

**Determining the Feasibility of a
Cold Stone Creamery Franchise
in Laramie Utilizing a Business
Plan**

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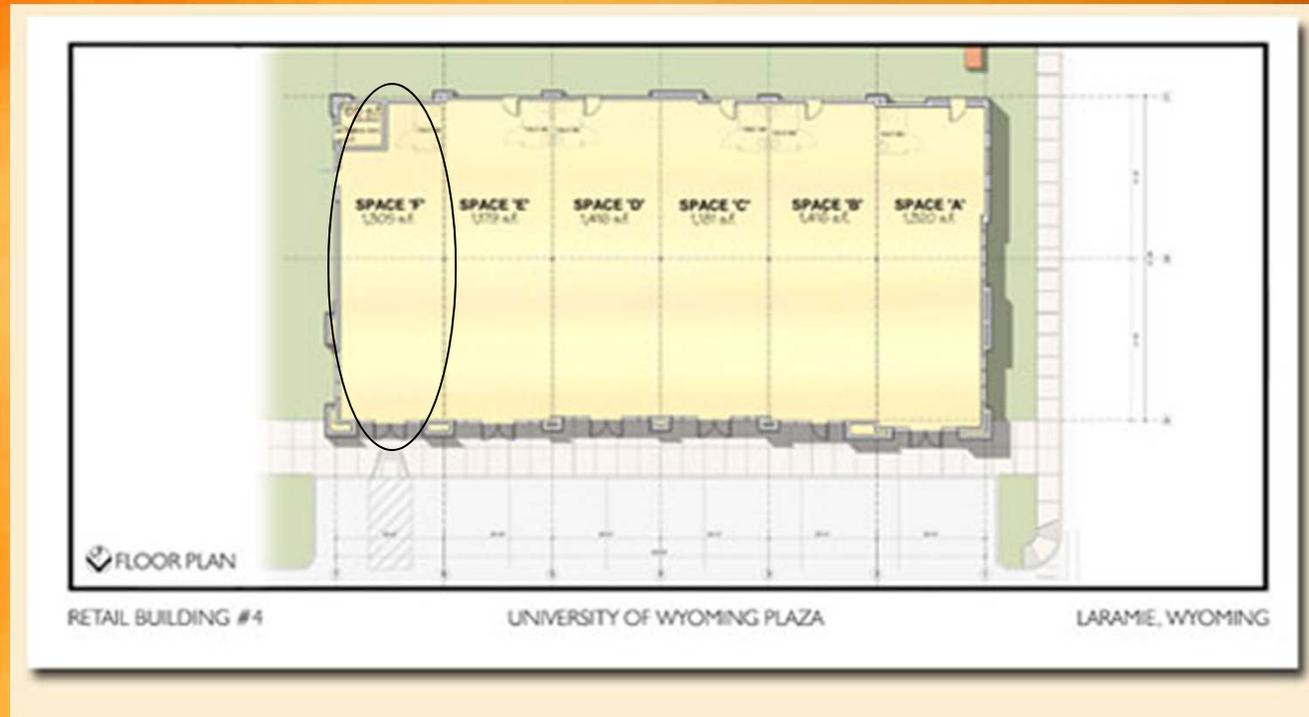
Outline

- Background Information
- Business Plan
 - Business Description
 - Market Analysis
 - Competitor Assessment
 - Marketing Plan
 - Operating Plan
 - Financial Plan
- Assumptions
- Recommendations

Demographics of Laramie

- Population of 25,688 (US Census Bureau)
- College town with out of town visitors
- 8,749 people expecting to visit annually (Albany County Tourism Board)
- Estimated median income of \$34,935 (Study done by Claritas, Inc)

Location for Business



- 2405 Grand Avenue, Building 4, Space F
- 1,057 square feet
- Cost is \$24/sq ft

Business Plan

Overview of Cold Stone Creamery

- Founded in 1988 in Tempe, Arizona
 - 1997 - One-Millionth Creation Served
 - 2002- Make-A-Wish Foundation
 - 2004- First store in Wyoming
 - 2004- Ice Cream Cakes
 - 2005- First Overseas store in Japan
- Products
 - Ice Cream Creations
 - Shakes
 - Smoothies
 - Sundaes
 - Cakes
 - Pies
 - Take Home Treats

Market Analysis of Laramie



- 95% of population over age 5
- Junior High, High School, and College Students
- Target profile
 - Females
 - 18-45

Competitor Assessment

- Cherrie's
- Sonic
- Gramma's Olde Ice Cream Parlour
- Grand Avenue Bistro
- Snowy Range Creamery

Marketing Plan

- Pricing

- Cold Stone Creamery makes recommendations
- Denver market prices range from \$3-\$50
- Look at costs in Cheyenne store
- Psychological Pricing
- Elasticity of ice cream demand $-.875$

- Distribution

- Direct sales
- Catering

- Promotion

- National name brand recognition and marketing
- National Promotions
- Radio, newspapers, and fliers
- 3% net sales
- Evaluate costs versus benefits of additional advertising

Operating Plan

- Ownership and Management
 - Application Process
 - Credit check
 - Financials
 - Business Plan
 - Real Estate Team and Development Director direct franchisee through store opening process
 - Staffing Needs
 - Training program
 - Determine if franchisee manages store or hires someone else to do it

Operating Plan Continued

Investment Requirements for Cold Stone Creamery Franchise

	Low	High	Average
Initial Franchise Fee	\$42,000	\$42,000	\$42,000
Travel & Living Expenses while Training	\$500	\$5,000	\$2,750
Real Estate	\$6,500	\$26,000	\$16,250
Architectural Fees	\$4,000	\$10,000	\$7,000
Leasehold Improvements	\$90,000	\$170,000	\$130,000
Exterior & Interior Signage	\$9,700	\$15,200	\$12,450
Equipment	\$91,300	\$111,300	\$101,300
Initial Inventory	\$8,000	\$8,000	\$8,000
Employee Uniforms	\$500	\$800	\$650
Grand Opening	\$100	\$5,000	\$2,550
Insurance Premiums	\$500	\$2,500	\$1,500
Permits & Licenses	\$2,000	\$3,000	\$2,500
Telephone & Utility Deposits & Hookups	\$250	\$1,000	\$625
Miscellaneous	\$3,800	\$3,800	\$3,800
Computer Training and Food Safety Certification Course	\$100	\$250	\$175
Additional Funds/Working Capital-3 months	\$35,000	\$35,000	\$35,000
Total	\$294,250	\$438,850	\$366,550

(Source: http://www.coldstonecreamery.com/franchises/investment_requirements.html)

Operating Plan Continued

- Loan Information

- Assume one would need to finance investment costs
- Average cost of \$366,550 used
- Equipment and personal co-signor used as collateral
- 20 year loan at 9% interest rate
- Monthly payments of \$3,297.95

Operating Plan Continued

- Resources and Production
 - Likely staffing cost is 15% of net sales
 - Optimal 20%
 - Includes payroll and payroll taxes
 - Supplies
 - National contract with Sysco Corporation
 - Mix-In Candies
 - Done by each store
 - Club pricing and possible discounts

Financial Plan

- Income Statement
 - Based on net sales of \$400,000
 - Expected profit \$65,056.65
 - Dependent on
 - Weather
 - Pricing
 - Number of Sales

Income Statement

Name of Company Cold Stone Creamery

Time Period One Year of Business

Revenue

Net Sales

\$400,000.00

Cost of Goods Sold

Cost of Goods Sold

\$80,000.00

Gross Profit (Loss)

\$320,000.00

Expenses

Advertising

\$12,000.00

Bank Charges

\$8,000.00

Insurance

\$8,000.00

Interest

\$32,710.93

Manager Income

\$34,000.00

Payroll Expenses

\$60,000.00

Principal Payment

\$6,864.42

Property Taxes and Sales Taxes

\$24,000.00

Rent/Lease

\$25,368.00

Repairs and Maintenance

\$8,000.00

Royalties

\$24,000.00

Telephone and Towel Service

\$2,000.00

Utilities

\$10,000.00

Total Expenses

\$254,943.35

Net Operating Income

\$65,056.65

Net Income (Loss)

\$65,056.65

Financial Plan Continued

Break-Even Analysis

Name of Company Cold Stone Creamery

Cost Description	Fixed Costs (\$)	Variable Expenses (%)
Inventory or Materials		20.0
Direct labor (includes payroll taxes)		15.0
Royalties		6.0
Bank Charges		2.0
Salaries (includes payroll taxes)	\$34,000.00	
Repairs & maintenance		2.0
Advertising		3.0
Rent	\$25,368.00	0.0
Telephone		0.5
Utilities		2.5
Insurance	\$8,000.00	
Taxes (county on equipment)		6.0
Interest	\$32,710.93	0.0
Principal portion of debt payment	\$6,864.42	0.0
Total Fixed Expenses	\$106,943	
Total Variable Expenses		57.0
Breakeven Sales level =	\$248,705	

Financial Plan Continued

● Sensitivity Analysis

- Adjustments to costs and sales to determine the effect on profit
- With determined prices could also calculate for changes in prices and quantities sold

	Breakeven	Expected Sales (\$400,000)	Sales of \$300,000	10% Lower Fixed Costs	10% Lower Variable Costs
1. Annual Sales	\$248,705.47	\$400,000.00	\$300,000.00	\$248,705.47	\$248,705.47
2. Variable Cost	\$228,000.00	\$228,000.00	\$171,000.00	\$228,000.00	\$205,200.00
3. Contribution Margin	\$172,000.00	\$172,000.00	\$129,000.00	\$172,000.00	\$172,000.00
4. Fixed Cost	\$106,943.35	\$106,943.35	\$106,943.35	\$96,249.02	\$106,943.35
5. Net income or profit	\$0.00	\$65,056.65	\$22,056.65	\$75,750.98	\$65,056.65
6. Net Income/sales	0%	16%	7%	30%	26%

Assumptions in Project

- Data is all estimated
 - Based on percentages of a \$400,000 net sales store
 - Pricing would have an effect on calculations as well as average numbers of transactions and average dollars per sale
- Hard to know how much would need to be financed for investment requirements and other cash flow situations
- Applicant would be approved for a loan and for the franchise

Recommendations

- Cold Stone Creamery franchise in Laramie is feasible
 - Good for someone looking at getting into the retail food industry
 - Good lead in for other franchises
 - Low franchise fees in comparison to other franchises
 - Corporate wants the franchisees to succeed

Questions?

