total Disbursements	\$ 3,438.54	\$ 3,929.08	\$ 12,931.13	\$22,423.72	\$ 23,895.34	\$ 25,366.97	\$ 27,329.13	\$ 29,781.84
Cash Excess/Deficiency	\$ 3,461.46	\$ 1,532.38	\$(2,431.13)	\$(4,923.72)	\$(3,395.34)	\$(1,866.97)	\$ 170.87	\$ 2,718.16
Min. Cash Balance Desired	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00	\$ 2,500.00
Financing required	\$ -	\$ 967.62	\$ 4,931.13	\$ 7,423.72	\$ 5,895.34	\$ 4,366.97	\$ 2,329.13	
Surplus Cash	\$ 961.46	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 218.16

<sup>2</sup> Cheng, Xie, Froggatt, Mistry, Shao (2018), *New Venture Proposal*, Assignment submitted to BU121, Wilfrid Laurier University

## About the Product

According to a survey conducted in Waterloo, 70.2% of people prefer cold drinks over warm drinks at restaurants.<sup>2</sup> This shows that there is a large demand for restaurants to serve cool drinks throughout the year and Below-6 provides a way for restaurants to consistently deliver cool drinks.

Below-6 is a rectangular plate that features an advanced built-in thermoelectric cooling technology. It will act as the centerpiece of the table to accommodate several drinks placed on its surface (refer to Exhibit A). Below-6 also has a unique advantage of being environmentally friendly since it eliminates the waste from traditional one-time use cardboard coasters. Below-6's high build quality allows it to be used for long periods of time without issue. High-end restaurants will be interested in investing in a sustainable product that will compliment the style of their venue (Mealey, n.d.).



*Exhibit A - Below-6*

## Customer Relations

Below-6's target market will be high-end restaurants in the Greater Toronto Area that put emphasis on customer service and experience. We will be pricing Below-6 at a premium, since we believe these restaurants will be willing to spend the extra money to deliver above and beyond typical customer experience expectations. The company also strives to maintain a lasting

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<sup>2</sup> Cheng, Xie, Froggatt, Mistry, Shao (2018), *New Venture Proposal*, Assignment submitted to BU111, Wilfrid Laurier University

relationship with customers by providing a future service for repairs, replacements, and personalization.

### **Marketing**

With a low beginning balance, we plan to utilize the advertising features on platforms such as Facebook, Instagram, and Youtube to reach potential high-end diners. This will allow for an effective pull marketing strategy to inform high-end dining customers about Below-6. This will bring them to demand the product from restaurants. The company will also make use of Google's targeted advertising platform to reach a more accurate target market with its AdWords Auction System (Leadsquared, n.d.). In addition to advertisements, we will also have an Instagram and Facebook page, which will act as another marketing channel to inform restaurant-goers.

### **Business Operations**

Below-6 will operate by having restaurants place orders through our sales agents or through our website. Sales agents are the best method to reach customers who are not aware of the product. The sales agents will personalize the sale of Below-6 and demonstrate its use with demo units so our customers can experience the benefits of Below-6 first hand. For our website, our social media marketing would bring traffic to our company's website and offer an efficient and convenient way to purchase Below-6.

### **Revenue Streams**

Our main revenue stream will be from sales of Below-6 at a price of \$50 per unit. We are targeting high-end customers who will buy the plates in bulks to accomodate all their dining tables. Our up-front sales have high margins, making our business sustainable by covering our

operational costs and making profits in the long-run. A large portion of the sales will be invested into production costs which includes raw materials, manufacturing costs, and wages. The rest of our profits will cover marketing efforts.

This business model was chosen to compliment the nature of our product and our target customer segment. After conducting our field research, the best way to sell Below-6 will be an up-front sale of the product. This is in the interest of our customers who are willing to pay premium prices for the product to put their personal branding on it and are interested in the ownership of the product rather than renting the product (Abe Erb, 2019).

### **Partners and Resources**

We are heavily relying on our suppliers as key partners to provide high quality raw materials such as aluminum, plastic, and the cooling mechanism needed to manufacture Below-6. We will connect our suppliers directly to our manufacturing company who will assemble our product for use. Since we forecasted to have a relatively low cash flow for the first eight months (refer to Table 1 & 2), it would cost less to partner with suppliers and manufacturers instead of conducting production on our own. It will also be cheaper to manufacture the product internationally due to the lower cost of raw materials.

### **Contingency Plan**

Since we are a new company manufacturing our goods internationally, we could potentially face shipment issues with our product. We plan to have \$500 worth of demo units in stock before we take any orders from our clients. If there is ever a situation where the shipment may be delayed, we will offer the client our demo pieces to use free of charge until the shipments arrive.

Due to the fact that our projections are based on extensive research on similar products, there is a chance that our actual sales will be less than our expected sales. We have found that the optimal price reduction depends primarily on the change in sales with the reduction, and the number of sales that occurred prior to reduction.

In the future, we are introducing repair and battery replacement services; however, our current financial status means that our full services won't be available until after eight months. This may create issues if our customers need to access our support systems earlier. If customers run into any problems, we will be collecting any malfunctioned Below-6 plates and replacing them with new ones free of charge.

### **Future plans**

In the immediate future, the company will invest most of its revenue into developing the previously mentioned post-purchase support services. This will include a subscription based service for the maintenance, customer support, and further upgrades of their Below-6 units. Our service will keep us connected with our customers, creating strong relationships, and preventing them from switching to competitors. These relationships will increase our customer's loyalty since they can rely on our services to repair or upgrade our product instead of switching to a competitive product, and rely on our staff to meet their needs.

Our tech support team will also conduct research and development to improve the product features, such as increasing the cooling efficiency of the plates, improving energy efficiency, and lowering product cost. We will also focus on expanding our product line through our R&D operations to bring more creative and innovative products to our current and future customers.



## References

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