Cold Stone Ice Cream Food Truck Business Model Prospectus

I. Business Description

<u>I. Products and Services:</u> Cold Stone Creamery Ice Cream Truck (hereby CSCICT) is a model designed to provide premium, design-your-own creations that is mobile and available for large city events, such as sporting and public gatherings, and private functions, such as birthday parties or catered events. The menu will feature a smaller version of popular Cold Stone Creamery ice cream flavors, including mix-ins and serving vessels (i.e. waffle cone, waffle cup, etc.).

This business model will be a subsidiary of a brick-and-mortar, franchisee-owned Cold Stone Creamery located at 11565 University Blvd #3, Orlando, FL 32817, which is down the street from the University of Central Florida. This point is critical to the competitive advantage of our concept versus other food trucks because many initial costs associated with the setup and development of a food truck have already been absorbed by the brick and mortar location. For example, capital outlay for a commissary (i.e. kitchen/production space), production equipment, truck parking, etc. will not be needed in order to start the business.

Cold Stone Creamery has achieved national recognition for its quality products and its customizable menu options. The recipes used for the ice cream flavors are proprietary and therefore cannot be easily replicated by other local dessert trucks. In addition, as this business is a subsidiary of a currently operating franchisee location, our business model is anchored in Cold Stone's: 1) national reputation; 2) national marketing strategy; 3) supply-chain advantages (I.e. preferential vendors; bargaining power); 4) standard operating procedures (SOP) and local standard operating procedures (LSOP); and 5) corporate support.

<u>II. Hours of Operation:</u> CSCICT is not based upon a pre-determined and constant operating hours schedule. Instead, business will be determined by local events and by private party requests. An analysis of events in Orlando, Florida (shown later) illustrates there are event happenings on every day of the week; therefore, CSCICT will seek to operate at least five days per week. Once events are identified, a schedule will be constructed at least 3 weeks in advance, and will be distributed via social media platforms, such as Twitter, Inc., Facebook, and Instagram.

<u>III. Location:</u> The target operating radius is Orange, Seminole, and Osceola counties in Orlando, Florida, which has a population of 2,061,203, excluding tourists. Recent reports for inbound tourists show that 66 million people visited Orlando (Visitorlando.com) in 2016. It is difficult to forecast how many of these visitors purchased from food trucks; however, our marketing plan is designed to attract this demographic.



Market: The target market for this business is local college students, local families, young professionals working in nearby businesses, food truck event attendees, inbound tourists, and any other quality ice cream lovers. Revenue will be generated by attending food truck rallies, private events, and partnerships with other businesses. In addition, the brick and mortar location is located just down the street from The University of Central Florida's main campus, and many locals refer to it as the "UCF Cold Stone." We plan to capitalize on this perception by partnering with the college and attend university-related events, such as sporting events, especially during home football games. In addition, we are talking with university officials to obtain permission to park the truck on campus during class hours to serve the needs of the 35,000+ students



that attend the university. The following table is a selected representation of food truck events within our target location and market:

Daily @Winter Park Food Truck Stop 1127 N. Orlando Ave
Tuesday @First United Methodist Church of Orlando 142 East Jackson Street, Orlando, FL 11am - 2pm
Tuesday @Tasty Tuesday in the Milk District Spacebar - 2428 E. Robinston St., Orlando, FL 32803 6pm- 10pm
Wednesdays @Maitland Food Truck Pod at Lake Lily 701 Lake Lily Dr. Maitland, FL 32751 5pm - 9pm
Wednesdays @Wild Wild Wednesdays in Conway 4022 South Conway Road 6pm - 9pm
Thursday @Winter Park Food Truck Stop 1127 N. Orlando Ave 5pm - 10pm
Thursday @Food Truck Night Edgewood City Hall - 405 Larue Avenue, Edgewood, FL 32809 4pm - 8pm
Friday @Food Truck Fridays RDV Sports Complex - 8701 Maitland Summit Blvd Orlando, FL 32810 10am - 2pm
Saturday @Meals on Mills 1030 N. Mills Ave. 6pm - 10pm
Saturday @Lake Mary Farmers Market 142 W. Lakeview Ave., Suite 1080, Lake Mary, FL 32746 9am - 1:30pm
Monthly 1st Thursday Apopka Food Truck Round Up - 10 North Forest Ave, Apopka, FL 32703 - 5:30pm

- 9:00pm

1st Fridays Food Truck Bazaar - Kissimmee Civic Center - 201 E. Dakin Ave - 5pm - 8pm

1st Saturdays Food Truck Bazaar - Hood Avenue at Seminole Blvd - 5pm - 8pm

2nd Fridays Food Truck Bazaar - Casselberry City Hall on 17-92 - 5pm - 9pm

2nd Saturday Longwood Cruise Inn - Historic District of Longwood - 174 W. Church Ave - 6pm - 9pm

2nd Sundays Food Truck Bazaar - Orlando Fashion Square - 5pm - 9pm
2nd Sundays Food Truck Crazy - Orlando Oviedo Mall - 4pm - 8pm
3rd Fridays Ocoee Food Truck Friday - Bill Breeze Park - 6pm - 9pm
Last Friday of each Month Windermere Food Truck Round Up - 520 Main St 5pm - 9:30pm

The appeal of the ice cream truck is that ice cream has demonstrated itself as a transgenerational dessert choice. The beauty of the ice cream industry is customers range extensively, from everyone of all ages, gender, wealth, nationality, etc., as indicated by the results of our market research (interviews and survey). However, most consumers associate mobile ice cream with the small, music-box-sounding trucks that randomly drive around neighborhoods. Thus, the lack of availability of premium, fresh, customizable ice cream options is lacking in the current market. Furthermore, our ice cream is made fresh the day before, which gives us an advantage versus ice cream located in the freezer section of the local grocery store. Finally, our target location has a growing food truck scene, but dessert food trucks are still lacking in comparison to savory food trucks.

To reinforce our beliefs about consumer's willingness to pay for our product, we conducted market research and asked questions specifically about this topic. Our results show:

- Over 90% of respondents have been to a Cold Stone and 87.5% of those individuals would purchase ice cream/sorbet from Cold Stone again, illustrating the high quality associated with the brand.
- 77% of respondents state that quality is the #1 factor in establishing where they purchase ice cream from and 66% of respondents state that quality is the #1 factor in determining where to buy food from a food truck
- Approximately 70% of respondents state they would order ice cream from a food truck
- Approximately 78% of respondents state they would order ice cream from a Cold Stone food truck

These results indicate that Cold Stone's national brand is widely recognized and is associated with quality ice cream. This perception is one of the advantages that we possess versus our competitive set.

<u>V. Competition:</u> There are a couple of businesses that compete in the dessert food truck segment, only one of which has a brick and mortar location. Kelly's Homemade Ice Cream Truck originally began as a food truck only, serving ice cream, ice cream sandwiches, and shakes/floats. However, the company realized that a brick and mortar location would help the business, so they then opened up a store at 3114 Corrine Drive, Orlando, FL 32803. At the store, they serve the same as detailed above, plus sorbet, shaved ice, and ice cream cupcakes. They have a presence at Orlando food truck events, movie screenings, and farmer's markets; however, many people are not aware of the brand unless they have seen the truck at an event. Another

competitor is Midnight Sun Ice Cream Sandwich Truck, who focuses on pairing unique cookies and fresh-baked goods. This business only operates as a food truck, and similar to Kelly's, their brand recognition is limited to only those who have seen the truck at an event. The last main competitor is Ice Cream Social Club Truck, who focuses on a vintage-ice-cream-parlor feel in their marketing plan. This company also only operates as a food truck, and they focus more on classic menu items like banana splits and gourmet ice cream using liquid nitrogen. Although this is an ice cream food truck, we feel that they are not a direct threat because liquid nitrogen, while trendy, causes ice cream to lose some of its silky mouth feel.

VI. Menu: Our menu will consist of the following:

- Ice cream small \$5, medium \$6, large \$7
- Waffle cones/bowls \$1
- Chocolate waffle bowls \$2
- Milkshakes/smoothies small \$5, large \$7
- Additional mix-ins \$1 each
- Soda/water \$2

These items were determined by market research conducted in Orlando, Florida. First, local food truck events were attended in person and attendees were verbally asked their preferences for specific menu items. Then, interviews with current dessert truck vendors were conducted to ascertain which menu items are the most popular, on average. Once the base menu was established (i.e. ice cream, smoothies, etc.), a survey was developed and distributed to respondents, asking questions such as, "Which of the following ice cream flavors do you prefer (Select 3)?" Based on the results, specific ice cream flavors, add-ins, and various other product offerings were identified for the final menu.

Physical Layout

<u>I. Size:</u> The food truck will be twenty-four feet long and will include a window display that allows customers to view their ice cream being prepared on a marble stone, like the experience of a Cold Stone Creamery brick and mortar store. The truck will have a reach-in freezer, refrigerator, and dry storage for all the products. The following is a proposed picture of the truck:



II. Forecasting and Planning

The following charts, projections, and estimations were calculated promoting a forecasting strategy of overstating expenses, understating revenues, and under projecting attendees, based upon our market research and product costs supplied by corporate.

Equipment/Start-up Costs:		Weekly Costs	
Truck + Wrap	\$ 70,000	Commissary costs	\$ -
Ghea	\$ 8,500	Mobile food-vending permit	\$ 150
Stone	\$ 4,000	Insurance	\$ 50
Freezers	\$ 2,000	Fuel	\$ 125
Generator	\$ 1,000	Labor	\$ 900
Shipping & Installation	\$ 1,000	Repairs	\$ 100
Business license	\$ _	Inventory	\$ 1,000
Mobile food-vending permit	\$ 350	Total Weekly Costs	\$ 2,325
Website	\$ 500	Weeks in a year	52
Register/POS	\$ 500	Total Yearly Costs	\$ 120,900
Initial Inventory	\$ 1,000	1	
	\$88,850		

Explanations

- Mobile food-vending permit 3 events @ \$50/event
- Labor 2 employees working 6 days/week, 7.5 hours each/shift @ \$10/hour

Revenue Projections

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Total Estimated Yearly Sales- Food Truck	\$ 248,820
Total Estimated Private Event Sales	\$ 78,000
Total Estimated Year 1 Expenses	\$ 209,750
Franchise fees	\$ 29,414
Total Estimated Net Income (pre-tax)	\$ 87,656

YEAR 2

176,506.20
29,414
120,900
78,000
248,820

Explanation

- Estimated food truck sales 3 food truck events/week @ 250 guests/event = 39,000 customers
 - o Avg. check \$6.38 x 39,000 customers = \$248,820
- Estimated private event sales 3 events/week @ \$500 revenue/event = \$1,500
 \$1,500 x 52 weeks = \$78,000
- Estimated Year 1 Expenses Start-up costs + Yearly costs (See above)
- Estimated Year 2 Expenses Estimated Yearly costs (See above)
- Franchise fees = 9% franchise fee (6% royalty fee, 3% advertising fee)

Break-even Analysis

To arrive at the best approximation for a break-even point (BEP), we conducted interviews with local food truck vendors at one event in Downtown Orlando, including both savory and dessert trucks. Based on the interviews, we found out that the average number of attendees for this event is 400 - 600 people, with the dessert trucks serving approximately 60% of this clientele. Using this data, and promoting a forecasting strategy of overstating expenses, understating revenues, and under projecting attendees, we used 250 as the expected number of covers that we will serve per event attended. As such, our forecast of attending 3 events per week is also conservatively estimated, because our competitors, on average, attend 5 events per week. The following is a break-even analysis (not including special events):

Average ticket	\$ 6.38
Weekly customers needed to cover expenses	365

- We took the estimated weekly costs (See above) and divided by average ticket price (determined by a menu mix through our survey research)
- We anticipate serving 750 customers per week (as outlined above), so we feel confident that we will reach our 365 BEP of customers

Ask:

- Already have 1 Private investor: \$45,000
- Need \$43,850 in exchange for 10% of the company
- ROI: ~3 years (cash flow, not including equity stake)
 - Year 1 net income (before tax) x 10% ownership stake = \$8,765.62
 - Year 2 net income (before tax) (assuming perpetuity) x 10% = \$17,650.62
- Based upon Cold Stone's reputation and the stabilized performance of the brick and mortar location, we are assuming that after Year 2, our net income will remain in perpetuity. This is also in line with our conservative projection outlook, as detailed throughout this proposal.