Foodport

you shop, we drop.

CEO & FOUNDER: BHAVIK NAGDA

APRIL, 2015

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"You finally get to the checkout line's front, and you pay for your food, and you get told to 'Have a nice day' in a voice that is the absolute voice of death. Then you have to take your creepy, flimsy, plastic bags of groceries in your cart with the one crazy wheel that pulls maddeningly to the left, all the way out through the crowded, bumpy, littery parking lot, and then you have to drive all the way home through slow, heavy, SUV-intensive, rush-hour traffic, et cetera et cetera. "

—DAVID FOSTER WALLACE

from THIS IS WATER

I. EXECUTIVE SUMMARY

Mission Statement: Foodport™ will revolutionize the shopping experience as we know it. By 'carpooling' grocery shoppers through our advanced software, we will save them valuable time and money while also helping the planet.

Problem: Americans are wasting time and money by individually shopping for groceries. In our modern world, time and money is valuable; given that the **average grocery trip costs $8.40** (Flowing Data), people cannot afford to continue making their 2.2 trips per week (Food Marketing Institute) to the grocery store. With Americans reportedly spending well over a year of their lives buying consumer goods (Bureau of Labor Statistics), the world needs a modern solution that deals with economic, time-management, and environmental problems.

Solution: Foodport™ is an innovative application that brings individuals making grocery trips, the "porters", together with those in need of groceries, the "buyers." Prior to the trip, the buyer will enter his specific items desired into our program. The information will then be relayed to the porter, who will purchase the items and deliver them. The buyer will then pay Foodport™ the cost for the groceries with an added premium. In return for his favor, the porter will be paid a fair amount, and mutual satisfaction will be achieved.

Market for Product: As of 2012, 75% of Americans have access to a computer while 220 million Americans own smartphones (Pew Research Center). Over **80% of shoppers use their smartphones** while grocery shopping, and nearly 45% of grocery shoppers make shopping lists on their smartphones before entering the store (Placed Inc.). In a typical day, 32 million Americans buy groceries, both online and in store- that's one in seven individuals nationwide (The Time Use Institute). On the other hand, 54% of shoppers already purchase groceries online, while **43% of store shoppers believe that waiting in lines for checkout is "not worthwhile."** Foodport™ will combine the software industry with America's ever-growing grocery demand, redefining our process of shopping by bringing people and cities closer together.

Target Market: Our primary target market will be families in the Greater Boston Area. Boston has a shortage of grocery stores, according to the Massachusetts Public Health Administration. Our primary consumers will be employed middle class Americans aged 21 to 65 with family incomes ranging from $75,000- $150,000 who, forced to deal with their busy work lives, lack valuable family time. Instead of wasting time at the grocery store after work, they can stay home and order their groceries through our company. Our secondary consumers include the working lower class with average incomes between $25,000 - $50,000, who will cut their transportation costs that currently eat up 55% of their earnings (LivableStreets). Foodport™ will cater to the elderly aged 65 - 85 as well, of which many are feeble and cannot make the grocery trip themselves. These restrictions return a total potential target market of 1.2 million individuals (see Appendix A).

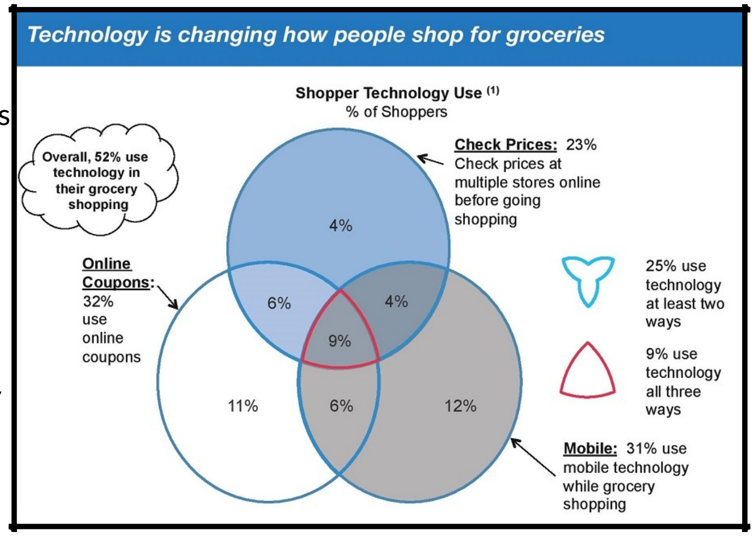
Structure:
Foodport™ will operate as a Delaware Limited Liability Company (LLC). The management team is as follows:
CEO: Bhavik Nagda- 3 years in website programming, 4+ years of Business Classes/Economics
CFO: Robert Howard- Vice President of Commercial Lending at The Village Bank, Prime Computer Inc. employee
CMO: James Rao- 3 years in robotics programming, Student Senate Counsel elect, 3 years of Business
CTO: Jasmine Dedhia- Senior Information Technology Professional for Upromise, Bank of America

Proposed Financials: The proposed business will require $525,000 in investment for startup, of which $175,000 will come from the founder's friends and family and **$350,000** will come from an outside investor **given a 41% stake** in the company. The break-even point will be achieved 1.5 years after opening, in the second quarter of the second year. Foodport™ will boast predicted $413,402 profits in year two and $2,952,849 profits in year three. Our exit plan is quite straightforward: we will be acquired by a larger company in seven years for about $60,000,000. This will give the investor an **R.O.I of $24,250,000**, ultimately a 6,929% increase.

II. DESCRIPTION AND ANALYSIS OF BUSINESS SITUATION

A. RATIONALE AND MARKET RESEARCH

Rationale: As schedules become increasingly pressured with time constraints, individuals value their time at home with family more than ever. With nearly a third of the American shopper populace reporting a "strong dislike" towards grocery shopping, the industry has been forced to make way for convenient solutions, most notably online grocery services like Amazon Fresh and Peapod. In fact, a study by Consumer Reports concludes that out of the third of the disgruntled grocery shoppers, 25% expressed an anger towards long lines while 14% mentioned crowded stores. The turmoil associated with grocery shopping is loathed not only by shoppers themselves but by stores as well. In fact, **46% of consumers have reported a preference to online shopping** as a means of avoiding the crowd. This has perpetuated the financial crisis brick and mortar stores already face, as they continue to lose market share to online grocery services.



Marketing Research: The proposed solution provides a convenient and unique grocery-shopping experience to customers who are unable to easily reach a grocery store. Our business model would connect those who are already planning to grocery shop with those who need groceries but don't have the means or availability to get them, a viable solution for the third of shoppers who already regularly use their mobile phones while buying groceries. The personalization and sense of community that arises with carpooling grocery trips will **bring back nearly 78 percent more customers**, according to a recent Infosys survey. In fact, a study conducted by Gallup Polls found that stores have seen a 14 percent increase in shopping due to the advent of retail mobile applications, suggesting that apps like Foodport™ will only help spur business. Nearly 56 percent of shoppers would occasionally buy through our platform, while the a fraction of the 6.7 million unemployed individuals with a car in the United States would serve as our Porters™. Grocery chains would be willing to comply with our business model to crowd out the nearly 500 billion dollar online grocery industry.

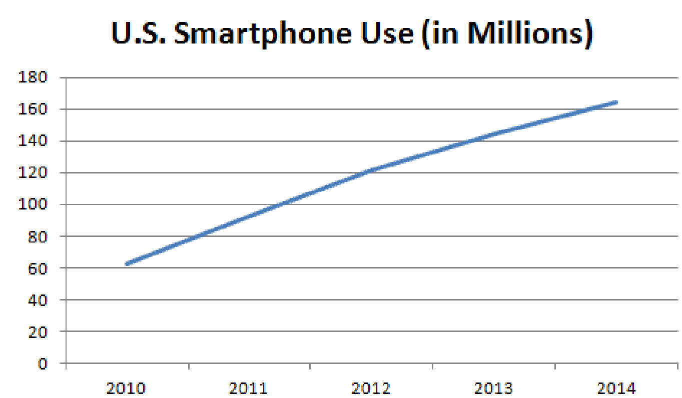
B. INTRODUCTION

My proposed business is Foodport™, a startup centered in the Greater Boston, Massachusetts. The business will develop an application that serves as a secure platform for online grocery shopping. Available online through a website or through a smartphone application, Foodport™ connects those who need groceries but are unable to reach a store, the Buyers, with those already making the trip, the Porters™. The Porters™ will be able to make a small profit by purchasing their neighbors' products while partaking in their normal shopping routine. The buyers also experience a more efficient and convenient grocery shopping experience so it's a win-win for both parties. In the end, our customers will bring each other groceries, connecting the community, while also saving transportation costs, time, and the environment.

C. SELF ANALYSIS

I am personally qualified and prepared to run this business because I have experience with computer programming as well as a strong background in Economics and Business Finance. While I have taken numerous courses including Personal Finance and an online Business Finance course, I am also self studying AP Microeconomics and AP Macroeconomics to learn the essentials of running a business. In addition, I recently took CS50, Harvard's Programming Class as well as my school's programming class to prepare myself for the development of the application and website. My current credentials and willingness to expand my business intellect indicate my undying passion and perseverance towards my goal of materializing this business. With my past leadership experience, I strongly believe that I will be able to successfully grow and expand this business.

D. ANALYSIS OF BUSINESS OPPORTUNITY



Industry: While only 62.6 million Americans owned smartphones in 2010, nearly 3 times that (182.6 million) own smartphones today, and **220 million** residents will own them by 2018. Furthermore, over three quarters of Americans now have easy access to a computer or a tablet according to the Pew Research Center. In addition, over 80% of Americans use their smartphones to conduct grocery shopping activities, while nearly 45% make shopping lists on their smartphones before entering the store (Placed Inc.).

While grocery stores have seen low customer attrition, average weekly trips to the supermarket in the last 3 years have risen to nearly 2.2 trips, while their consumer spending has declined (Food Marketing Institute). The grocery industry, driven by thrifty spending tactics, is seeing more customers but less money; customers are frequent and frugal.

However, consumers fail to observe the extra transportation costs associated with in-store grocery shopping. According to statistics from the AAA Insurance Company and the highly-reputed Flowing Data consumer statistics company, the **average grocery trip costs $8.40**. Thus, as customers shop more frequently, they also spend significantly more more money on transportation costs. For low income families who see **55% of their earnings** eaten up by transportation costs, my business will provide both convenience and economic support. In addition, many urban residents do not own a car and will therefore look towards Foodport's™ services.

Locale: Foodport™ will be centered and implemented first in the Greater Boston area for a variety of reasons. First, the city has seen tremendous economic growth; fueled by top technological colleges like MIT and WPI, tech startups have thrived in Boston, from Facebook to Dropbox to Priceline. Furthermore, Boston's geography caters to Foodport's™ business model; Boston is rated #19 in bad traffic conditions according to Business Insider, much less congested than other large cities like New York City (#2), Los Angeles (#3) and Washington D.C. (#1). The lower traffic levels will enable our Porters™ (sellers) to attend to our buyers on time, ensuring maximum customer satisfaction. A SWOT analysis for Peapod, our largest competitor in the Greater Boston area is produced below.

Strengths

- **High Growth Rate:** Peapod has experienced a yearly sales growth rate of over 25%
- **Well Established Company:** founded in 1989, Peapod already serves much of urban America
- **Proven Business Model**
- **Customer Awareness:** Peapod has built a widely known brand

Weaknesses

- **Growth Is Slowing;** competitors in the industry are gaining ground
- **Pricing:** Peapod is still expensive compared to large supermarkets
- **Reputation:** Peapod has gained poor customer service reviews in the past
- **Website**: Peapod provides "poor product information on its website"

Opportunities

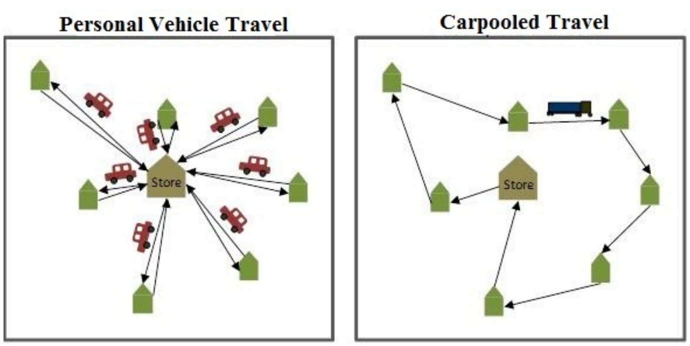
- **Partnership Leverage:** With an established brand, Peapod can partner with larger supermarkets
- **Technology:** Peapod can integrate smarter technology into their business model
- **International Expansion:** Royal Ahold, Peapod's parent company, has begun to expand

Threats

- **Strong Delivery Competitors:** The myriad of newer, more modern grocery delivery companies
- **Internet Shocks:** given that Peapod operates wholly through the internet, network difficulties can damage the business
- **Brick and Mortar Stores**

Demographics: In addition, researchers at the Massachusetts Public Health Administration have found that Boston's demographic layout forces it to rank third from last nationally in supermarket proximity. This shortage in grocery stores has struck many low-income communities, forcing them to pay higher grocery prices at local convenient stores and to resort to unhealthy diets. Foodport™ will provide the perfect solution by alleviating the burden of grocery transportation; with neighbors working together to transport groceries, all dietary needs will be met. Our company will target the working middle class and lower classes, given that they lack time for grocery shopping, and the elderly, as many may be too feeble to buy groceries. These restrictions produce a target market of about **<u>1 million people</u>** (see Appendix A).

Foodport™ acts like a grocery carpooling service and will thus prevent any unnecessary pollution in the environment. According the engineers at the University of Washington, weekly supermarket delivery helps save up to 75% of the carbon emissions associated with grocery transportation. Their analysis concluded that the planet can **save 80-90 percent of carbon dioxide** emitted if they employed carpool-like delivery tactics. Given that air pollution causes 200,000 early deaths each year in the US (MIT study), our company will contribute to Boston's beautiful environment.



E. PROPOSED ORGANIZATION

Foodport™ will be legally organized as a Delaware Limited Liability Company (LLC). This type of company will incorporate benefits from both corporations and partnerships; profits and losses will be declared on personal income tax filings to avoid the double taxation of dividends, while there will be limited liability for all, making Foodport™ attractive to investors and financers alike. Furthermore, filing in Delaware will ensure the most flexibility with business operations and taxes, as over half of existing LLCs have been incorporated in Delaware.

The first step would be legally forming the company and hiring a business lawyer to conduct the proceedings. This would begin with obtaining a registered agent authorized to conduct business in Delaware. We would then reserve an entity name, and complete numerous certificates. Foodport™ will then obtain and renew any necessary patents and trademarks for protection. After completing the initial paperwork and registration, we would then begin renting office space and buying all supplies needed for technological research and development (computers, phones, etc). The website and mobile application needed for the company startup will require four months to create and will cost $150,000 dollars to produce.

The planned personnel for Foodport™ will include myself as Chief Executive Officer. The business will then require employees under the technology, finance, and marketing sectors, each controlled by the Chief Technology Officer (CTO), Chief Finance Officer (CFO), and Chief Marketing Officer (CMO), respectively. For the first three months after establishment, extra computer engineers will be hired to speed up technological development. As the business grows, personnel will be added to the founding team. Customer service representatives (over the phone) will also be hired, either in office or outsourced, to deal with any consumer conflicts or issues that arise. To develop management knowledge and skills, our founding team will routinely engage in administrative training.

II. PROPOSED MARKETING/PROMOTION PLAN

A. PROPOSED PRODUCT OR SERVICE

Foodport™ is an online platform that connects individuals who are buying groceries in-store to those who wish for groceries at home. Suppose Alice is planning to buy groceries at her local Whole Foods store, and wishes to make some extra pocket money. Notifying our system of her grocery trip, Alice signs up with Foodport™ online as a Porter™, an individual who will be able to 'port' goods for other individuals. Beth, on the other hand, lives a few doors down. While she would like to buy necessary groceries, Beth is bogged up in attending to her children and cannot make a trip to the store; she signs up for Foodport™ as a buyer. After noticing that Alice is making a trip to Whole Foods, Beth uses our proprietary form and interface and decides exactly what she needs. Before taking off for the store, Alice is notified of Beth's shopping list. While at the store, Alice buys her personal goods as well as Beth's goods. She pays for Beth's goods in a separate transaction using our proprietary Foodport™ card, which sends the bill to our electronic system. To ensure validity, the system will match the bill to Beth's shopping list, and after approval, we will charge Beth the cost of her groceries with an added premium. Alice, meanwhile heads back to Beth's house and drops off the goods. Alice and Beth form a friendly relationship, and after Beth's approval, Alice is paid for her service.

Foodport™ can be compared analogically with Uber, the highly-successful app-based transportation company. Similar to how Uber automatically employs everyday people as taxicab drivers, Foodport™ pays its Porters™ to become grocery deliverers. However, perhaps the most crucial challenge for Foodport™ will be customer safety: ensuring that the Porter™ safely delivers edible goods to the buyer.

Customer safety will be tackled in three major ways: government background checks, liability, and customer feedback. Similar to Uber, every Porter™ will undergo a criminal background check before employment. Credit cards of all customers will be recorded and used as liability protection if problems arise with delivery or transaction. Both Porters™ and buyers will participate in feedback surveys which will be publicly viewable, ensuring maximum customer satisfaction and providing an incentive for good behavior and credibility.

B. PROPOSED PRICING POLICY

Our main competitors will be online grocery delivery service like Peapod and Amazon Fresh. To penetrate the market while also establish consistent revenue, Foodport™ will introduce a subscription-based membership program of **$3.50 per month**. Foodport™ will take merely 20% of the premium. This introductory pricing model aims to establish a reliable revenue stream, as customers will be required to pay to simply use our program. The premiums will be **$8.99 for orders up to $100.00** and then **$12.99 for orders from $100.00 and beyond.** By comparison, Peapod, a competitor grocery delivery service, charges a $9.95 service charge for orders under $100.00, with an added minimum order threshold and possible fuel surcharge. Safeway's grocery delivery charges $12.95 for orders under $150.00, and Giant charges $10.00 for orders under $70.00. Lower than those of competitiors, Foodport's™ prices will successfully be able to penetrate some of the existing market. As the company grows and captures a larger consumer base, the monthly membership fee will rise to $4.00, a mere 50 cents increase. This, as demonstrated by my analysis in the financing plan, will be most efficient for the company.

C. PERSONAL PROMOTION

To penetrate the market, it is crucial that Foodport™ establishes itself as reputable brand to gain public attitude. The start-up will require intense marketing in the Greater Boston area. Personal promotion specific to the product will be achieved through technological appeal, and a specific application designer will be hired to adorn the website and applications. Our staff will interact with consumers through the phone with technology support, which will be centered in our startup office. While the business model requires no person-to-person interaction, merchandising appeal will occur through our t-shirt distribution. In an effort to honor our customers and establish a company culture, specific t-shirts will be distributed to the Porters™. I will personally go to local grocery stores and try to advertise to their shoppers in the hope of spurring word-of-mouth promotion. For the platform's original release, a 'trial' period will be implemented, where Foodport™ will set up around local grocery stores and educate shoppers about our application. Finally, like many silicon valley companies, Foodport™ will try to establish and develop a positive work culture.

D. NONPERSONAL PROMOTION

Given that Foodport™ is a web-based application, most of our marketing will occur through social media. We will create appealing social media accounts on Facebook, Twitter, and numerous other platforms. Furthermore, in an effort to create advertising tailored to our specific target market, online and in-print advertisements will be placed in local newspapers as well as along with grocery coupons on websites like Retail-Me-Not or Coupons.com. Furthermore, the company will attend the New England Food Show, a display in Boston of innovative food service and restaurant companies. Success at shows like these will help establish the Foodport™ brand and the educate the populace. From there, Foodport™ can attend the National Grocers Expo to create national brand awareness among both consumers and the industry alike. In addition, Foodport™ plans to originally target a specific audience: customers in the Greater Boston area. Television advertisements are extremely useful tools to focus marketing in a particular area; according to the Television Bureau of Advertising and Knowledge Networks, **37 percent of television viewers make purchase decisions after watching advertisements** on television compared to 7 percent for social networks. Thus, though expensive, television marketing will allow us to successfully penetrate the market.

E. PLACE

Foodport™ will operate on two technological platforms: computers through a website and applications on mobile phones. Our channel of distribution for the website is simply going to be the world wide web, and we will implement search engine optimization to ensure that our website is easily found and explored. The mobile application will be downloaded through the app stores on Apple and Android devices, and we will use advertisement networks on other culinary applications to increase downloads. The website will incur maintenance and domain costs, while we will also have to pay developer costs to our application platforms, such as Apple or Google (Android). Foodport's offices will be headquartered in Cambridge, MA, given that it is the home of America's top technological universities.

IV. PROPOSED FINANCING PLAN

A. PROJECTED INCOME/CASH FLOW

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7
REVENUE							
Membership				900	1,053	1,232	1,441
Membership fee				$3,150	$3,686	$4,312	$5,044
Estimated Porters				300	351	411	480
Customers buying $0-50				210	246	287	336
Revenue from Customer Premium				$ 1,512	$ 1,769	$ 2,070	$ 2,421
Customers buying $50-100				270	316	370	432
Revenue from Customer Premium				$ 1,944	$ 2,274	$ 2,661	$ 3,113
Customers buying >100				120	140	164	192
Revenue from Customer Premium				$ 1,248	$ 1,460	$ 1,708	$ 1,998
Total Premium Revenue				$ 4,704	$ 5,504	$ 6,439	$ 7,532
TOTAL REVENUE	$ -	$ -	$ -	$ 7,854	$ 9,189	$ 10,751	$ 12,575
EXPENSES							
Research and Development	$ 50,000	$ 50,000	$ 50,000	$ 10,000	$ 10,000	$ 10,000	$ 5,000
Payroll and related costs				$ 16,000	$ 16,000	$ 16,000	$ 16,000
IT Expense				$ 2,500	$ 2,500	$ 2,500	$ 1,000
Marketing	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000
Supplies				$ 300	$ 300	$ 300	$ 300
Repairs and maintenance				$ 150	$ 150	$ 150	$ 150
Occupancy cost				$ 2,000	$ 2,000	$ 2,000	$ 2,000
Office expenses				$ 250	$ 250	$ 250	$ 250
Insurance				$ 500	$ 500	$ 500	$ 500
Telephone and internet				$ 500	$ 500	$ 500	$ 500
Travel and conferences				$ 500	$ 500	$ 500	$ 500
Professional fees	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 2,500	$ 500	$ 500
Bank and credit card charges				$ 236	$ 276	$ 323	$ 377
Depreciation				$ 1,500	$ 1,500	$ 1,500	$ 1,500
TOTAL EXPENSES	$ 62,500	$ 62,500	$ 62,500	$ 46,936	$ 46,976	$ 45,023	$ 38,577
NET INCOME (Loss)	$ (62,500)	$ (62,500)	$ (62,500)	$ (39,082)	$ (37,787)	$ (34,272)	$ (26,002)

	Month 8	Month 9	Month 10	Month 11	Month 12	Total for Year 1
REVENUE						
Membership	1,686	1,973	2,308	2,700	3,159	3,159
Membership fee	$5,901	$6,906	$8,078	$9,450	$11,057	57,582
Estimated Porters	562	658	769	900	1,053	
Customers buying $0-50	393	460	539	630	737	
Revenue from Customer Premium	$ 2,832	$ 3,315	$ 3,877	$ 4,536	$ 5,307	27,639
Customers buying $50-100	506	592	692	810	948	
Revenue from Customer Premium	$ 3,642	$ 4,262	$ 4,985	$ 5,832	$ 6,823	35,536
Customers buying >100	225	263	308	360	421	
Revenue from Customer Premium	$ 2,338	$ 2,736	$ 3,200	$ 3,744	$ 4,380	22,813
Total Premium Revenue	$ 8,812	$ 10,312	$ 12,063	$ 14,112	$ 16,511	$ 85,989
TOTAL REVENUE	$ 14,713	$ 17,218	$ 20,141	$ 23,562	$ 27,568	143,571
EXPENSES						
Research and Development	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 5,000	$ 60,000
Payroll and related costs	$ 16,000	$ 16,000	$ 16,000	$ 16,000	$ 16,000	$ 144,000
IT Expense	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 1,000	$ 13,500
Marketing	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 10,000	$ 90,000
Supplies	$ 300	$ 300	$ 300	$ 300	$ 300	$ 2,700
Repairs and maintenance	$ 150	$ 150	$ 150	$ 150	$ 150	$ 1,350
Occupancy cost	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 2,000	$ 18,000
Office expenses	$ 250	$ 250	$ 250	$ 250	$ 250	$ 2,250
Insurance	$ 500	$ 500	$ 500	$ 500	$ 500	$ 4,500
Telephone and internet	$ 500	$ 500	$ 500	$ 500	$ 500	$ 4,500
Travel and conferences	$ 500	$ 500	$ 500	$ 500	$ 500	$ 4,500
Professional fees	$ 500	$ 500	$ 500	$ 500	$ 500	$ 8,500
Bank and credit card charges	$ 441	$ 517	$ 604	$ 707	$ 827	$ 4,308
Depreciation	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 1,500	$ 13,500
TOTAL EXPENSES	$ 38,641	$ 38,717	$ 38,804	$ 38,907	$ 39,027	$ 371,608
NET INCOME (Loss)	$ (23,928)	$ (21,499)	$ (18,663)	$ (15,345)	$ (11,459)	$ (228,037)

The financials of Foodport are founded upon numerous conservative assumptions. Consumer growth in the first year is projected at 17% per month, built upon the statistic from the Y Combinator, a reputed American seed company, that startups grow on average 5% per week for the first year. A conservative 4% weekly growth rate leads to 16.9% monthly growth. The fees, priced for maximum market penetration, are a fraction of our competition's (see III B, Proposed Pricing Policy). We assume that Foodport will take a mere 20% of the grocery premium, again conservative given that Peapod, a notable competitor, operates with 32% gross delivery margins. We also estimated that our customers make 4 monthly grocery trips, less than the average of 6.4 trips monthly (Food Marketing Institute). Finally, we estimated that we will capture 3,159 customers in the first year, a mere .003% of our target market (See Appendix A)

Expenses include wages, calculated closely with the growth of the

B. PROJECTED THREE YEAR PLAN

CASH FLOW STATEMENT

	Total for Year 1	Total for Year 2	Total for Year 3
CASH FROM OPERATING ACTIVITIES			
Revenue from customers	$ 143,571	$ 1,116,085	$ 5,333,770
Expense payments	$ (526,095)	$ (656,219)	$ (1,493,664)
Cash Provided (Used) by Operating Activities	$ (382,523)	$ 459,867	$ 3,840,106
CASH FROM INVESTING ACTIVITIES			
Captal expenditure	$ (90,000)	$ (60,000)	$ (250,000)
Cash Provided (Used) in Investing Activities	$ (90,000)	$ (60,000)	$ (250,000)
CASH FROM FINANCING ACTIVITIES			
Owner investments	$ 175,000	$ -	$ -
Investor Investments	$ 350,000	$ -	$ -
Cash Provided (Used) in Financing Activities	$ 525,000	$ -	$ -
Net Increase (Decrease) in Cash	$ 52,477	$ 399,867	$ 3,590,106
CASH-BEGINNING	$ -	$ 52,477	$ 452,343
CASH-ENDING	$ 52,477	$ 452,343	$ 4,042,449

BALANCE SHEET

	Total for Year 1	Total for Year 2	Total for Year 3
ASSETS			
Cash	$ 52,477	$ 452,343	$ 4,042,449
Property and Equipment	$ 76,500	$ 106,500	$ 313,999
TOTAL ASSETS	$ 128,977	$ 558,843	$ 4,356,448
LIABILITIES AND EQUITY			
Accounts payable and accrued expenses	$ 19,514	$ 35,978	$ 79,127
Owners' Equity	$ 109,463	$ 522,865	$ 4,277,321
TOTAL LIABILITIES AND EQUITY	$ 128,977	$ 558,843	$ 4,356,448

business. Payroll costs, though originally trivial, later become the greatest expense of the company. The first quarter of year one projects no revenue and $150,000 total cost in research and development as well as $30,000 total cost for marketing. This defines our program development period; all necessary programs will be designed and produced while marketing will begin.

The income statement reveals that the business generates revenue from two main areas (membership and premiums), while costs arise from a variety of different sources. These valid assumptions along with cost estimations have produced a break-even point 1.5 years after opening, in quarter three of year two. Revenue is projected to grow 17% per month, while costs will diminish on average 5% per month.

As for financing, Foodport will require $525,000 in initial startup costs, of which $175,000 will come from the owner's friends and family. Significant interest has already been expressed from the owner's parents and grandparents after requests for financing. The remaining $350,000 will be acquired in month three from an angel investor, who will be given a 41% stake in the company. The methodology behind the company's present valuation can be found in Appendix B.

Note that our three-year valuation of the company stands at

C. CAPITAL AND REPAYMENT PLAN

	Total for Year 1	Total for Year 2	Total for Year 3	Total for Year 4	Total for Year 5	Total for Year 6	Total for Year 7
Membership	3,159	17,843	24,980	34,972	48,961	68,546	95,964
TOTAL REVENUE	143,571	$ 1,116,085	$ 4,766,992	$ 6,673,789	$ 9,343,306	$ 13,080,628	$ 18,312,879
TOTAL EXPENSES	$ 371,608	$ 702,683	$ 1,579,314	$ 2,211,039	$ 3,095,454	$ 4,333,635	$ 6,067,089
NET INCOME (Loss)	$ (228,037)	$ 413,402	$ 3,187,678	$ 4,462,750	$ 6,247,852	$ 8,746,993	$ 12,245,790

$884,754 and 350,000 is worth about 41% of this amount. While Foodport will be reporting a loss in year one of $228,037, steady growth will lead to a profit of $413,402 in year two and $2,952,849 in year three.

Given that Foodport's assets largely consist of a committed customer base and application software, liquidation as an exit strategy will not be feasible. However, large business acquisition is likely most profitable. Using a conservative Price Earnings Ratio of 5, we estimate Foodport's terminal value to be about 60 million dollars. This will give the investor an R.O.I of $24,250,000 or a 6,929% increase. This is comparable to Royal Ahold's present value 112 million dollar buyout of Peapod in 2001, just five years after its website launch.

V. BIBLIOGRAPHY

VI. APPENDIX

A. TARGET MARKET SIZE

Foodport's ™ target market is defined as follows:

All those living in the Greater Boston area who are:

1. Employed middle class Americans aged 21 to 65 with family incomes ranging from $75,000- $150,000
2. Working lower class individuals with average incomes between $25,000 - $50,000
3. Elderly aged 65 - 85

Necessary Statistics:

I. There are 4.5 million residents in the Greater Boston area (United States Census Bureau)
II. There are on average 3.14 people per family in the United States (United States Census Bureau)
III. About 30% of American households earn $75,000-$150,000
IV. About 28% of American households earn $25,000-$50,000
V. About 12% of Americans are aged between 65-85 (United States Census Bureau)

Thus given 4.5 million residents in the Greater Boston area, and an average of 3.14 people per family, we have about 1.43 million families in the Greater Boston area.
For the demographic restriction, we can simply sum the percentages: 30% + 28% + 12% = 70%
Thus our target market is about 70% of the families in the Greater Boston area, or approximately 1.00 million people.

B. STARTUP VALUATION

To fairly value our company as a startup, we used the Discount Cash Flow Method. According to "A Method For Valuing High-Risk, Long-Term Investments," by William A. Sahlman discount rates for valuing a company during the Angel Investment stage varies from 50%-60%. Using a fair 54% discount rate we were able to calculate the following:

$$Discounted\text{-}Cash\text{-}Flow = \sum_{t=1}^{n} \frac{Future\text{-}Cashflow_t}{(1+Discount\text{-}Rate)^t} = -\frac{\$472,523}{1.54} + \frac{\$399,867}{1.54^2} + \frac{\$3,950,106}{1.54^3} = \$844,754$$