

The Real Food Store Business Plan

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1. Executive Summary

1.1 Our Mission

To establish a community-owned retail and learning centre for locally produced sustainable food that is readily accessible to the residents of Exeter.

The Vision

Exeter city centre has stunning views of the surrounding countryside. This rich, rural landscape grazes livestock, raises poultry and grows lots of lovely fresh produce. But where can you buy local/organic fruit and vegetables, meat, eggs and dairy products any day of the week? Imagine stepping in to a vibrant store where most of the food is supplied by a network of local growers and producers. Imagine that buying your everyday basics gives you value for money and supports the local economy. You will also find many other authentic products the area is famous for –cream, jam, chutney, beer, hand-crafted bread, all complemented by a range of ethically sourced and /or Fairtrade products such as olive oil or pasta, enabling you to cook a meal from scratch. But the real draw to this place is that it is more than a store: you come because you want to spend time here as well as money. That is why an essential ingredient of the vision is an on-site bakery and a café, interlinked with the store.

The store will be well designed and attractive. Information about the food for sale, the growers, products, healthy diets, food miles, seasonal recipes and adapting to low-impact lifestyles will be creatively displayed. There will be welcoming and knowledgeable staff on hand to assist. We will promote key skills and knowledge in such areas as food preparation, healthy eating and bread making. The store will be an active player in a rapidly growing local food movement and will give shoppers a real opportunity to reduce their supermarket visits. The store also aims to be a social space where you can meet up with friends, visit the café and soak up the warm atmosphere. It will appeal to all ages and backgrounds and provide a popular, convenient and accessible venue where Exeter shoppers can buy high quality food at a fair price.

The Premises

We are leasing nos 11 and 13 Paris Street for a 5-year initial term. Paris Street offers a location with excellent footfall, with some big employers nearby, good rear parking, the main stop for all incoming and outgoing buses, Park and Rides and of course straight in front of one of the entrances to Princesshay. The Real Food Store aims to widen the market for local food in Exeter by providing a high-profile outlet in a very convenient position.

Community Ownership

The Real Food Store is an initiative of Exeter Local Food Ltd, which is a Community Benefit Society formed in 2009 by a group of local Exeter residents interested in promoting local food. The Society is regulated by the Financial Services Authority and is a social enterprise, dedicated to the aim of “Encouraging the development of the local food economy of Exeter and its surroundings so that local people have better access to locally grown and produced food and so that the local economy benefits”. The Society will issue shares to attract investment from individuals and organisations within the community to achieve this aim and this is the means by which the Real Food Store will be established.

1.2 Our Objectives

We will:

1. Develop close relationships and strong supply chains with local sustainable food growers and producers
2. Lease premises in Paris Street
3. Develop within these premises a food shop, cafe and learning space, each unit being inter-dependent
4. Sub-let part of the premises to an independent artisan baker who will supply the shop and cafe
5. Become a profitable business by Year 3 of operation
6. Source the majority of our food from within Devon
7. Source the majority of our food directly from sustainable growers and producers
8. Provide learning opportunities to all of our customers

2. Company Summary

2.1 Company Structure

Exeter Local Food Ltd is a Community Benefit Society (formerly known as an Industrial and Provident Society) which aims to encourage the development of the local food economy of Exeter and its surroundings so that local people have better access to locally grown and produced food and so that the local economy benefits. The organisation is governed by its members, each of whom has one vote. Its constitution is set out in the Rules of Exeter Local Food Ltd (see www.realfoodexeter.co.uk). Changes to the Rules can only be made by agreement of the members and must be authorised by the Financial Services Authority, which regulates Community Benefit Societies. The Society may use its property and profits solely in pursuance of its aims.

The Society is managed by a Board of Directors and the Directors of the Board are elected by the members at the Society's Annual General Meeting. Prior to the first AGM the Society is managed by the initial subscribers to the Society.

The Society will employ a team of staff to carry out its aim, specifically that of opening a local food shop and cafe in Exeter. The staff team will include a general manager who will report directly to the Board and will be responsible for day-to-day implementation of the policies and strategy set by the Board.

2.2 Membership

Membership of the Society is by purchase of shares, the minimum being 100 shares valued at £1 each, and the maximum being 20,000 shares. Regardless of the number of shares held, each member has just one vote which may be exercised at the Society's Annual General Meeting or at a Special General Meeting.

3. Services

The Real Food Store will purchase food from its network of growers and producers who will deliver their products directly to the Store. Here this food will be either retailed direct to customers or further processed for sale. The business will open 6 days a week, 8.30am – 6.00pm Monday – Saturday. There will be four key components to the Real Food Store, as follows:

Shop – retail outlet; sells the bakery's bread and cakes; waste products may be suitable for processing in the kitchen

Bakery – produces daily bread for the shop and cafe

Cafe – catering outlet; uses bread and sells cakes;

Learning space – for courses, school visits, meetings, events

1. Shop

Paris Street provides approx. 800 ft² retail area, including tills and serving areas. The principal units within the shop will be:

- a) Fruit and vegetables, some with chilled display
- b) Delicatessen (self-serve cheese, cooked meats, salads, pasties and pies)
- c) Bakery goods (bread, buns, biscuits, cakes)
- d) Meat cabinet (self-serve)
- e) Staple dry goods, preserves
- f) Drinks – juices, beer, wine
- g) Dairy – milk, yogurt, cheese
- h) Household basics (toiletries, cleaning, pet food)

2. Bakery

This will be a production area of around 300 ft² with a multi-deck bakery oven. It will be leased to an established artisan baker at a commercial rate and will produce a wide range of authentic bread products, cakes and bakes on a daily basis. These will be sold through the shop and the cafe.

3. Cafe

The cafe will operate from a simple drinks counter on the ground floor and the existing basic kitchen on the first floor. The seating area occupies approx. 800 ft² on the first floor, with approx. 50 covers. The first floor will double up as learning space in the evenings (see below). The cafe will source its products primarily from the bakery, offering a range of savoury and sweet baked goods to accompany hot and cold drinks. Whilst the cafe will initially open at the same times as the shop it is likely that it will eventually profit from evening opening, especially as events and functions begin to occur in the learning space.

4. Learning space

This area will occupy the first floor cafe seating area and will be a flexible use, depending on the activity being carried out. It will generally be used in the evening as a meeting space and venue for courses and events. It will be closely linked to the shop and cafe in that it will focus on learning about sustainable food and lifestyles. Commercial income from this space will be negligible but it will add value and diversity to the whole enterprise and thereby make the commercial elements more profitable.

4. Market Summary

4.1 Our target market

The food and grocery sector in the UK was expected to grow by 3.1% in 2009, against an overall decline of 0.6% in the retail market as a whole (Verdict, 2009). This is because, as an analyst at Verdict states:

"Inflation driving higher prices, the fact food is an essential purchase and more consumers eating at home, have all boded well for the market. Moreover, food is the one area in which shoppers are likely to continue permitting themselves the occasional, more expensive 'treat'."

Local food is also seen to be a strong market. Research by the Institute of Grocery Distribution (IGD) in February 2009 found sales of local, British and high-welfare food has continued to grow. The number of people buying locally-produced food has almost doubled in the past three years from 15-27%, the survey of 1051 shoppers found. Meanwhile almost a quarter of shoppers said country of origin was important, compared with just 16% in 2006, while one-fifth (20%) of those questioned said they were concerned about food miles.

Mintel research also shows that local produce is defying the slump as shoppers back their local economies. The market for locally sourced produce is worth three times that of organic, at £4.8 billion.

IGD found that knowing about the standards of animal welfare has increased to one-fifth (20%) from 10% in 2006. Almost half (46%) of respondents also mentioned animal living conditions when asked about concerns they have relating to food production, compared with 30% in 2006.

The organic food market, on the other hand, is perceived to be shrinking in the downturn. 21% home in on organic produce when out buying food, compared to 33% who look for locally sourced goods and 26% who seek out products that are fair trade. 48% of shoppers that have previously purchased organic food state that they are no longer planning to do so. This swing is seen as representing a move by "more casual" organic shoppers to other ethical choices, such as local and fair-trade (IGD 2009).

Our conclusion from this evidence is that our plan to meet the needs of shoppers seeking local and sustainable food has a firm foundation. If, even in an economic downturn, 1 in 5 shoppers still seek organic food, and 1 in 4 seek local food, then there is a high level of demand to be met.

What do our customers want?

Our customers are mainly residents of Exeter who currently have difficulty in buying locally sourced, sustainably produced food. In addition, a significant proportion of customers who live outside Exeter but work in the city, will be attracted to the Real Food Store for the same reason.

The majority of our customers may best be described as "pale greens" in that they are already quite well-informed about the issues surrounding food and want to purchase from a trusted source. They find supermarkets alienating and want a different, closer relationship with the supplier of their food.

They are keen to shop locally and see their money re-circulating in the local economy as a result. They recognise that small-scale local and sustainable food growers and producers cannot normally be expected to match the supermarkets on price, although they do expect to get better value for money from a local source. As a result they are prepared to pay a reasonable premium for their food.

Most of our customers will not shop solely at the Real Food Store for their food, because they are also supporters of farmers markets and other existing local trusted suppliers. They may also use supermarkets for a part of their shopping needs because of convenience or cost, but will tend to be quite discriminating in this, for example avoiding supermarket meat, fruit and vegetables.

Our customers come from all age ranges including students and young couples, young families, older families and older couples and retired people. They are united more by their ethical principles than by any other demographic.

4.2 Reaching our market

Easy access

The first priority in reaching our market is to make it easy for people to use our services. Therefore the Real Food Store is located on a main transport route (for bus and car) and close to the city centre for the benefit of pedestrians and cyclists. There is a large car park to the rear of the premises.

A Reputation for Quality

The second priority is to ensure that the Real Food Store becomes well-known as a trusted supplier of local, sustainable food. This will be achieved partly through the Marketing Strategy (see section 5 below) and partly through a commitment to quality in the operation. This quality commitment is important because our customers have high standards and have chosen to shop with us on the understanding that we are different from the mainstream offer. Building a reputation for quality and thus developing a loyal customer base is a gradual and on-going process through the entire operation. Quality includes: understanding the provenance of the food; looking after it carefully; displaying it imaginatively; making sure staff are knowledgeable and enthusiastic; and providing a welcoming and well-maintained environment.

More than just a shop

A third priority in reaching our market is to ensure that the Real Food Store is more than just a shop and cafe. The inclusion of a learning and events space in the business model is important because it delivers educational outcomes, but there is an added benefit in that this activity raises awareness of the shop and cafe and brings customers (new and returning) to the door. Once customers are on site, average spend can be increased by extending their period of stay, creating an atmosphere of bustle and interest and linking specific learning opportunities to retail opportunities.

4.3 Competitor Analysis

Our target market is of course currently purchasing food from other sources, which include supermarkets, corner shops, farm shops, farmers markets, box schemes, at the farm gate and on the internet. The table below sets out the specific strengths and weaknesses of these sources and sets them against the Real Food Store.

Source	Strengths	Weaknesses
Supermarket	Cheap (for some products) Huge range of food available all year round Convenient, one-stop shop	Hidden costs Variable quality Dubious provenance Alienating environment
Corner shop (eg Spar)	Convenient Friendly service Can have some local products	Limited range Expensive Variable quality Dubious provenance
Independent shop (eg deli)	Convenient Good quality Friendly service Can have some local products	Limited range Expensive Not necessarily sustainably produced
Farm shop / farm gate	Local produce Friendly well-informed service	Not necessarily sustainably produced Relatively inaccessible
Farmers market	Local produce Friendly well-informed service A social event	Intermittent Not necessarily sustainably produced
Box scheme	Local, sustainably produced food Friendly well-informed service Convenient	Limited range
Internet	Local, sustainably produced food Convenient	Solitary activity
The Real Food Store	Convenient Local, sustainably produced food Clear provenance High quality, good value for money One-stop shop as far as possible Friendly well-informed service A social event A learning experience	Limited range compared to supermarkets Higher prices for many products

Devon as a whole is well served by independent stores, with 3.4% of the country's supply. However Exeter, despite being Devon's third-largest conurbation, is poorly served by independent stores. Previously two local food stores (Foodeaze and Effings) have attempted to open close to the City Centre but both closed after a relatively short period. Our assessment of their failure is that their location in each case was a fundamental weakness, with poor access the main issue. Other factors included a failure to establish a clear local food narrative (Effings) and an over-ambitious business model with very high staff overheads (Foodeaze).

5. Strategy Implementation

5.1 Marketing Strategy

The Real Food Store's Marketing Strategy will focus on the following key areas:

a. Brand

The Real Food Store will have a strong and unique identity, supported by a logo and strap-line that will appear on signs, publications, packaging, staff uniforms and advertising. The brand will communicate the ethical purpose of the business and appeal to our target market.

b. Social Networks

Our target market, as described above, is already quite well-informed on food and other environmental issues. Many of our future customers are already linked into social, information and professional networks and can be communicated with very efficiently by this means.

c. Suppliers networks

Our network of suppliers has its own existing network of customers and in some cases it may suit a supplier to promote the Real Food Store to this network. For example the Real Food Store could be a useful pick-up point for a veg-box scheme; or a producer attending a farmers market can tell customers that their products are available at other times from the Real Food Store.

d. Events and courses

The Real Food Store will be more than just a shop and a cafe. A social enterprise with educational aims hosting a programme of courses and events, it will be a destination in its own right. The Real Food Store will communicate information about these activities directly through advertising and indirectly through the newsletters, websites and diary pages of many other partner organisations and other media outlets at very low cost. This will attract footfall to the core commercial outlets of the Real Food Store and raise general awareness of its existence.

e. Public Relations

Because of its unusual nature, and because of the events and activities undertaken there, the Real Food Store will be quite newsworthy and we will actively seek regular media coverage through press releases and direct contact with journalists.

f. Internet

The Real Food Store will have its own website which will tell the story behind the business and provide information on all aspects. This site will be linked with many other allied websites of partner organisations and businesses.

g. Publications

There will be a need for some printed materials to promote the Real Food Store, in the form of simple A5 fliers for distribution around the city, and A4 posters. This will tend to be quite low-key.

h. Advertising

In general the level of marketing activity generated by the actions above will mean that conventional paid-for advertising will rarely be required. A small budget will be allowed for exceptional circumstances.

5.2 Sales Forecast

The headline figures and key performance indicators are as follows:

Shop - 800ft²	Y1	Y2	Y3
Transaction numbers per day	175	200	225
Transaction numbers per year	54,600	62,400	70,200
Average spend	£8.00	£8.50	£9.00
Sales	436,755	533,550	638,185
Cost of Sales	327,566	394,827	465,875
Gross Profit	109,189	138,723	172,310
GP%	25.0%	26.0%	27.0%
£/ft ²	546	667	798
Other income	1,200	2,400	3,000
TOTAL ALL INCOME	110,389	141,123	175,310
Salaries	76,322	77,848	87,071
Other controllable costs	24,894	24,860	26,464
Direct Costs	32,259	38,343	44,532
TOTAL ALL COSTS	133,475	141,052	158,067
Net Profit	-23,086	71	17,243

Cafe - 1300ft²	Y1	Y2	Y3
Transaction numbers per day	150	175	200
Transaction numbers per year	46,600	54,400	62,300
Average spend	£2.25	£2.50	£2.75
Sales	104,850	136,000	171,325
Cost of Sales	42,989	53,040	63,390
Gross Profit	61,862	82,960	107,935
GP%	59.0%	61.0%	63.0%
Bakery rent	9,996	9,996	9,996
TOTAL ALL INCOME	71,858	92,956	117,931
Salaries	38,194	43,405	51,077
Other controllable costs	6,007	5,652	5,952
Direct Costs	26,259	32,343	40,321
TOTAL ALL COSTS	70,460	81,400	97,350
Net Profit	1,398	11,556	20,581

Shop and Cafe combined	Y1	Y2	Y3
Transaction numbers	101,200	116,800	132,500
Sales	541,605	669,550	809,510
Cost of Sales	370,555	447,867	529,265
Gross Profit	171,050	221,683	280,245
GP%	31.6%	33.1%	34.6%
Rents	11,196	12,396	12,996
TOTAL ALL INCOME	182,246	234,079	293,241
Salaries	114,515	121,253	138,148
Other controllable costs	30,901	30,512	32,416
Direct Costs	58,518	70,687	84,853
TOTAL ALL COSTS	203,935	222,452	255,418
Net profit / loss before depreciation	-21,688	11,627	37,823
Depreciation	10,020	10,020	10,020
Net Profit	-31,708	1,607	27,803

These targets are based upon conservative estimates and benchmarked against other local food retail operations in Devon. Farm shops are known to earn on average approximately £400/ ft² of retail space; Occombe Farm Shop in Paignton achieves around £550/ ft² and Darts Farm in Topsham around £800/ ft². A city centre location can expect to readily match the highest of these quantities. Nationally farm shop average spend is around £13.00/customer but a lower level has been targeted here because an urban location may drive this figure down, with more customers visiting frequently or even on a daily basis because the shop is readily accessible. Despite this factor, customer numbers have been held at a relatively low level because of the greater competition expected in that same urban setting. Cafe operators expect to achieve a minimum of 65% GP, whilst a food retailer aims for 30-40% GP. We have been conservative in setting targets for both the shop and cafe GP and will aim for 37% across both departments. This is our target for Year 3 of the operation, as we become more efficient and work our way up the learning curve.

5.3 Milestones

The financial targets set out above are critical drivers for the business and they will be monitored very closely, with monthly stock-takes and management accounts giving a detailed picture of the development of the business.

Two other targets are as important. These are as follows:

- i) At least 50% of all food sold by value will have been either grown or produced within Devon.
- ii) At least 50% of all food sold by value will originate from a sustainable source (organic, fair-trade, or equivalent)

These targets will be monitored on a monthly basis.

Finally, the success of the Real Food Store as a learning centre will be monitored, with a detailed learning programme developed with partner businesses and organisations.

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6. Management Summary

As outlined in Section 2 above, the Real Food Store will be Community Benefit Society. Profits will be used partly to re-invest in the business and its development, so that it can better achieve its social aims, and partly returned as interest to members.

The members of the society will appoint a Board of Directors (the Management Board) at the Annual General Meeting, and this Board will provide strategic management of the business. The Management Board will meet monthly.

The staff team will comprise:

The **General Manager**, whose role is to oversee and take responsibility for all aspects of the business including: financial management and reporting; quality control and training; appointment of staff; the supply chain; compliance with legal and other obligations. The General Manager will also be very visible in the shop and cafe, working directly with customers and will be the public face of the business.

The **Assistant Manager**, who deputises for the General Manager in their absence and works otherwise in the shop and cafe, wherever needed. This person may have specific responsibility for the learning space and the activities taking place there.

The **Administration Assistant** works part-time (0.5) in the office, liaising on a day-to-day basis with suppliers, ensuring that invoicing and payments are correctly made and the accounts maintained.

The **general staff** are employed on an hourly basis and cover the other key functions including serving, stocking and cleaning.