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## **Business plan**

The Business plan of La Patatina

Thesis

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## **Thesis abstract**

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The Business plan of La Patatina thesis is a research where author makes enquiries about the bakery industry in United States.

This business plan aims at clearly understanding needed factors to operate a small-scale bakery in Sacramento, California.

The layout includes details; market research in specialize sweet industry, required registration steps of a business in Sacramento. Important information of competitors, products, useful marketing and sales strategy are also included to achieve the success of a bakery.

The business plan involves helps from realistic data which are collected by questionnaires, interviews and reliable internet sources.

Thus, La Patatina is a successfully detail business plan that could be seen as a great guidance for entrepreneurs who wish to operate a bakery in Sacramento, California.

Keywords: bakery, products, Sacramento, customers, marketing, sales, strategy, behaviour, operation.

## TABLE OF CONTENTS

Thesis abstract.....	2
TABLE OF CONTENTS .....	3
Terms and Abbreviations.....	5
Tables, Figures and Pictures.....	6
Special Symbols.....	8
<b>1 INTRODUCTION TO BUSINESS.....</b>	<b>9</b>
1.1 OBJECTIVES.....	9
1.1.1 THE QUALITY .....	9
1.1.2 THE POPULARITY.....	10
1.1.3 THE REPUTATION.....	10
1.2 MISSION AND VISION .....	10
1.2.1 MISSION.....	10
1.2.2 VISION.....	11
1.3 KEY TO SUCCESS.....	11
1.4 LA PATATINA BAKERY.....	13
1.4.1 THE BAKERY IN BRIEF .....	13
1.4.2 THE BAKERY ESTABLISHMENT .....	13
1.4.3 LA PATATINA FOUNDATION .....	15
<b>2 PRODUCTS AND SERVICES .....</b>	<b>17</b>
2.1 PRODUCTS.....	17
2.1.1 THE TINY TREATS .....	17
2.1.2 THE LUXURY DELIGHTS .....	18
2.1.3 THE PARTY CAKES.....	19
2.1.4 TEA.....	19
2.2 SERVICES.....	23
<b>3 MARKET ANALYSIS.....</b>	<b>24</b>
3.1 MARKET SEGMENTATION .....	24
3.2 SERVICE BUSINESS ANALYSIS.....	31
3.2.1 COMPETITOR AND BUYING PATTERNS.....	31

4	LA PATATINA'S STRATEGY .....	34
4.1	MARKETING STRATEGY .....	34
4.2	SALES STRATEGY .....	36
5	SWOT ANALYSIS.....	40
6	MANAGEMENT SUMMARY .....	43
6.1	GENERAL ORGANIZATION.....	43
6.2	PERSONNEL PLAN.....	44
7	FINANCIAL PLAN .....	46
7.1	3-YEARS CASH FLOW FORECAST .....	46
7.2	SALES PREDICTION .....	53
7.3	COST OF GOODS SOLD .....	59
7.4	ESTIMATE PROFITABILITY INDEX.....	61
8	RESEARCH METHODOLOGY .....	64
8.1	RESEARCH APPROACH .....	64
8.2	IMPLEMENTATION OF RESEARCH METHODOLOGY .....	64
9	RESULTS OF THE RESEARCH METHOD .....	65
9.1	POTENTIAL CONSUMERS .....	65
9.2	CUSTOMER BUYING BEHAVIOR .....	66
9.3	DESSERT PRICE.....	68
	BIBLIOGRAPHY.....	69
	APPENDICES .....	72

## Terms and Abbreviations

<b>CA</b>	California.
<b>WDR</b>	Waste Discharge Requirements.
<b>EIN</b>	Employer Identification Number.
<b>U.S</b>	United States.
<b>COGS</b>	Cost of Goods Sold.
<b>R&amp;D</b>	Research and Development.
<b>IBIS</b>	Industry Research Reports

## Tables, Figures and Pictures

Figure 1. Sacramento's favorite drinks with desserts .....	22
Figure 2. Potential customers by characteristic.....	26
Figure 3. Income level of sweet-lovers' patro.....	27
Figure 4. Consumers' buying habits.....	28
Figure 5. Consumers' buying behaviors.....	29
Figure 6. Consumers' evaluation of a bakery.....	30
Figure 7. The sales strategy development process (Zoltners 2009, 53) .....	37
Figure 8. Examples of market segmentation criteria (Zoltners 2009, 54).....	37
Figure 9. The summary of La Patatina's SWOT analysis.....	42
Figure 10. La Patatina's organization structure.....	43
Figure 11. Potential consumers by characteristic.....	65
Figure 12. Patrons' buying habits.....	66
Figure 13. Patrons' buying behaviors.....	67
Figure 14. Average price of sweets from customer's evaluation.....	68
Table 1. Personnel plan of La Patatina for three years .....	45
Table 2. Cash flow forecast of La Patatina for the first year.....	47
Table 3. Cash flow forecast of La Patatina for the second year .....	50
Table 4. Cash flow forecast of La Patatina the third year.....	52
Table 5. Sales forecast of La Patatina in the first year .....	54

Table 6. Sales forecast of La Patatina in the second year .....	56
Table 7. Sales forecast of La Patatina in the third year.....	58
Table 8. Cost of an 8-inches cake.....	60
Table 9. Cost of a baking workshop at La Patatina.....	61
Table 10. Estimate Profitability Index.....	62

## Special Symbols

\$ United States currency



# **1 INTRODUCTION TO BUSINESS**

La Patatina is a small business- bakery shop located in Sacramento, capital of the U.S State of California. The theme of the cake shop is Classic European since its owner's baking story has started in Europe; It will offer to customers a broad variety of cakes, tarts, pastry products and further goods. Obviously, pastry goes along with beverages, La Patatina cannot be completed without beverages and its choice cannot be less simple and healthy, Tea.

The idea of La Patatina was created by the awareness of its owner about how American people loves treats and how passion herself in baking and serving cakes to her sweet tooth fans. By serving the best piece of cakes, along with a nice and flowery cup of tea, La Patatina expects to bring the most happiness and enjoyment moment to the customers.

This small business does not stop at serving customers indoor and take-away, for future goal, it will also provide sweet products to dinning and restaurant since the owner's aspiration is expanding the best delights to treats' lovers.

As the confectionery shop has a prominent European image in comparison to the general modern bake shop in Sacramento, La Patatina aims at achieving a firmly foothold in pastry market.

## **1.1 OBJECTIVES**

### **1.1.1 THE QUALITY**

La Patatina believes that quality is the fundamental to be succeeded in any business, so it is also our bakery's first objective. We aim at bringing the tastiest dessert of all time to our guests with a reasonable price. Besides, good services cannot be distracted because it is also the factor that determines the professional peerage of our coffee shop.

### **1.1.2 THE POPULARITY**

Unless important, the second objective that La Patatina would like to mention is the popularity across the city. In order to be profitable, we firstly must be well-known across the city by the decent taste and valuable services that our dessert shop provides. Social media, restaurant cooperation, promotions are some of the tools that will help expanding La Patatina's famousness.

### **1.1.3 THE REPUTATION**

In parallel with the popularity is the reputation of our sweet shop. "The yummiest treats, the highest services" is the vital reputation that we would like to achieve; moreover, La Patatina will not only reach but also keep the countless reputation by time.

In general, the three chosen objectives seem to be different but related. We strongly believe that these three objectives will support each other to gain the most ultimate success of the bakery.

## **1.2 MISSION AND VISION**

### **1.2.1 MISSION**

Knowing how much American citizen loves treats, La Patatina promises to deliver the most valuable products and services to clients. After bringing "Love at first sight" taste to our sweet fans, we again guarantee to keep the unforgettable lasting quality of our services and products.

### 1.2.2 VISION

Obviously, the first and foremost vision that we want to achieve is to be well-known in the food and beverage industry. La Patatina is also happily to become the final relaxing destination where local citizens put their trust in its products and services.

Furthermore, we want to establish and consolidate our bakery's core values, La Patatina's core values define the way we treat our customer, how we cooperate with our team, so It is generally the factor of our future success:

1. Honesty - Always being responsible for every single piece of our tasty products and services.
2. Excellence - Always strive to be innovative, productive with pleased.
3. Safety - Always take in account for our safety and those around us.
4. Profitability - Always clearly understand the importance of profitability in developing a business.
5. Dignity - Always respect the inherent effort of the team members, the workers.
6. Equality - Always give equal opportunity to co-workers to develop regardless of gender, religion, nationality and other factors.

### 1.3 KEY TO SUCCESS

Obviously, there are trillion issues leading to the accomplishment of a bakery shop. However, La Patatina has analyzed and concluded the primary key to success of our patisserie shop and it is "LEME", which stands for "Location, Employees, Marketing, Expenses".

1. Location
  - The prime location is basically a gorgeous lady which catches attention of publics. La Patatina believes that a place surrounding by customers and shoppers will give us higher chance to be noticed and visited.
  - Understanding our competitors are also is a benefit in increasing sales and bakery's reputation.

## 2. Employees

- La Patatina trusts in the fact that teamwork creates triumph, so our employees are similarly the element of achievement. We must ensure hiring quality personnel; then, they must get the passion and spirit in serving treats to warrant the developing of the bake shop. “Including workforces in discussion, motivating and supporting them” are the criteria giving La Patatina loyal and responsible staffs; Our bakery store will follow this lead to treat employees and to achieve the successful target.

## 3. Marketing

- Differentiate La Patatina from local bakery is a requirement in firstly catching customer’s sight. La Patatina is basically a vintage European classic bakery shop which is a plus because there is barely any old-fashioned coffee shop in Sacramento.
- Furthermore, we are going to strive to great quality and unique taste products which keeps loyalty of clients.
- Moreover, healthy is a concern of people recently, using healthy ingredients and showing the nutrition facts are keys in grabbing more consumers.
- Keep interacting with customers via social media is a great way to introduce and remind our sweet fans about this typical dessert shop.

## 4. Expenses

- We clearly apprehend that profitability is the approach to develop La Patatina; in this case, minimizing expenses, maximizing profit and gain success are our method to improve our bakery itself. Even though minimizing expenses is necessary, top quality products and services are always our mission to be completed.

## **1.4 LA PATATINA BAKERY**

### **1.4.1 THE BAKERY IN BRIEF**

As mentioned, La Patatina is going to be a sweet destination serving all the best treats, desserts and tea to its beloved customers. Products from La Patatina are 100% homemade by our bakers and it is various; from cupcakes to pastry. Beside of the products from our own menu, La Patatina is ready to take order from customer; such as customize baked goods, birthday and wedding cakes.

There are two main criteria that our bakery shop would like to use to catch customer's sight and loyalty; serving customers the best taste in the best view. La Patatina means to be a little sweet shop imitating antique Europe class which is extremely impressive and outstanding in pastry market in United States in general and Sacramento in specific. Furthermore, tasty products will deeply emphasize our values.

To achieve those two criteria above, our bakery shop firstly need a prime location to capture client's vision. We decide to locate La Patatina in mall area where customers are coming and going frequently since it is an advantage for a new bakery shop. In details, La Patatina is planned to be manipulated at "6300 Garfield avenue, Sacramento, California 95841" with a rate of \$1800 per month. This location is great for opening a new bake shop because it is surrounded by Theaters, Starbucks, GameStop, Quiznos and so on. Moreover, this area includes schools and businesses such as American River College, Mercy San Juan Medical Center, SD Deacon Corp, and many more. We strongly believe that great location with high traffic is a good foundation for any business in general and La Patatina in particular.

### **1.4.2 THE BAKERY ESTABLISHMENT**

According to NOLO, the network provides legal information about setting up business, operating it and more, there are four basic steps launching a sole proprietorship in California (CA) (Smith, [Ref. 10.11.2017]):

1. Choose a business name.
  - La Patatina has been chosen our fictitious bakery brand name which means The Sweet Little Honey Baby bringing the cozy and sweet atmosphere and that is also La Patatina's attitude to its dear customers.
2. Fill a Fictitious Business Name Statement.
  - We are going to apply and fill in these documents to register for La Patatina bakery shop in order to keep the business's name private and unique.
3. Obtain licenses, permits, and zoning clearance.
  - As specified by Governor's Office of Business and Economic Development, there are several permits and licenses that we need to complete to legally open La Patatina. Also, business license fee will be \$146 to \$166 depending on activities conducted. The acquired permits and licenses are presented below:
    - Business License- Business Tax Certificate
    - Fire Prevention Information/Inspection
    - Land Use Permit/Zoning Clearance
    - Police Regulations/Public Safety Issues
    - Business Property Statement
    - Environmental Health Permits- Food Program
    - Fictitious Business Name- Doing Business as Statement
    - Health Permit- Food Sales
    - Health Permit- Food Service
    - Weights and Measures
    - Authority to Construct/Permit to Operate
    - Alcoholic Beverage License
    - Alcoholic Beverage Tax
    - Corporation, Company or Partnership Filings
    - Discrimination Law
    - Industrial Activities Storm Water General Permit

- Occupational Safety and Health Information
- Registration Form for Employers
- Sales and Use Permit (Seller's Permit)
- Wage/Hour Laws
- Waste Discharge Requirements (WDR's)
- Workers' Compensation Information
- Employer Identification Number (EIN)
- Proof of Residency Requirement

4. Acquire an Employer Identification Number.

- Followed by the needed documents above, we will certainly obtain an Employer Identification Number for La Patatina.

### **1.4.3 LA PATATINA FOUNDATION**

This small bakery shop is a dream of a third-year student, she is going to set up and operate La Patatina herself. In the other way, La Patatina is a sole trader business as said above. As an owner, herself, she has fully authorities in running and making decisions for La Patatina. On the other hand, there are such disadvantages that she need to take risks which is the unlimited liability if things go wrong. To be clear, the owner of La Patatina certainly must pay debts by her private assets in the worst case. Even though there are drawbacks of sole trader, it also has many advantages; simple to set up and operate, complete control in using assets and making business decisions, less formal business required, few reporting documents and more.

With an upcoming International Business degree, the founder of La Patatina- Dang Mai Ngoc Tram, she has earned good knowledge in this field which is the foundation of the development of La Patatina. During the school years, there are several strong points has been figured out by herself; Marketing, E-commerce, Public Relation and many more. Furthermore, working experiences at some restaurants in Finland and internships at Flamingo Oasis 4 stars Hotel in Spain are useful that giving her extra skills; good languages, teamwork, creativity, productivity, services, and willing-to-learn skills to smoothly operate La Patatina. Specially, Dang Mai Ngoc Tram is a

baker herself with few years of experiences, she plans to earn a professional baker certificate after graduating so she can begin her career with La Patatina bakery shop.

Since our bake shop is a sole proprietorship form of business, the internal management team is temporarily hold by Dang Mai Ngoc Tram herself. All the judgements about Marketing and Sales, Production and Administration, Human resources, Research and Development belongs to La Patatina's owner. In case of developing, we will consider in hiring specialize professional in different fields.



## 2 PRODUCTS AND SERVICES

### 2.1 PRODUCTS

At our sweet shop, there are huge range of available treats serving all customer's needs and satisfaction. All the goods are freshly baked from early morning and during the day to serve the smoothest and tastiest cake to our sweets-lovers. Every day, hundreds of treats are created to meet customer's desires. We separate our products into few categorizes; the tiny treats, the luxury delights and the party cakes, they are all served belong with traditional beverage of all kind, Tea.

#### 2.1.1 THE TINY TREATS

The first products that we would like to introduce are small size cakes serving to dine-in and carry-out clients. By the meaning of La Patatina, we love small size things, so our first treats are chosen to be little. Furthermore, we intend to delivery just enough sweet for customers, small size cakes will avoid customers being bored of sweet. It will have the general cupcake dimension which is 2x1 inch (5x2 centimeter).

The kind of this tiny desserts are countless, and it is separated into salted and sweet types;

1. Salted taste
  - Pate Chaud
  - Cheesy Vietnamese buns
  - Salted egg York Vietnamese cake
  
2. Sweet taste
  - Soufflés
  - Brownies
  - Lava cake

- Pound cake
- Cream puffs
- Sweet buns with raisins
- Italian inspired Tiramisu
- Cookies in various tastes
- Small size chocolate mousse
- Carrot cake dipped in decent chocolate
- Cupcakes with different flavors and decorations
- Tarts in general with fruit, cream, chocolate and more
- Chocolate specialize desserts; lava cake, brownie and so on
- Homemade puff pastries into Croissants, Finnish inspired Jam Pinwheel pastries, Egg tarts, and many more

### **2.1.2 THE LUXURY DELIGHTS**

The second products are called Luxury delights; it will have a dimension of 8-9 inches (20-23 centimeters) and the round shape. The traditional classy feeling is brought by its size and shape; it is served by pieces and whole cake as desired. Same as the Tiny Treats, Luxury delights are available for both dine-in and take away.

1. Apple pie
2. Giant Italian Tiramisu
3. Customize cheesecake
4. Mousse cake in general
5. German inspired Black Forest
6. American inspired Red Velvet
7. Chocolate tart with whipped cream
8. Finnish inspired Christmas Berry pie
9. Special Japanese cotton cheesecake
10. Mille-crepe with chocolate or vanilla
11. Roll cake with fruit, flavors and more

### 2.1.3 THE PARTY CAKES

Lastly, the Party cakes are the self-actualization of La Patatina's professional due to some reasons; the party cakes are ordered, and it will be designed and customized by our baker's creativity and client's desire. Our third products will always keep its values; Fresh-Unique-Delicious;

1. Freshest because it will be made after order
2. The most delicious because we always focus on quality
3. The most unique because it will be decorated by our creativity and customer's wish

Unlike the other categories, the Party Cakes are only available by order.

Finally, to keep the loyal of customers, we need to update our products frequently; by trend and taste. Therefore, La Patatina promise to unstopable developing our shop in quality and quantity. Our menu will be changed, updated and improved by customer's review, La Patatina's skills and food trend.

### 2.1.4 TEA

We acknowledge that the happiness will not be completed if treats are not served with beverages. Therefore, La Patatina, the classic bakery shop, has chosen the most traditional beverage for its desserts, Tea.

Tea, just like wine, the most comprehensive type of beverages that requires human spending their all life to learn. In accordance with Matching food and wine blog (Beckett 2008, [Ref. 05.11.2017]), there are few main styles of tea; white tea, green tea, oolong tea, black tea and Pu-erh. Even though tea is generally produced from the *camellia sinensis* plant, they all have distinct contrasting flavors and purposes. Below are some differences:

- White tea, the lightest tea with elegant yellow color, is made from young leaves of *camellia sinensis* plant. Being harvested in small amount, white tea is quite expensive but worth it because of its light and less grassy taste.

Less caffeine and higher in antioxidants, white tea is recommended for mid-morning or evening.

- On the higher level of oxidation of white tea, green tea keeps the healthy benefit but more affordable. With complicated heating and drying method, green tea turns out wonderful with delicate and subtle taste which suits on almost every situation; from drinking on its own to combining with food or desserts.
- Sharing the benefits and flavors between green tea and black tea, oolong tea neutralizes everything. Partly oxidized, oolong tea gives tea-lovers its distinctive aroma with rich aftertaste.
- Being fermented and oxidized 100%, black tea has its unforgettable strong flavor which suits tea's experts. Additionally, black tea is one of the most common tea of all kind.
- Sharing the strong savor with black tea, Pu-erh is highly prized due to its extra welfares. Pu-erh requires second oxidation which has the benefits of digestion and slimming aids. However, Pu-erh is only suggested for connoisseur's tea since it is very pungent tea.

Beside of these basic tea types specially chosen for La Patatina's beverages menu, additional tea flavors are essential in supporting desserts' taste pop. There are numerous tasty flavors of teas; flowery like Jasmine tea, rich green smell like Japanese green tea, sour aroma of fruity tea, or basic sweet honey tea and more.

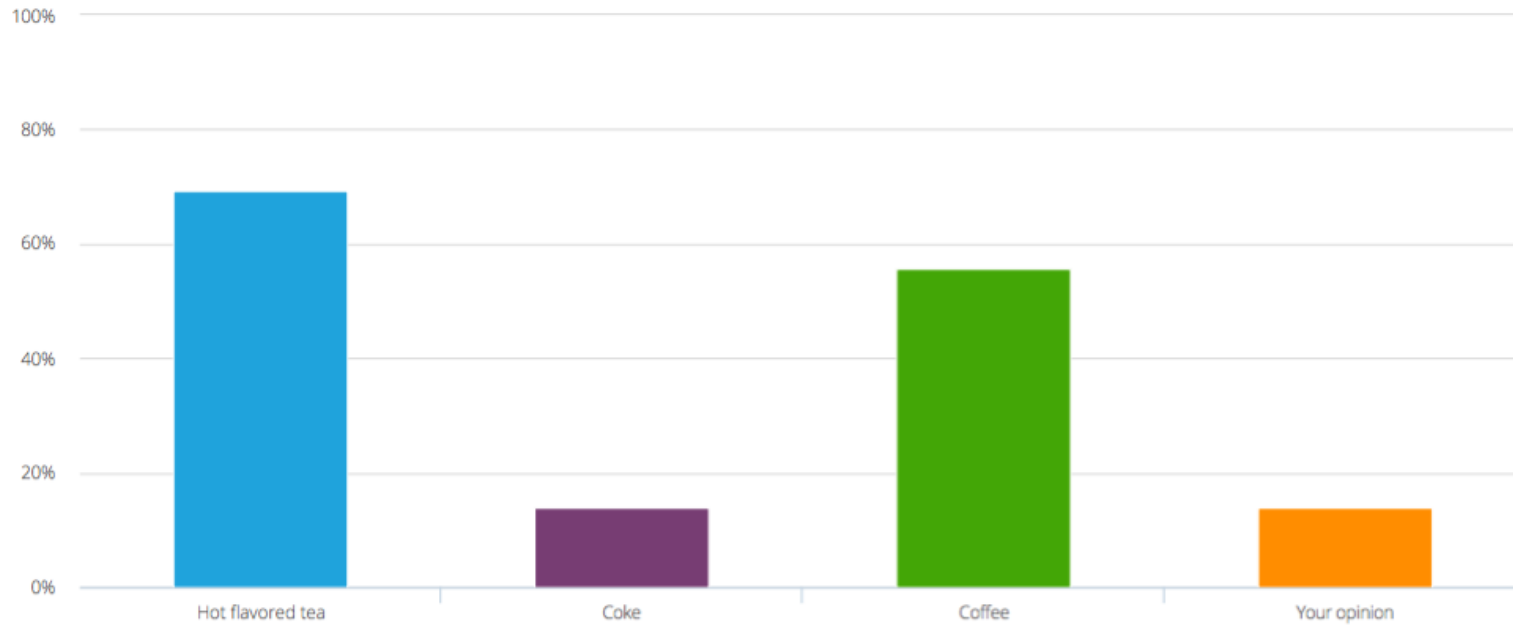
To brighten desserts, choosing the matching tea is absolutely important. Giving credit to La Patatina's owner for experiencing herself in matching teas and delights, she has drawn a simple picture about the method of combining tea with treats in general;

- Sweet sugary cakes go well with fruity flavored and earl grey tea variety
- Bitten chocolate products have great connection with green, oolong and flowery category
- Creamy desserts join the strong tea type making the best sweets of all kind; such as black tea or Pu-erh
- Sour cakes work best with sweet smell tea group

Tea has been chosen as La Patatina's main drink beside of other basic beverages, coffee and coke. There are such reasons for this choice;

- Boba, smoothie and milk tea are mainly served in any coffee and bakery shops in Sacramento. La Patatina want to create a highlight in the market so tea has become the main beverage.
- Also, the results from La Patatina's customer behavior survey has shown that hot tea is being regnant in the region.

### Which beverages would you like to sip with treats?



1	Hot flavored tea	50 (69.44 %)
2	Coke	10 (13.89 %)
3	Coffee	40 (55.56 %)
4	Your opinion	10 (13.89 %)
<b>Responses</b>		72

Figure 1. Sacramento's favorite drinks with desserts

## 2.2 SERVICES

La Patatina sells gastronomic desserts coupled with its skilled customer services. We firstly pay attention in the atmosphere that La Patatina brings to beloved customers by bringing the most pleasure environment. There are three most important points to achieve this condition; adorable, relax and cozy decoration brightening anyone's mood, also, a professional warm friendly serving attitude of La Patatina's team.

Moreover, we offer our customer dine-in, carry-out and order services. For dine-in clients, freshly baked desserts and warm tea are available during opening hours. Same as dine-in consumers, sweets and drinks are always accessible for them to take away. Particularly, cake box is meticulously designed to keep the form, texture and temperature of desserts because clients deserve the greatest quality. Lastly, the special-order service is exceptional. Ordering a customize cake is going to be done via social media page, in-store, or phone-call order, details of the cakes are required; size, taste, decoration, due date, and price. The special-order is limited under 5 cakes per week so it will keep the cake's value. Likewise, with a comfortable area, we are willing to afford small parties/events renting service. Certainly, booking is required in advance; thus, sweet treats, serving service, not to mention interested decoration are well prepared.

Together with those services explained above, La Patatina also provides baking workshop which will grant our two purposes; expanding our sweets shop's reputation and building clients base. Indeed, baking courses will allure people who are passionate in cakes and desserts coming to La Patatina, learning and trying our products and services. As a result, we will constantly receive more opportunities in gaining reputation and sales. Baking lessons will be organized once or twice per two weeks and ideal participants are sweets fans and kitchen lovers in many different ages; children from 6 to 12 years old, teenagers from 12 to 18 years old, and adults from 18 years old. Expressly, this lesson service is set up with various baking level which suits customers' demands and desires.

### 3 MARKET ANALYSIS

#### 3.1 MARKET SEGMENTATION

It has been proposed that the bakery coffee market is estimating to have annual growth at 4.6% from 2012 to 2017 (Bakery Cafes in the US: Market Research Report, 2017). Especially, the revenue of this market is expected to rise 2.8% in only 2017. Furthermore, the IBISWorld (Industry research reports) also commented that one of the outstanding growth within the food service sector belongs to the bakery industry. Additionally, one of the leading statistic companies, Statista, also mentioned that the trendiest segment in the U.S baked goods and desserts in 2016 is cakes. Just as fit to La Patatina's high-quality menu offering, cakes are highlight products of La Patatina bakery besides of other treats.

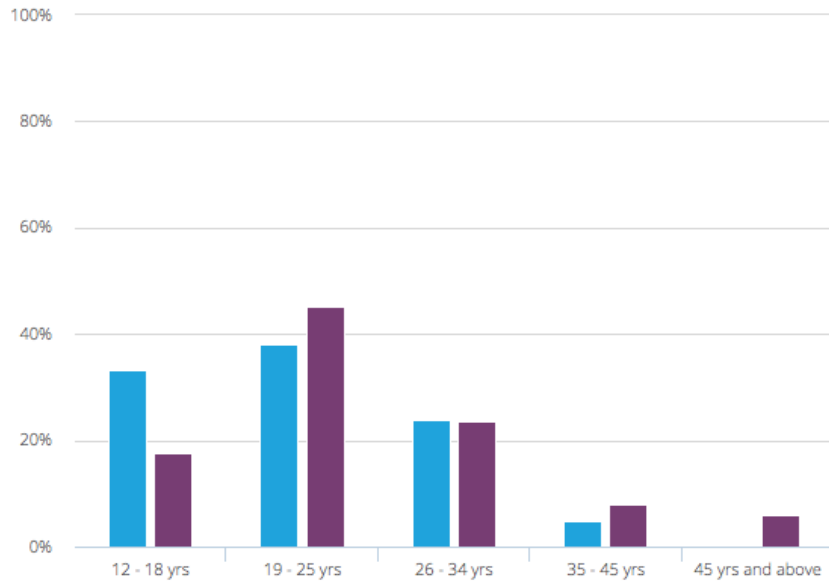
Understanding the development of bakery industry and retail bakery shop, La Patatina bakery can clarify the segment of potential customers and their special needs which will cause great achievement later. Accordance with recorded data from Economic Development of Cityofsacramento, Sacramento is great location for living and doing business due to the fact that it is a growing region with low cost of living, qualified workforce, high population and many more (Cityofsacramento, [Ref. 10.11.2017]). Thus, Sacramento is home to thousands of businesses from large to small size. The Cityofsacramento also said that Food industry is one of the most developing sectors in region and that will be our opportunity to boost La Patatina forward. La Patatina's target market will simply be whoever comes from Sacramento and nearby region that has strong passion in enjoying spectacular treats. Beside of citizens, California is the state of tourism, said by the Los Angeles Times (Easter 2017, [Ref. 20.11.2017]). Thus, La Patatina will not hesitate to add tourist people to its likely customer list. Not less important, La Patatina bakery's products are served with reasonable price to fit the general income of citizens.

After conducting a questionnaire survey, La Patatina has clarified its targeted customers in a smaller size. The results have shown that mostly sweet consumption comes from:



- In details, female who are interesting in treats has accounted for approximately 70% of the survey participation.
- Same as the gender section, aging portion also reveals that young adults are fancier in desserts than the other ages. Besides, teenagers and adults could be the second potential customers group.
- About the general income level of sweet lovers, the outcomes indicate low income citizens also is fascinating about upcoming bakery in town.

## Age



	Male	Female
1 12 - 18 yrs	7 (33.33 %)	9 (17.65 %)
2 19 - 25 yrs	8 (38.1 %)	23 (45.1 %)
3 26 - 34 yrs	5 (23.81 %)	12 (23.53 %)
4 35 - 45 yrs	1 (4.76 %)	4 (7.84 %)
5 45 yrs and above	0 (0 %)	3 (5.88 %)
<b>Responses</b>	21	51

Figure 2. Potential customers by characteristic

### Income level (per month)

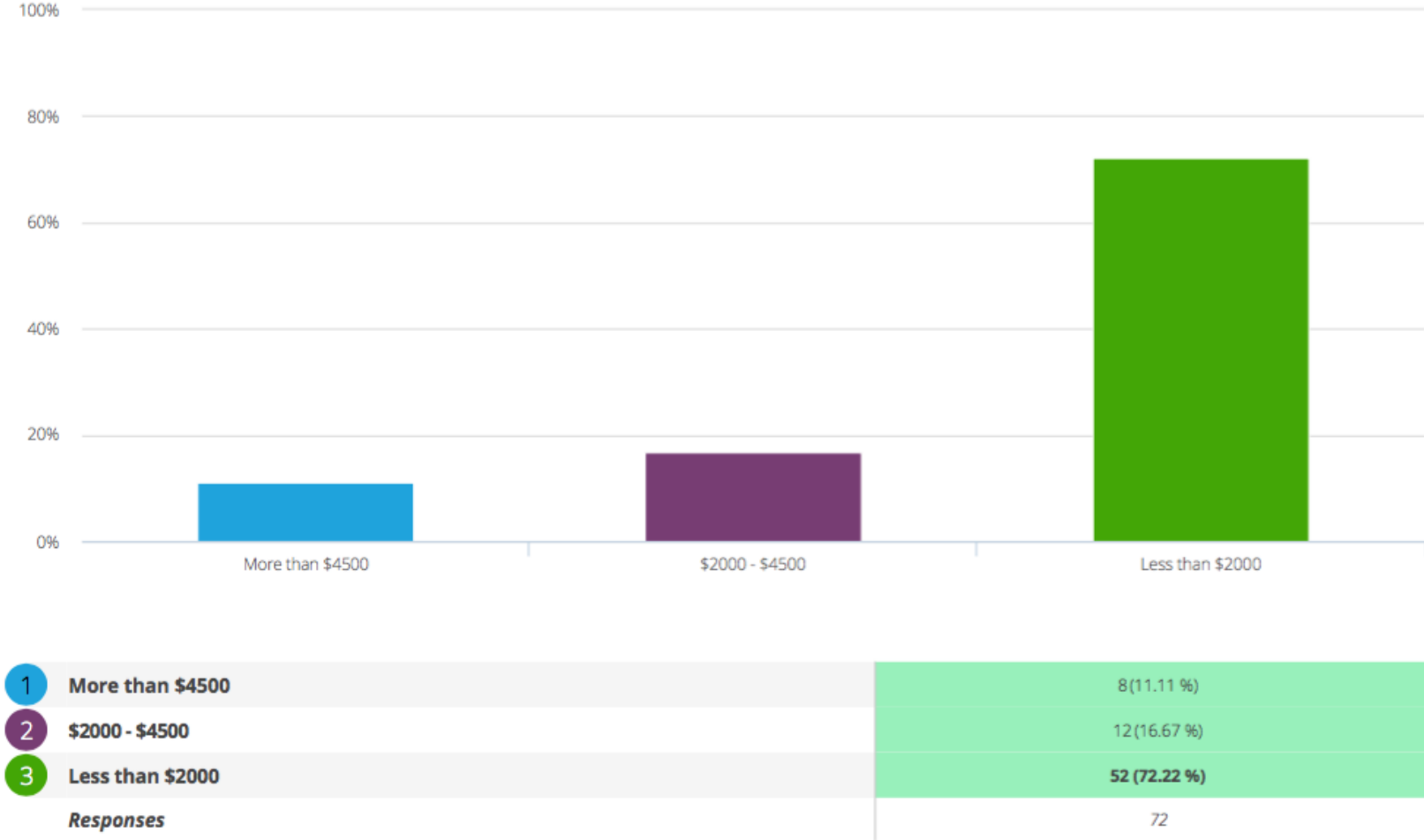


Figure 3. Income level of sweet-lovers' patrons

### How much would you pay for a slice of cake/cupcake?

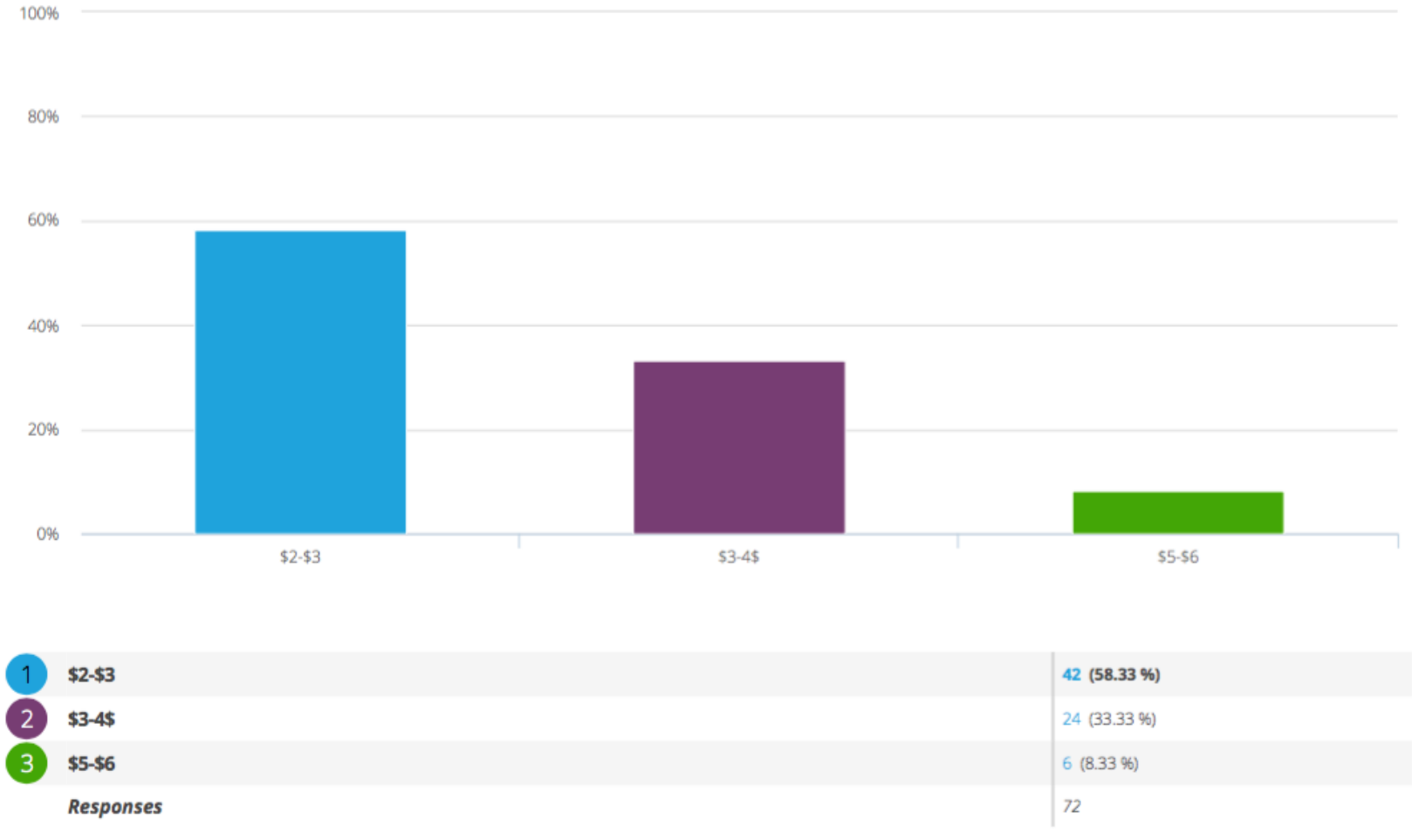
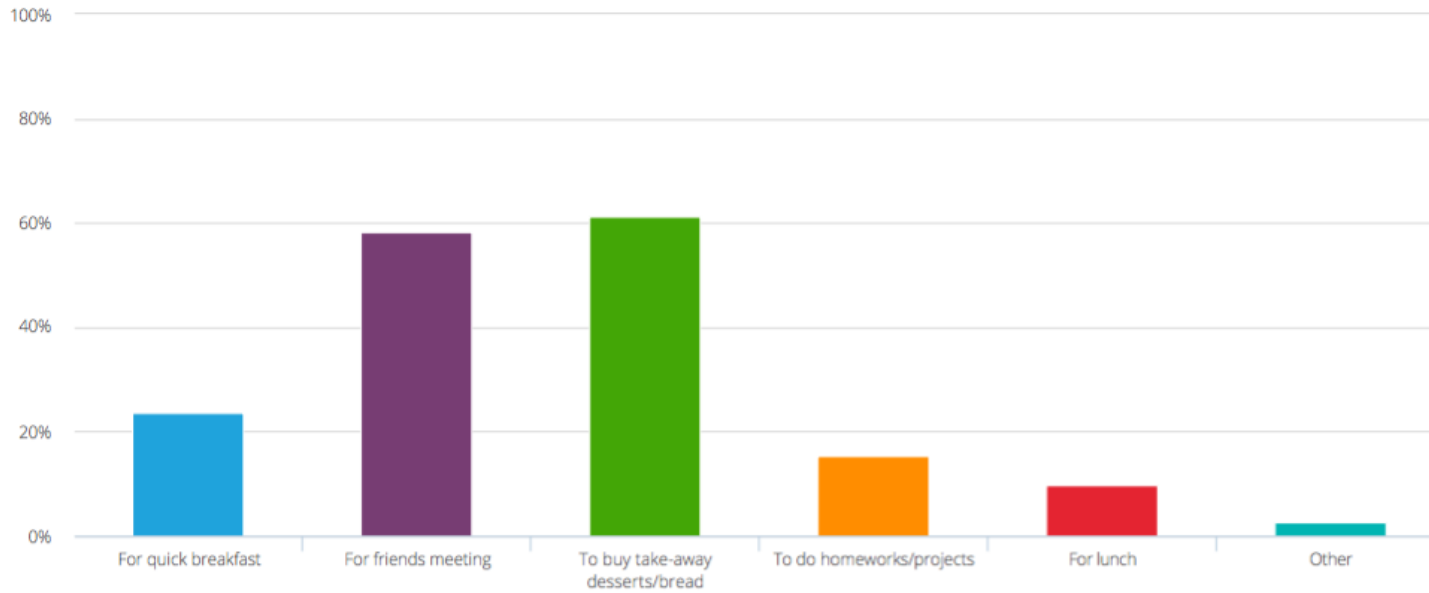


Figure 4. Consumers' buying habits

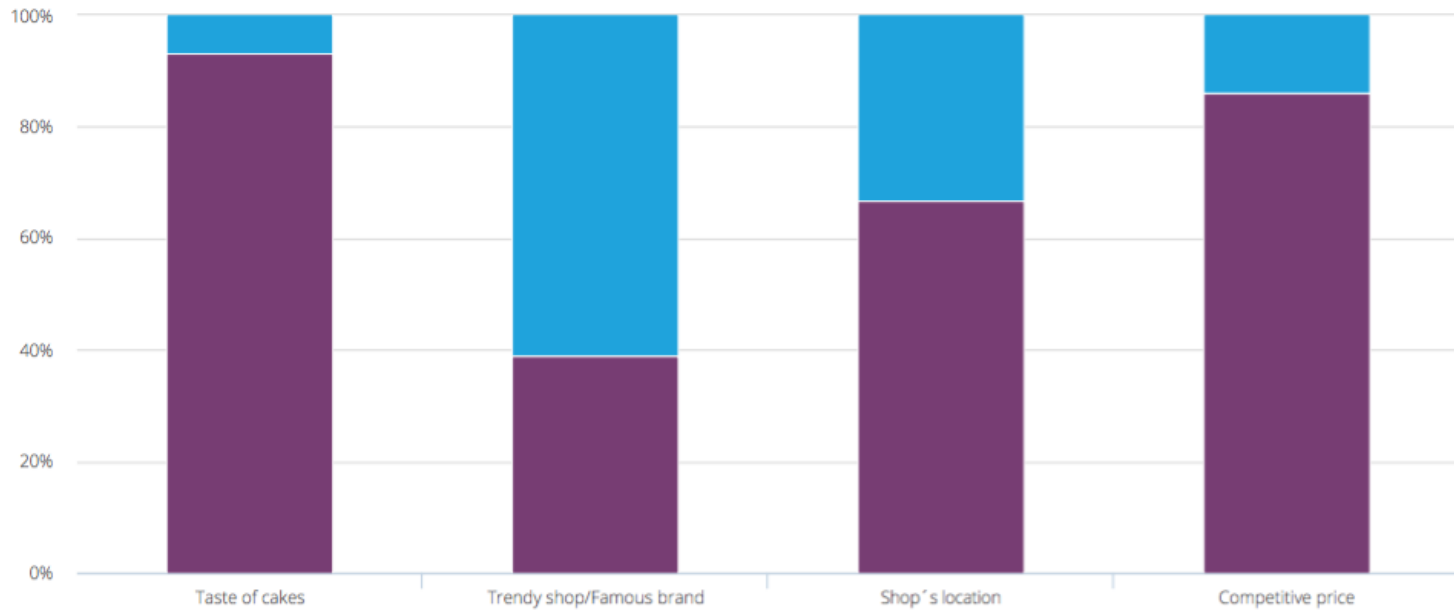
### Why would you visit a bakery mostly?



1	For quick breakfast	17 (23.61 %)
2	For friends meeting	42 (58.33 %)
3	To buy take-away desserts/bread	44 (61.11 %)
4	To do homeworks/projects	11 (15.28 %)
5	For lunch	7 (9.72 %)
6	Other	2 (2.78 %)
<b>Responses</b>		72

Figure 5. Consumers' buying behaviors

How important these criteria for you to buy treats?



	Not important	Very important	Responses
<b>Taste of cakes</b>	5 (6.94 %)	67 (93.06 %)	72
<b>Trendy shop/Famous brand</b>	44 (61.11 %)	28 (38.89 %)	72
<b>Shop's location</b>	24 (33.33 %)	48 (66.67 %)	72
<b>Competitive price</b>	10 (13.89 %)	62 (86.11 %)	72

Figure 6. Consumers' evaluation of a bakery

In conclusions, La Patatina's targeted potential customers are teenagers and young adults, mostly female and low-income level. It could be various but buying patterns are quite similar;

- They prefer affordable price products with delicious taste.
- They have the same favorite drinking type; hot flavored tea which is also La Patatina's main brews.
- They have the same buying habits.

Clearly defining the market segmentation, La Patatina is going to have a clear plan to achieve store's profitability goal and customer's loyalty.

## **3.2 SERVICE BUSINESS ANALYSIS**

Just mentioned above, the service business as coffee shop is steadily increasing in United States, especially California. In Sacramento, CA, numerous of coffee shop has rapidly grown and developed. Thus, it has proven that bakery coffee shop is trending in Sacramento which could be La Patatina's advantage. Besides, competing in this market will take a lot of effort of La Patatina.

### **3.2.1 COMPETITOR AND BUYING PATTERNS**

Whatever the field that a business operates, it always must face with strong competitors in its special marketplace and La Patatina is not an exception. There are several small and large size bakery businesses operating in Sacramento. As the results of our questionnaires survey, one of the most popular bakery in Sacramento is 85°C Bakery shop.

85°C Bakery is first founded in Taiwan and getting famous from all over the world by its varieties tasty desserts. This bakery shop is a famous franchise with over 100 stores worldwide. 85°C Bakery, nicknamed "Starbucks of Taiwan", has launched its newest store at the crowded center are of Sacramento. Even though it just arrived at Sacramento since July, 2017, It is always busy with long-line of customers waiting

to purchase its freshly baked cakes. 85°C Bakery shop is considered as La Patatina's strongest competitor due to many reasons;

- Quality products are produced in huge quantity volume. There are over 50 varieties kind pastries newly baked hourly; moreover, their products are abundant in decoration and taste.
- They are trendy branch. According to Chang (The Sacramento Bee, 2017), there were nearly or over thousands of customers visited its store in Cypress and Sacramento, California in the opening date.
- They have loyal customers. 85°C Bakery has gained sweet guests' trustworthy since their store is always full of buyers.
- They focus on marketing and promotion. 85°C Bakery has an attractive website with detail information about new product or promotion. Furthermore, being highly rated on a trustworthy app "Yelp" gives 85°C Bakery an extra tool in developing.
- Great store location. Unless important, placing in a crowded are, 85°C Bakery has advantages in attracting customers.
- They create 5-stars quality desserts with affordable prices. This can be a key factor leading the success of 85° Bakery.

As successful as 85° Bakery, Paris Baguette is also formidable opponent of La Patatina. With over 3,700 locations globally, Paris Baguette is strong enough to beat any other bakeries about famousness. With a strong history growth, Paris Baguette has its own value which provides customers trust. Additionally, it reveals that there are over 100 choices of pastries, breads or creamy cakes which can show the varieties of Paris Baguette menu (Pierleoni 2017). Products are specialized into French culinary that makes people craving. Even though the strengths of Paris Baguette and 85° Bakery seems similar, they all have their specialties to keep their reliable customers and improve their business by times.

Not as huge as Paris Baguette or 85° Bakery, Mahoroba Japanese Bakery, the family business, is also a favorite spot for sweet-lovers. Mahoroba offers delicious pastries with special Japanese fillings; green tea and red bean which make it become unique. Focusing on the quality of goods, Mahoroba especially has cheap price for their treats which is from \$1.50 to \$3.00 for each small size dessert. Even



though, it does not support the marketing sight, it is still famous in the region because of the high quality and unique Japanese sweets and the highly rated vote from trustworthy app of United States (U.S) “Yelp” has proved it.

The next challenger in our sweets career is Freeport Bakery. Being different from the other bakery shop, Freeport Bakery concentrates on creamy, wedding and complex decorating cake and it usually comes at large size treats. They offer various range of cakes which suits customer’s demands; round, square, or any special shape cakes are ready to be ordered. However, Freeport Bakery is a scratch bakery which means wasting any piece of scratch is impossible at their bakery. Thus, besides of large birthday cake, small size pastries, candies, Danish cookies or muffins are also produced. Being operating for almost 30 years, Freeport also has the strengths of well-known reputation over another bakery shop. Additionally, customize feature is also a plus of Freeport Bakery when they are able to create the best piece of arts that suits customer’s demand and satisfaction. Moreover, their services are great; from online order systems to delivery method. It is all convenient for customers. On the other hand, Freeport’s product has its valuable price, the price range is from \$65.00 to more than \$1000 depending on decoration, size and cake’s texture (Freeportbakery, [Ref. 17.12.2017]).

Above are distinctive type of bakeries which are also La Patatina’s main competitors. They all have their advantages about affordable prices, brand name, location and many more. However, there is one distinct point that could distinct La Patatina from the other bakeries above; classy vintage European bakery decoration. Lighting and music can act as digital seasoning for food and wine” (Shaw, 2014, according to Charles Spence, professor of experimental psychology at Oxford University). Thus, La Patatina pursuits an atmosphere bringing calmness, relaxation and happiness to consumers. A cup of tea, a piece of cake join with the atmosphere of joy are our unique quality services. Leaned on this feature, we will try our best to announce our distinction qualify, update quality to customers.

## **4 LA PATATINA'S STRATEGY**

### **4.1 MARKETING STRATEGY**

Marketing research is required in order to determine the most applicable marketing mix which will help the management deciding the suitable place, product, price and promotion to customers (Stone 2007, 156). La Patatina will base on the marketing mix method to define its products feature along with price, promotion and place to serve clients' demands.

There are several detail parts that build up La Patatina's brand name. Thus, we will take full advantage of marketing to announce our superior pastry shop to consumers. Before compelling customers for delicious quality products, we firstly need to catch their attention by store's location and decoration. As said from the previous part, La Patatina will be settle at a crowded area on Garfield avenue that easily gets customer's sight. Located among other entertainment shops, schools, businesses and theater, a good spot already gives us an extra help. Furthermore, it is wisely to locate a store in area that there are available parking lots for clients due to the fact that American mainly uses cars as transportation, they certainly need a place to park their car before having a bite of sweets. This mall area on Garfield avenue totally satisfy customer's parking demand. Just as important as store's location, store's extraordinary decoration will play a role in appealing clients' curiosity. Associating with good location, store's gorgeous design is La Patatina's first crucial marketing tactic in introducing La Patatina to the region.

The next component is about La Patatina's products. Specializing in sweet industry, La Patatina will stay strong in creating stunning delicious desserts. Additionally, the taste of our baked goods will be light sweet which will be different to our competitors. The light sweet taste will avoid customer's being sick of sweet. Moreover, La Patatina's products will be presented and promoted at store and on store's Facebook site and webpage. Unless important, advertising our products throughout packaging is essential to familiarize La Patatina to the region. Take-away cakes and drinks will be drafted in designed La Patatina's packaging box. The packaging box will specially have store's brand name and logo to emphasize La Patatina among

other bakery shops; also, it will help customers to get familiar since La Patatina is new in the industry. About our services, it is the core section that gain customer's loyalty, we aim at serving them with the happiest attitude, the most caring feeling in the most beautiful atmosphere. Likewise, physical distribution is considered; delivery system is only available for the third category; the Party Cakes. On the other hand, in-store pickup is available for every type of products; the Tiny treats, the luxury Delights, and the Party cakes as well. With the most comfortable service that customer can get, we will succeed in our own goal.

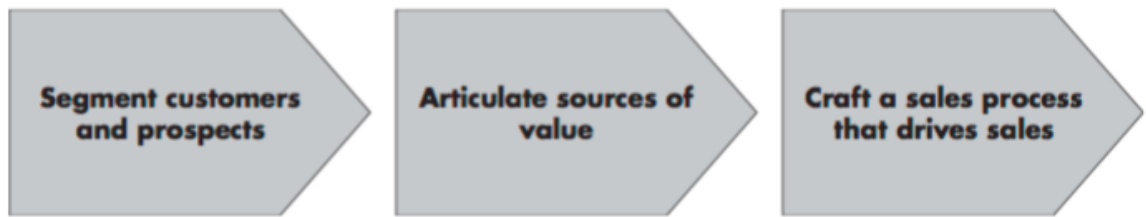
Right after product is its price, based on the result of quantitative questionnaire survey, targeted customer base of La Patatina is young adults with the average salary under \$2000 per month. Thus, the affordable price which is La Patatina's target price is suitable to the target market. Basically, price will be about than \$3 for tiny treats, and approximately \$30 for a whole cake depending on type of cakes and its ingredients. For the special-order category, price is going to be much various liable on size, texture, design, and many more. Profitability will always be taken in account because it is the foundation of our development, however, the price is still affordable for La Patatina's target consumers.

One of the most important factor of successful marketing strategy is promotion. Before the opening one to two months, La Patatina's owner decide to start building her customer base by serving sampling, good price cakes to friends, family, neighborhoods. According to Bindrim (Los Rios libraries, 2018), the famous biscuits product named Biscotti di Vecchio also had a foundation as online business for couple of years before having a brick-and-mortar store. La Patatina's owner has acknowledged that this is a convenient method to build customer base. Furthermore, it helps saving capital for the grand opening store. Then, customer will reach us through fliers and newspaper advertisement during the establishing period. Also, e-commerce is extremely important in this modern era, interaction with customers through social media will be built to keep up with La Patatina news; new products, establishing time, promotion and more. Generally, La Patatina will be available on Instagram, Facebook page, website and Yelp rating app. On Instagram and Facebook page, hashtags will frequently be used so that expanding La Patatina brand name will be easier. Moreover, Facebook ads is essential tool in promoting

La Patatina brand name. Yelp rating app is one of the most popular using app of American citizen which shows off customer's comments about shop's products and services. For La Patatina's opening, plenty of promotion are available to achieve high amount of sweet lover coming to store. For examples, gaining an extra 10% off by check-in, subscribe, and rate La Patatina on Facebook page, Yelp rating app. Also, we are going to have a reward program to appreciate customers; such as La Patatina's membership card which prizes consumer from frequently purchasing La Patatina's sweet products. Recognizing the vital of loyal customers in sustainable development, La Patatina also plan to create weekly classes for sweet-lovers and baking people; the group will be various; children, teenagers and adults. Classes are from simple to complex which suits clients' needs, it will be announced on both La Patatina's in-store and social media. These classes are two-way advantage because it will help us to get baking students to try our products and vice versa, customers to try baking cakes. Thus, it is excellent handy method to gain customers and sales in quantity. Beside of short baking courses, La Patatina also plans to frequently host events, organizing events basing on customer's observation; small birthday party, family and friend meeting. All the public events, upcoming desserts' videos and photos will be published on social media to show the integrity of our profession. Particularly, the quality of photos must transfer the quality of goods, showing our specialty.

## **4.2 SALES STRATEGY**

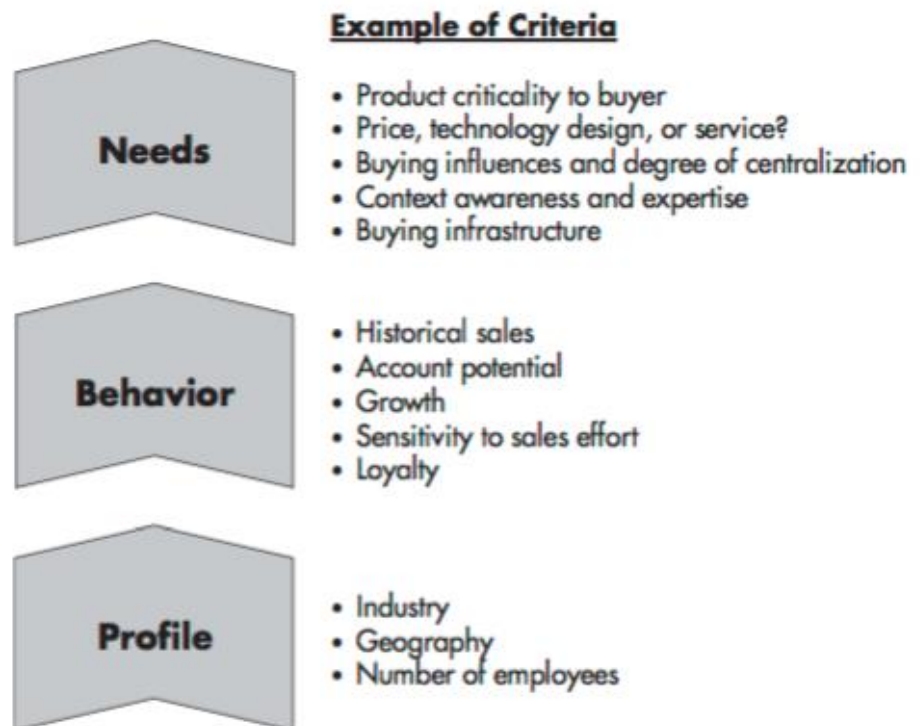
It has been suggested (Zoltners 2009, 51) that a successful sales strategy requires a business to clearly clarify three main factors; the company's customers and its prospects, the value of their products and the proper method to sell it. Even though these three elements are different, they jointly articulate to create the proper sales method which is profitable for the entrepreneur and valuable for the consumers. By understanding the demands of clients, sales department will be able to tailor the specific products to each customer's segments where both customers and the company meet their personal needs.



**Figure 3-2.** The sales strategy development process

Figure 7. The sales strategy development process (Zoltners 2009, 53)

Zoltners (2009, 53) proposes that the first step of building a sales strategy which is segmenting customers and prospects can be determined by understanding customer's needs, behavior and profile.



**Figure 3-3.** Examples of market segmentation criteria

Figure 8. Examples of market segmentation criteria (Zoltners 2009, 54)

The practical survey that was handing by La Patatina's owner has clearly shown the results for each concerned aspect. According to the record from questionnaires survey, La Patatina's market segmentation are sweet lovers; it contains people from all ages, genders and religions, they are warmly welcomed at La Patatina. That is

because almost everybody loves treats whether how often they come to bakery shop. Teenagers, children with parents, young adults, adults and seniors are La Patatina's targeted customers. While the market segment is enormous, it is not a difficulty for La Patatina. Again, the results from our questionnaires survey has proven that our targeted customers almost have the same buying behavior;

- They love the affordable price which is variable from \$2 to \$3 each slice
- They have passion in sweet products
- They usually visit a bakery once a week
- Tea and coffee are the most popular favorite drinks
- They have the same buying habit which are take-away and friends meeting
- They concern the most about the taste of products and its valuable price

Although La Patatina aims at the huge targeted market, the strongest potential customers are going to be taken good care. In details, La Patatina figures that women, young adults and teenagers are our most prospective consumers. Moreover, the competitive price and delicious taste are the best concerns for their buying behavior.

After directing the segment customers and prospects, La Patatina will move on how to adjust its valuable products to meet the needs and demands of clients. Zoltners (2009, 55) again emphasize that products which have the special value that customers need could be more valuable.

La Patatina again highlights their services by happy serving attitude which bring the most comfortable buying feeling to customers. Furthermore, we are proud to support customers for value expertise; for example, quick and convenient serving services, delivery system for large size cakes, in-person sales calls to provide needed information for table reservation, and birthday party registration; or we always help in choosing the desserts as their wishes, following by the matching beverages which will make their desserts pop. Additionally, creating program to keep loyal customers and enhance the participation of new comers will increase La Patatina's sales. Just as said in the marketing part, lot of events, promotions will be created to keep the fresh feeling of La Patatina. A reward program is our special thanks to loyal customers who frequently visit La Patatina.

The latest step which is also the most important element deciding whether the entrepreneur will be succeeded or not; crafting the sales process. “The best salespeople are highly effective at customizing a sales strategy for each customer”, said by Zoltners (2009, 58). Understanding the specific needs of clients, La Patatina is going to apply the most suitable sales process to earn customers’ awareness and their loyalty in the most profitable way.

Specifically, La Patatina will take care of customers’ concerns which could be about taste of desserts, possibly allergy ingredients, recommended kind of cakes with matching tea/beverage, and assisting them to serve their demand before any purchasing. Additionally, introducing La Patatina to customers via newspaper, social media to announce about our daily products, new products, promotion and event. These are important steps to reach to customer’s sight. For the post purchase process, we are willing to handle both good and bad complaints, providing extra customer service, and many more to make customer feel the spectacular of what they purchased. The more conscientious we are, the more successful we get.

## 5 SWOT ANALYSIS

Since La Patatina is a new bakery that operating by an owner with great knowledge but low experience, well-prepare is a requirement to make sure La Patatina's survivor in the market. In this part, La Patatina will conduct a SWOT analysis to indicate the strengths, weaknesses, opportunities and threats of itself. The SWOT analysis is a study which helps an organization clarify the internal strengths and weaknesses, and the external opportunities and threats to provide the most suitable strategic plan to achieve its ultimate goal.

La Patatina's strengths lie on multi reasons; It is placed at a high-traffic location where people are around with shopping, entertaining purpose since that area is an entertainment area with lot of fun destinations; cinema, GameStop store, and more. Eventually, this area has many parking lots, this fact is a plus since almost everyone in Sacramento is transporting by cars, thus, they need a parking lot before enjoying a piece of cake. Furthermore, a distinctive decoration in classy antique European is a unique point of La Patatina in the region. La Patatina also has great products and services, it is diversity in product range; pastries to creamy cake, breads to tarts, and more. Of course, nobody would like to eat old cakes, so products from La Patatina are freshly baked with colorful and attractive decoration. Additionally, La Patatina believes that everyone deserves sweet treats, so it also has advantages in serving products in competitive price. Lastly, the ambience of place and the comfortable feeling while tasting their treats will be La Patatina's advantages over others. As said in the marketing plan, La Patatina's owner will start to collect customer's trust before brand opening by serving sample in cheap price, La Patatina will have a benefit in having strong customer relationship. A solid connection with customers is going to be a great support to the development of this bake shop. Unless important, the last strengths that La Patatina wants to mention is valuable supplier; saving expense is crucial for any business, thus, La Patatina's supplier is COSTCO Wholesale store where materials, ingredients, and equipment are sold with large amount and lower cost. Then, special ingredients are imported from owner's home country, so the taste will be greatest. Having those strengths, La Patatina has such a good foundation to face to its competitors and market.



Likewise, acknowledging the weaknesses will keep La Patatina moving forward and constantly improving the store itself. Firstly, La Patatina is lacking the brand name awareness in the bakery market, so La Patatina's team must try their best to apply strong points; such as the marketing plan, introducing products to consumers in order to build store's reputation. Additionally, store's owner does not have great experience in operating a business in baking industry; experience in production, ordering, inventory management, hiring qualified staff are low. That could be a disadvantage of La Patatina that La Patatina only can acknowledge and experience herself during managing La Patatina. However, with a plus of great knowledge, La Patatina's owner can face up to difficulties and figure out the best solutions. For the beginning of La Patatina, precise baking skills could be less productive and slow. However, this weakness could be improved by practicing.

On the other hand, La Patatina also has some external conditions that directly effect on La Patatina's operation. Every business has opportunity to mature, and so does La Patatina. In this sweetness market, La Patatina has a valuable opportunity to grow because of the number of consumers who consume breads, sweet goods, as daily product is high in United States in general. Specially, the bakery industry in Sacramento is fast growing. With the fast speed of broaden in treats market, La Patatina has a chance to become premier sweet provider in the future.

In parallel with opportunities, threats also can cause some consequences to La Patatina's evolution. First, there are quite many growing bakery in Sacramento. Specifically, a lot bakery has already got the trust and loyalty of patrons in town; such as 85 Degree bakery, Paris Baguette bakery, or Mahoroba Japanese bakery. La Patatina must wisely take advantages of its strengths to compete the competitors. Moreover, price war could be La Patatina's threat. Threats are external conditions that causes bad consequences to the business, so La Patatina is only able to accept and find the best solution for it.

Clearly understanding the strengths, weaknesses, opportunities and threats of the store. La Patatina's team will be able to come up with required skills, suitable strategic plan to deal with any problems during operation.

# SWOT ANALYSIS

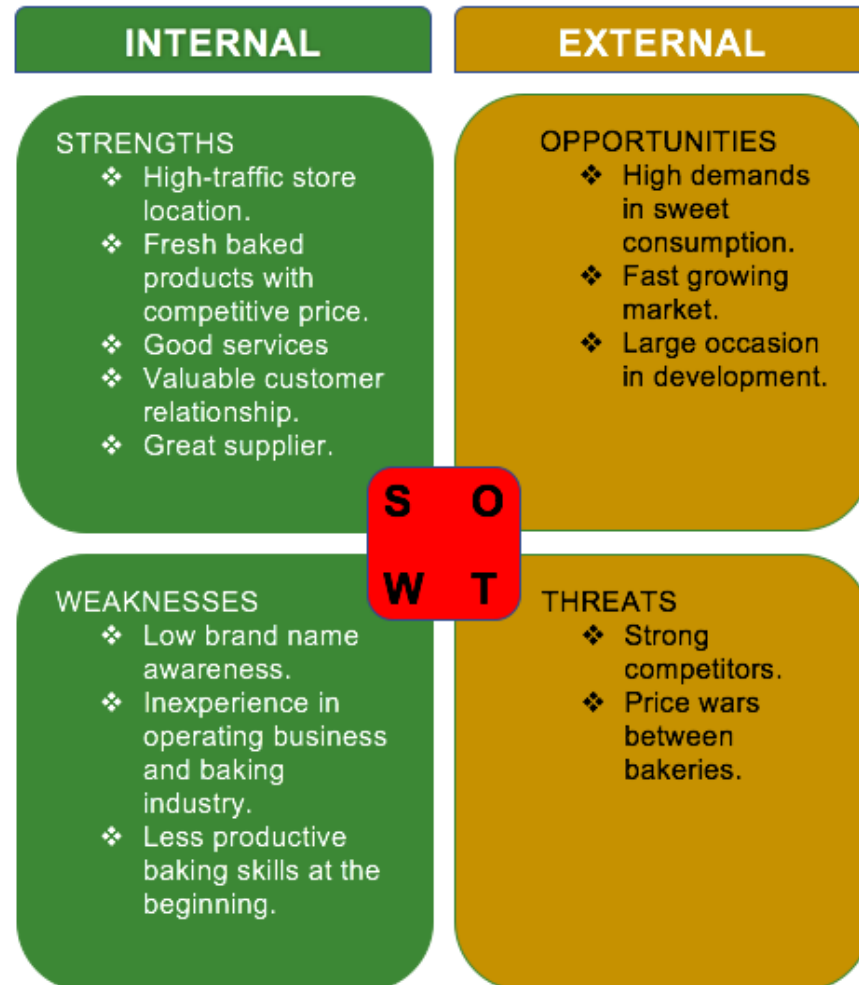


Figure 9. The summary of La Patatina's SWOT analysis

## 6 MANAGEMENT SUMMARY

### 6.1 GENERAL ORGANIZATION

As said, La Patatina is organized as sole trader business which is run by Dang Mai Ngoc Tram, who is going to get an International Business bachelor degree from Seinajoki University of Applied Sciences. La Patatina is a small business that its owner always wants to keep it simple. So, the management team, it should not have so unnecessary positions that complicating final decisions making.

To minimize payroll check, it is not necessary to hire each person for each department since La Patatina is in quite small scale. La Patatina chooses the most basic functional organizational structure which include Chief Executive Officer (CEO), Research and Development (R&D), Production, Marketing, and Accounting and Finance department. However, structure could be changed depending on the development of business. In conclusion, for this 3-years business plan, La Patatina will improve and develop basing on this organizational structure.



Figure 10. La Patatina's organization structure

Dang Mai Ngoc Tram, owner of La Patatina, is selected to be CEO of her own bakery shop. Besides, she will be responsible for all the decisive choices belong to La Patatina bakery shop; from hiring qualified personnel to making judgements on marketing plan, R&D and production activities. Overtime, we plan to hire specialty marketing manager, and a R&D manager.

Each department will have specific tasks to support La Patatina's growth;

In Research and Development, we focus on researching the services and bakery market, finding out the latest trendy desserts, activities to provide the best products and services to customers.

Marketing department is one of the most important department which will bring La Patatina's brand name to its beloved patrons. A lot of marketing plans have been prepared to fulfill the goal of La Patatina.

Same as two other positions, accounting and is crucial as well in the development of La Patatina. Accountant needs to carefully focus on financing activities of the bakery. This department will help La Patatina know the profitability or loss of itself in order to prepare the next move.

Production department will make sure the output of our bakery shop which are mainly desserts. Up to 2 qualified bakers will be hired to make sure the products always fresh, high-quality and delicious. Dang Mai Ngoc Tram, the owner of La Patatina will participate in this area as well since she is a baker herself. Moreover, La Patatina plans to hire 2 part-time cashiers and servers. Good performance personnel will be considered to promote higher position; store manager or relevant positions.

## **6.2 PERSONNEL PLAN**

In this personnel plan, La Patatina will estimate salary of each position; bakers, cashiers for up to 3 years. A personnel salary estimation could be changed depending on the worker's performance and newest federal regulations.

La Patatina does not have a huge requirement of staffs since it is in small scale. La Patatina's owner plans to hire one full-time cashier or two part-time cashiers since the opening. On the other hand, she will handle all the products by herself for the first period of three-years plan. According to the sales plan, from the second quarter of the second year, sales will steadily increase since La Patatina is going to be more

popular. Thus, a new baker is expecting to join the team to fulfill consumer's demands.

Table 1. Personnel plan of La Patatina for three years

PERSONNEL PLAN			
	YEAR 1	YEAR 2	YEAR 3
PRODUCTION PERSONNEL			
BAKER TEAM	\$00,000	\$21,454	\$28,606
CASHIER TEAM	\$30,240	\$30,240	\$30,240
TOTAL PAYROLL	\$30,240	\$51,694	\$77,420

Personnel of La Patatina will be carefully hired and trained by La Patatina's owner, and all the good performance of La Patatina's workers will be recorded and worthy rewarded. Qualified staff will be kept and promoted at La Patatina. We acknowledge that building a strong root is so essential for a successful business, and a strong working team will support this ultimate wealthy goal.

In this personnel plan, cashier/server salary is counted by minimum wage of Sacramento, \$10.50 per hour. And baker's monthly salary is approximately \$2,283. By the sales plan of La Patatina, baker is going to be hire from the fourth month of second-year operation. Thus, total payroll of this personnel plan in the second and third year is higher than the first one.

## **7 FINANCIAL PLAN**

Financial plan is one of the most crucial part that determines the success of a business plan. This is also the most focusing part in La Patatina Bakery business plan. Since, La Patatina is a start-up bakery, a detail financial plan is important to keep up with the flow of money. It will help understanding financial position of La Patatina, the moment that La Patatina gets to break-even point, or deciding the next step of its business operation. This financial plan contains three different statements which are cash flow forecast, sales forecast, profit and loss statement.

### **7.1 3-YEARS CASH FLOW FORECAST**

Table 2. Cash flow forecast of La Patatina for the first year

<b>CASHFLOW LA PATATINA THE FIRST YEAR (UNIT: USD \$1)</b>													
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Total
Opening Cash Balance	\$0.00	\$16,731.00	\$13,388.76	\$9,263.53	\$5,465.29	\$2,376.06	\$489.82	\$230.58	-\$35.65	-\$2,026.89	-\$1,476.13	-\$703.36	\$43,703.01
<b>INFLOW</b>													
Cash sales	\$3,600.00	\$4,032.00	\$3,024.00	\$3,276.00	\$3,600.00	\$5,488.00	\$7,160.00	\$7,088.00	\$5,308.00	\$8,060.00	\$8,312.00	\$7,072.00	\$66,020.00
Personal Capital	\$25,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$25,000.00
Bank Loan	\$25,000.00	\$0.00	\$0.00	\$0.00	\$5,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$30,000.00
Total Inflow	\$53,600.00	\$4,032.00	\$3,024.00	\$3,276.00	\$8,600.00	\$5,488.00	\$7,160.00	\$7,088.00	\$5,308.00	\$8,060.00	\$8,312.00	\$7,072.00	\$121,020.00
Total Cash Available	\$53,600.00	\$20,763.00	\$16,412.76	\$12,539.53	\$14,065.29	\$7,864.06	\$7,649.82	\$7,318.58	\$5,272.35	\$6,033.11	\$6,835.88	\$6,368.64	\$164,723.01
<b>OUTFLOW</b>													
Registration	\$166.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$166.00
Initial Cost	\$3,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,000.00
Production equipment	\$19,933.00	\$0.00	\$0.00	\$0.00	\$4,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$24,433.00
Furniture	\$3,000.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,000.00
Phone/Internet installation	\$20.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$20.00
Renovation of premises	\$3,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,500.00
Office supplies	\$500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$500.00
Adversiting/brochures	\$250.00	\$50.00	\$50.00	\$25.00	\$25.00	\$50.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$600.00
Rent	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$21,600.00
Telephone and Internet	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$80.00	\$960.00
Raw materials	\$1,500.00	\$1,550.00	\$1,400.00	\$1,410.00	\$1,500.00	\$1,610.00	\$1,630.00	\$1,640.00	\$1,610.00	\$1,670.00	\$1,690.00	\$1,700.00	\$18,910.00
Gas	\$100.00	\$100.00	\$100.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$100.00	\$100.00	\$780.00
Electricity	\$200.00	\$250.00	\$175.00	\$175.00	\$200.00	\$250.00	\$300.00	\$225.00	\$200.00	\$350.00	\$300.00	\$350.00	\$2,975.00
Water and Trash	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$3,600.00
Wages	\$2,520.00	\$2,520.00	\$2,520.00	\$2,520.00	\$2,520.00	\$2,520.00	\$2,520.00	\$2,520.00	\$2,520.00	\$2,520.00	\$2,520.00	\$2,520.00	\$30,240.00
Interest Bank 1	\$0.00	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$7,966.60
Interest Bank 2	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$434.54	\$434.54	\$434.54	\$434.54	\$434.54	\$434.54	\$434.54	\$3,041.79
Total Outflow	\$36,869.00	\$7,374.24	\$7,149.24	\$7,074.24	\$11,689.24	\$7,374.24	\$7,419.24	\$7,354.24	\$7,299.24	\$7,509.24	\$7,539.24	\$7,599.24	\$122,250.60
Closing Cash Balance	\$16,731.00	\$13,388.76	\$9,263.53	\$5,465.29	\$2,376.06	\$489.82	\$230.58	-\$35.65	-\$2,026.89	-\$1,476.13	-\$703.36	-\$1,230.60	

The first statement is cash flow forecast statement that contains the statistic of cash inflow and outflow within La Patatina during three first years of operation.

Particularly:

- La Patatina's owner has invested in La Patatina with 25,000 dollars (USD). Besides, she gets a three-year loan from America Bank that reaches up to \$25,000 with 4,29% interest.
- Registration license for business is \$166 for each year of business.
- Initial cost for extra expense during renovation and operation.
- The massive outflow comes from production equipment for the bakery;
  - iPad and cashier machine
  - Enormous ovens and fridges
  - Mobile proof box and grinder machine
  - Baking sheets, racks and cake pans in different shapes and sizes
  - 20 quarter mixer machines
  - Cake decoration tools; slicers, oven mitts, ingredient bins, baking utensils, packaging paper.
  - 48-inches display case for warm and cool cake
- Furniture expenses, phone and internet installation, office supplies are varied; few chairs and tables, dishes in general that comes with the vintage attitude and decoration of La Patatina
- Renovation of premises fee is invested to get the nicest look for La Patatina with roughly \$3,500.
- Other monthly expenses are such as advertising and fliers, rental, telephone and internet, materials inventory, gas and electricity, water and trash.
- La Patatina is responsible to pay the interest of its loan to America Bank with 4,29% every month in three years. Thus, the interest fee is approximately \$724.24 per month. Additionally, La Patatina once again credits \$5000 from America Bank with the same interest rate for one year.
- Monthly payroll of La Patatina is about \$2,520 for two part-time server/cashier. Server/cashier is paid with minimum wage of \$10.50 per hour. From April of the second year, with higher goal of sales, a new baker is needed to fulfil the needs of goods sold. So, monthly payroll has risen to \$4,903 per month for two cashiers/servers and one baker.



- During one year of operation, cash sales of La Patatina is expecting \$65,948 which are calculated by the amount of cake consumption. Average price per slice is around \$3, and the consumption is predicted to be averagely 40 to 50 slices per day. Hence, it could reach to 60 slices per day in holiday period. To increase the revenue, La Patatina is going to launch the workshop services to locals from the sixth month of opening. These baking classes is organizing one or two classes every week and it can earn up to \$400 per class. In results, cash sales of June have rapidly boosted 52% in comparison to May. Even though, La Patatina ends its first-year of operation in loss of \$1302,60.

Table 3. Cash flow forecast of La Patatina for the second year

<b>CASHFLOW LA PATATINA THE SECOND YEAR (UNIT: USD \$1)</b>													
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Total
Opening Cash Balance	-\$1,230.60	-\$1,025.83	\$194.93	\$1,185.69	-\$15.54	\$1,002.22	\$2,134.99	\$3,402.75	\$4,710.51	\$2,453.28	\$2,876.04	\$3,039.81	\$18,728.25
<b>INFLOW</b>													
Cash sales	\$7,700.00	\$8,600.00	\$8,195.00	\$8,330.00	\$10,695.00	\$10,875.00	\$11,055.00	\$11,055.00	\$7,495.00	\$10,400.00	\$9,905.00	\$10,445.00	\$114,750.00
Personal Capital	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Bank Loan	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Inflow	\$7,700.00	\$8,600.00	\$8,195.00	\$8,330.00	\$10,695.00	\$10,875.00	\$11,055.00	\$11,055.00	\$7,495.00	\$10,400.00	\$9,905.00	\$10,445.00	\$114,750.00
Total Cash Available	\$6,469.40	\$7,574.17	\$8,389.93	\$9,515.69	\$10,679.46	\$11,877.22	\$13,189.99	\$14,457.75	\$12,205.51	\$12,853.28	\$12,781.04	\$13,484.81	\$133,478.25
<b>OUTFLOW</b>													
Registration	\$166.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$166.00
Initial Cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Furniture	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Phone/Internet installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Renovation of premises	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Office supplies	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adversiting/brochures	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$300.00
Rent	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$21,600.00
Telephone and Internet	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$120.00
Raw materials	\$1,550.00	\$1,600.00	\$1,525.00	\$1,529.00	\$1,625.00	\$1,640.00	\$1,660.00	\$1,670.00	\$1,700.00	\$1,800.00	\$1,529.00	\$1,600.00	\$19,428.00
Gas	\$100.00	\$100.00	\$100.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$100.00	\$100.00	\$780.00
Electricity	\$300.00	\$300.00	\$200.00	\$200.00	\$250.00	\$300.00	\$325.00	\$275.00	\$250.00	\$375.00	\$350.00	\$400.00	\$3,525.00
Water and Trash	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$3,600.00
Wages	\$2,520.00	\$2,520.00	\$2,520.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$51,687.00
Interest Bank 1	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$8,690.83
Interest Bank 2	\$434.54	\$434.54	\$434.54	\$434.54	\$434.54	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,172.71
Total Outflow	\$7,495.24	\$7,379.24	\$7,204.24	\$9,531.24	\$9,677.24	\$9,742.24	\$9,787.24	\$9,747.24	\$9,752.24	\$9,977.24	\$9,741.24	\$9,862.24	\$109,896.83
Closing Cash Balance	-\$1,025.83	\$194.93	\$1,185.69	-\$15.54	\$1,002.22	\$2,134.99	\$3,402.75	\$4,710.51	\$2,453.28	\$2,876.04	\$3,039.81	\$3,622.57	

The second cash flow board represents for La Patatina's second-year forecast of its business. La Patatina is in loss from August of the first year until January of the second year and it reaches the break-even point for the first time on February of the second year. Yet, with an extra expense for new baker, La Patatina is in loss in April of the second year. However, closing balance is totally positive from May of the second year due to the higher demands from customers and La Patatina's awareness. The demand of cakes is higher in the second year, La Patatina is expected to sell around 50 to 57 slices per day and up to 80 slices in holiday season. In results, cash sales of the second year are nearly doubled the first year which is \$114,705USD. Same, closing cash balance is positive \$3,505.57.

Table 4. Cash flow forecast of La Patatina the third year

<b>CASHFLOW LA PATATINA THE THIRD YEAR (UNIT: USD \$1)</b>													
	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sep	Oct	Nov	Dec	Total
Opening Cash Balance	\$3,622.57	\$3,219.33	\$5,414.10	\$4,230.86	\$3,292.63	\$5,194.39	\$7,459.15	\$9,565.92	\$11,700.68	\$10,982.44	\$12,055.21	\$12,670.97	\$89,408.25
<b>INFLOW</b>													
Cash sales	\$9,500.00	\$11,982.00	\$8,429.00	\$8,618.00	\$11,604.00	\$11,982.00	\$11,919.00	\$11,982.00	\$9,059.00	\$11,075.00	\$10,382.00	\$11,390.00	\$127,940.00
Personal Capital	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Bank Loan	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Inflow	\$9,500.00	\$11,982.00	\$8,429.00	\$8,618.00	\$11,604.00	\$11,982.00	\$11,919.00	\$11,982.00	\$9,059.00	\$11,075.00	\$10,382.00	\$11,390.00	\$127,922.00
Total Cash Available	\$13,122.57	\$15,201.33	\$13,843.10	\$12,848.86	\$14,896.63	\$17,176.39	\$19,378.15	\$21,547.92	\$20,759.68	\$22,057.44	\$22,437.21	\$24,060.97	\$217,330.25
<b>OUTFLOW</b>													
Registration	\$166.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$166.00
Initial Cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
IT	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Production equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Furniture	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Phone/Internet installation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Renovation of premises	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Office supplies	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adversiting/brochures	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00	\$300.00
Rent	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$1,800.00	\$21,600.00
Telephone and Internet	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00	\$120.00
Raw Materials	\$1,550.00	\$1,600.00	\$1,525.00	\$1,529.00	\$1,625.00	\$1,640.00	\$1,660.00	\$1,670.00	\$1,700.00	\$1,800.00	\$1,529.00	\$1,600.00	\$19,428.00
Gas	\$100.00	\$100.00	\$100.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$100.00	\$100.00	\$780.00
Electricity	\$325.00	\$325.00	\$225.00	\$225.00	\$275.00	\$275.00	\$350.00	\$375.00	\$275.00	\$400.00	\$375.00	\$425.00	\$3,850.00
Water and Trash	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$300.00	\$3,600.00
Wages	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$4,903.00	\$58,836.00
Interest Bank 1	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$724.24	\$8,690.83
Interest Bank 2	\$434.54	\$434.54	\$434.54	\$434.54	\$434.54	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,172.71
Total Outflow	\$9,903.24	\$9,787.24	\$9,612.24	\$9,556.24	\$9,702.24	\$9,717.24	\$9,812.24	\$9,847.24	\$9,777.24	\$10,002.24	\$9,766.24	\$9,887.24	\$117,370.83
Closing Cash Balance	\$3,219.33	\$5,414.10	\$4,230.86	\$3,292.63	\$5,194.39	\$7,459.15	\$9,565.92	\$11,700.68	\$10,982.44	\$12,055.21	\$12,670.97	\$14,173.74	

With the better results from second year, third-year operation of La Patatina also has good outcomes. Daily sales have risen to approximately 60 pieces and workshop also improves its sales with 10 students per class and up to three classes per week in feast period. Furthermore, holiday season sales could be around 80 to 90 portions every day. The third-year ends with \$127,922 of cash sales and \$14,056.74 of closing cash balance which consider to be successful in the third year.

## **7.2 SALES PREDICTION**

The following tables display sales forecast of La Patatina in the next three years. Sales of La Patatina is divided into two categories; sweet products and workshop.

Table 5. Sales forecast of La Patatina in the first year

<b>SALES OF THE FIRST YEAR</b>													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
Price of a slice	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	
Number slice sold per day	40	45	34	36	40	43	44	43	42	54	57	60	538
Revenue per day	\$ 120.00	\$ 135.00	\$ 102.00	\$ 108.00	\$ 120.00	\$ 129.00	\$ 132.00	\$ 129.00	\$ 126.00	\$ 162.00	\$ 171.00	\$ 180.00	\$ 1,614.00
Revenue products per month	\$ 3,600.00	\$ 4,050.00	\$ 3,060.00	\$ 3,240.00	\$ 3,600.00	\$ 3,870.00	\$ 3,960.00	\$ 3,870.00	\$ 3,780.00	\$ 4,860.00	\$ 5,130.00	\$ 5,400.00	\$ 48,420.00
Price for a workshop per person						\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	
Number of workshop per week						1	2	2	1	2	2	2	12
People join workshop						10	10	10	10	10	10	10	
Revenue workshop per month						\$ 1,600.00	\$ 3,200.00	\$ 3,200.00	\$ 1,600.00	\$ 3,200.00	\$ 3,200.00	\$ 1,600.00	\$17,600.00
													<b>Total sales</b> \$66,020.00

With the result from market research, La Patatina estimates its sales from the opening could be approximately 40 to 45 slices daily, special holiday sales could increase up to 55 to 60 due to high demands of sweet treat as gift to family and friends. With the average price of \$3.00 per slice, La Patatina expects to earn \$48,420 for the first category; cakes. From the sixth month of operating, La Patatina introduces its service to customers which is baking workshop, each workshop contains 10 people and each person cost \$40 participation fee. Per La Patatina's plan, workshop is prepared once or two a week, depending on occasion. In results, La Patatina will organize around 12 workshops for the first year. Thus, the revenues for workshop is \$17,600 for the first year. In total, La Patatina expectedly receives \$66,020 in sales for the first year.

Table 6. Sales forecast of La Patatina in the second year

<b>SALES OF THE SECOND YEAR</b>													
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
Price of a slice	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	
Number slice sold per day	50	60	55	57	65	67	69	69	65	80	76	82	
Revenue per day	\$ 150.00	\$ 180.00	\$ 165.00	\$ 171.00	\$ 195.00	\$ 201.00	\$ 207.00	\$ 207.00	\$ 195.00	\$ 240.00	\$ 228.00	\$ 246.00	
Revenue products per month	\$ 4,500.00	\$ 5,400.00	\$ 4,950.00	\$ 5,130.00	\$ 5,850.00	\$ 6,030.00	\$ 6,210.00	\$ 6,210.00	\$ 5,850.00	\$ 7,200.00	\$ 6,840.00	\$ 7,380.00	\$ 71,550.00
Price for a workshop per person	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	
Number of workshop per week	2	2	2	2	3	3	3	3	1	2	2	2	27
People join workshop	10	10	10	10	10	10	10	10	10	10	10	10	
Revenue workshop per month	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00	\$ 4,800.00	\$ 4,800.00	\$ 4,800.00	\$ 4,800.00	\$ 1,600.00	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00	\$ 43,200.00
													<b>Total</b>
													<b>\$114,750.00</b>



Same as the first year, sales of La Patatina bakery in the second year also includes two categories; cakes and baking lessons. However, the demands of cakes are slightly higher than the first year since La Patatina is more familiar to locals. Products are sold 5 to 10 slices higher than the previous year daily and up to 20 slices higher during festive season. La Patatina assumes to reach the peak of 80 slices per day in Christmas holiday. La Patatina also focuses on improving workshop quality and quantity, workshop is planned to open three times per week during summer holiday when locals are having much spare time. On the other hand, it is normally opened once or twice a week. In results, sales revenues of the second year is nearly doubled by the first year; \$114,750.

Table 7. Sales forecast of La Patatina in the third year

<b>SALES OF THE THIRD YEAR</b>														
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total	
Price of a slice	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00		
Number slice sold per day	70	80	58	60	75	80	79	80	65	87	81	91		
Revenue per day	\$ 210.00	\$ 240.00	\$ 174.00	\$ 180.00	\$ 225.00	\$ 240.00	\$ 237.00	\$ 240.00	\$ 195.00	\$ 261.00	\$ 243.00	\$ 273.00		
Revenue products per month	\$ 6,300.00	\$ 7,200.00	\$ 5,220.00	\$ 5,400.00	\$ 6,750.00	\$ 7,200.00	\$ 7,110.00	\$ 7,200.00	\$ 5,850.00	\$ 7,830.00	\$ 7,290.00	\$ 8,190.00	\$ 81,540.00	
Price for a workshop per person	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00	\$ 40.00		
Number of workshop per week	2	3	2	2	3	3	3	3	2	2	2	2	29	
People join workshop	10	10	10	10	10	10	10	10	10	10	10	10		
Revenue workshop per month	\$ 3,200.00	\$ 4,800.00	\$ 3,200.00	\$ 3,200.00	\$ 4,800.00	\$ 4,800.00	\$ 4,800.00	\$ 4,800.00	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00	\$ 3,200.00	\$ 46,400.00	
													<b>Total</b>	<b>\$127,940.00</b>

Generally, the third year's sales are steadily increasing; in no-festival season, daily purchases are about 55 to 60 slices. Then, 80 to 90 slices could be normally sold during holiday occasion. Workshop's revenues is just slightly higher than previous year which is also a good sign for La Patatina because it means that La Patatina has its loyal customers. Thus, third year's sales are estimated to be \$127,940.

In conclusion, La Patatina aims at being stable survivor in the market for the first three years. With the experience that La Patatina is going to have in these three-years, it will easily achieve higher goals for the future. By following this sales plan, La Patatina will accomplish its objectives.

### **7.3 COST OF GOODS SOLD**

Before heading to the Profitability Index, Cost of Goods Sold (COGS) table will ensure information of La Patatina's product cost. There are products and service within La Patatina operation, thus, there will be two COGS table that plainly explain its cost in preparing a cake or a workshop.

Table 8. Cost of an 8-inches cake

<b>COST OF AN 8 INCHES CAKE</b>	
<b>Direct Cost (USD)</b>	<b>\$</b>
Flour	\$0.45
Egg	\$0.55
Milk	\$0.05
Whipped cream	\$1.50
Additional flavor	\$0.05
<b>Total Direct Cost</b>	<b>\$2.60</b>
<b>Indirect Cost (per year)</b>	<b>\$</b>
Rent	\$21,600.00
Light and Heat	\$2,975.00
Water and Trash	\$3,600.00
Gas	\$780.00
Equipment depreciation	\$4,886.60
Labor	\$30,240.00
<b>Total Indirect cost (per year)</b>	<b>\$33,841.60</b>
<b>Total Indirect cost (per day)</b>	<b>\$92.72</b>
<b>Full Cost of an 8-inches Cake</b>	<b>\$16.13</b>

COGS table contains direct and indirect cost which is needed to prepare a completed 8-inches cake. Direct cost includes flour, eggs, milk, whipped cream and some flavor which are directly affecting on making a cake. In addition, indirect cost is such as; rent payment, light and heat, water and trash, gas, labor and equipment. This table display equipment depreciation of \$4,866.60 which means that La Patatina plans to use its equipment for 5 years, thus, its depreciation will be 20% so La Patatina is using \$4,866.60 of equipment each year. In results, COGS of an 8-inches cake is \$16.13.

Table 9. Cost of a baking workshop at La Patatina

<b>COST OF A WORKSHOP</b>	
<b>Direct Cost (USD)</b>	\$
Flour	\$4.50
Egg	\$5.50
Milk	\$0.50
Whipped cream	\$15.00
Additional flavor	\$0.50
<b>Total Direct Cost</b>	<b>\$26.00</b>
<b>Indirect Cost (per year)</b>	\$
Rent	\$21,600.00
Light and Heat	\$2,975.00
Water and Trash	\$3,600.00
Gas	\$780.00
Equipment depreciation	\$4,886.60
Labor	\$30,240.00
<b>Total Indirect cost (per year)</b>	<b>\$33,841.60</b>
<b>Total Indirect cost (per day)</b>	<b>\$92.72</b>
<b>Full Cost of a workshop for 10 people</b>	<b>\$60.77</b>

The second table in this chapter is about the cost of a baking workshop at La Patatina. A workshop is organized for 10 people that will take place about 3 hours. Thus, ingredients to make 10 cakes for 10 people will be \$26 which is workshop direct cost. For the indirect cost part, it is slight same as the previous table since it is things such as; rent payment, light and heat, gas, water and trash, equipment and labor. In total, it cost \$60.77 to prepare for a workshop at La Patatina.

#### **7.4 ESTIMATE PROFITABILITY INDEX**

By providing a clear profit and loss chart, La Patatina can undoubtedly understand its business position. Thus, La Patatina is able to offer the next required steps which will develop the business itself.

Table 10. Estimate Profitability Index

<b>Profit and Loss</b>			
	<b>YEAR 1</b>	<b>YEAR 2</b>	<b>YEAR 3</b>
<b>Sales</b>	\$66,020.00	\$114,750.00	\$127,940.00
Cost of Goods sold	\$5,974.73	\$9,392.01	\$10,595.79
Other	\$0.00	\$0.00	
<b>TOTAL COST OF SALES</b>	\$5,974.73	\$9,392.01	\$10,595.79
Gross Margin	\$60,045.27	\$105,357.99	\$117,344.21
Gross Margin %	91%	92%	92%
<b>Expense</b>			
Phone/Internet installation	\$20.00	\$0.00	\$0.00
Renovation of premises	\$3,500.00	\$0.00	\$0.00
Office supplies	\$500.00	\$0.00	\$0.00
Advertising & Marketing	\$600.00	\$300.00	\$300.00
Rent payment	\$21,600.00	\$21,600.00	\$21,600.00
Telephone & Internet	\$960.00	\$120.00	\$120.00
Gas	\$780.00	\$780.00	\$780.00
Electricity	\$2,975.00	\$3,525.00	\$3,850.00
Water & Trash	\$3,600.00	\$3,600.00	\$3,600.00
Payroll	\$30,240.00	\$51,687.00	\$58,836.00
Bank interest	\$11,008.39	\$10,863.54	\$10,863.54
Payroll taxes	\$2,313.36	\$3,954.06	\$4,500.95
Production equipment depreciation	\$4,886.60	\$4,886.60	\$4,886.60
<b>TOTAL EXPENSES</b>	\$82,983.35	\$101,316.20	\$109,337.10
<b>Net profit</b>	-\$22,938.07	\$4,041.80	\$8,007.11

According to the profitability table, La Patatina's sales is gradually increasing by years. Thus, its gross margins is in good condition; 91% and 92% in the first, second and third year respectively. However, due to high expenses, La Patatina seems to have quite small profit. For example, the first year of operating, La Patatina is indicated to be loss because expenses are much higher than revenues. Because of brand opening, La Patatina must invest quite much in renovation, advertising and marketing, and many more. Furthermore, monthly payments are also a big concern; gas, electricity, water and trash, rent, bank interest and so on. In results, net profit is about negative \$22,938.07 for the first year. To solve the problem of the first year, La Patatina is going to boost its sales goals higher than the previous year. In addition, operating expenses is also lower since there is less payment for renovation, installation, office supplies. Thus, the second year ends with positive

\$4,041.80 profit. With a positive development, third-year is smoothly rising with the year-end profit approximately \$8,007.11 which is almost double the previous year.

## **8 RESEARCH METHODOLOGY**

### **8.1 RESEARCH APPROACH**

La Patatina business plan is a development research which uses different kind of researches to reach the final goal. Quantitative research method is used to collect primary data supporting the research purpose of La Patatina business plan. Then, focus group method also has been used for gathering citizens' opinions which is also primary research method. Beside of primary research, La Patatina business plan is supported by secondary research as well throughout information from books, journals and reliable websites from internet.

### **8.2 IMPLEMENTATION OF RESEARCH METHODOLOGY**

This methodology has been used for collecting useful data purpose which supports the development research of operating a business in Sacramento, USA. During 2 first weeks of November 2017, surveys was prepared via Netigate website, the famous investigating webpage in Europe which provides tools for making online questionnaires, and handed out via internet; Facebooks, Netigate website. Besides, it was also printed out and given to Sacramento citizens in different ages. Thus, the survey has reached up to 72 replies.

On the other hand, interviews and focus group method have been used with few Sacramento people to have deeper opinion about bakery industry in this region.

Both methods have brought unexpected results to La Patatina business plan, especially, market research part.



## 9 RESULTS OF THE RESEARCH METHOD

All the statistic charts below represent the results of questionnaire methodology.

### 9.1 POTENTIAL CONSUMERS

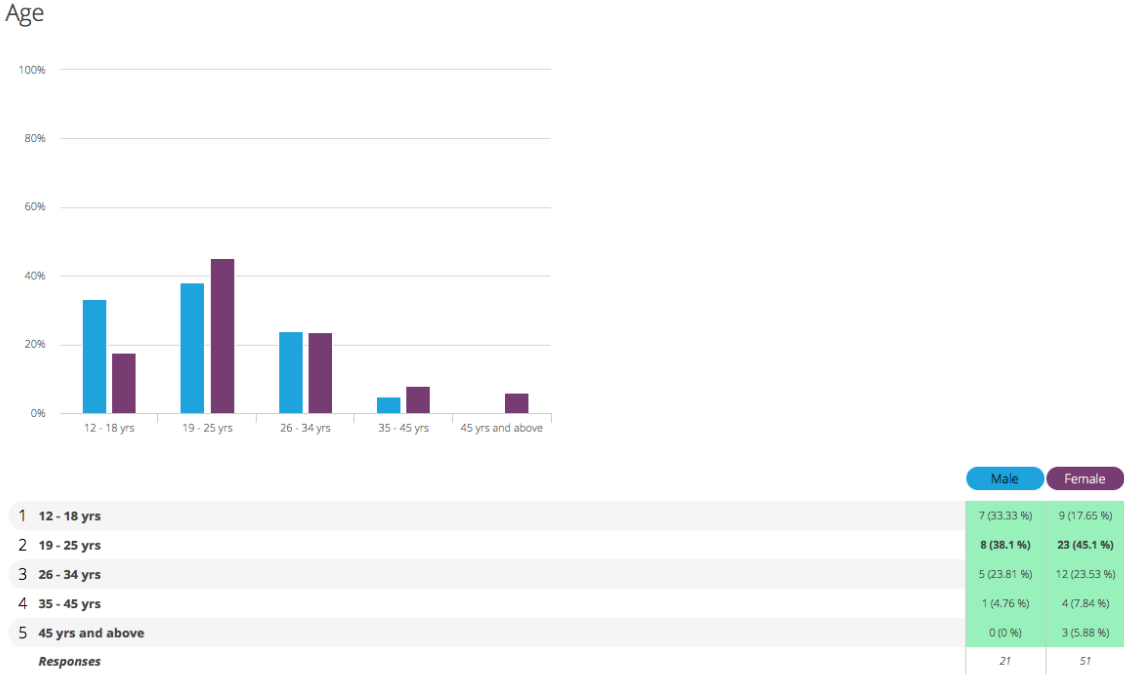


Figure 11. Potential consumers by characteristic

The first outcome of this survey has fallen onto potential type of customers for La Patatina bakery shop. It has shown that people from the age of 19 to 25 are interesting about desserts, especially women. There are 51 women out of 72 participants has shown their concerns this new bakery shop. In conclusion, this column chart gives La Patatina information about its potential customers who are probably female, and they are young.

## 9.2 CUSTOMER BUYING BEHAVIOR

Why would you visit a bakery mostly?

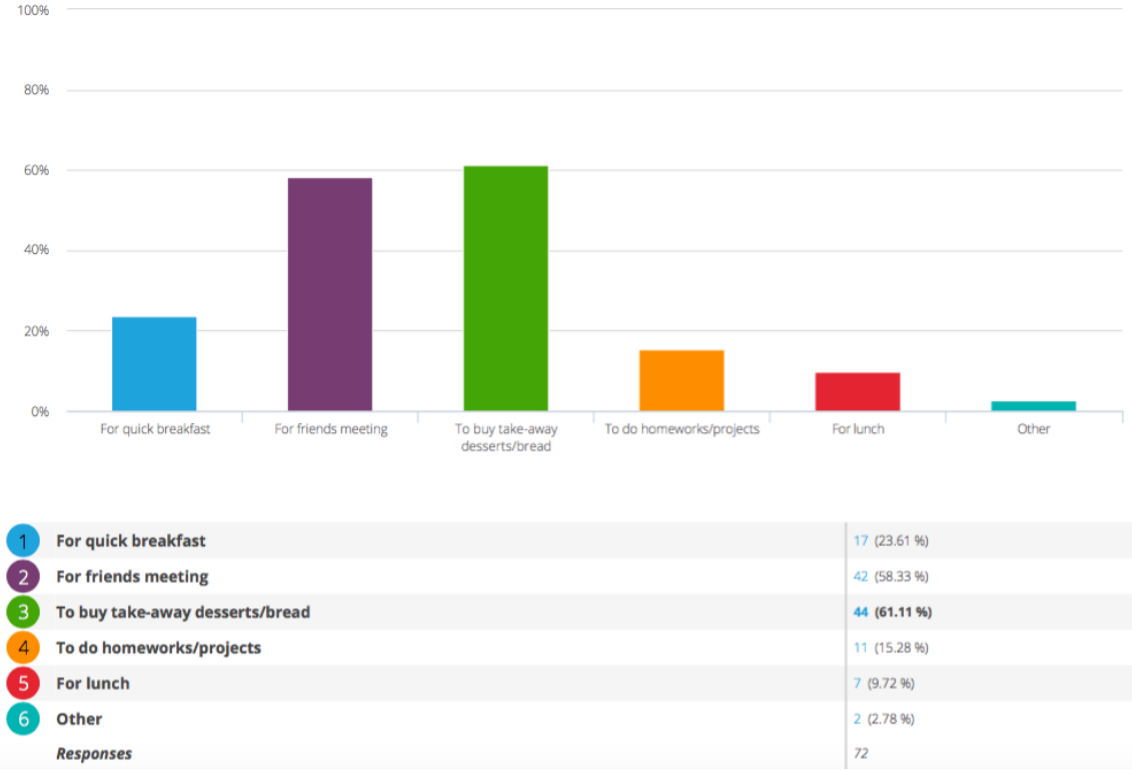


Figure 12. Patrons' buying habits

How important these criteria for you to buy treats?

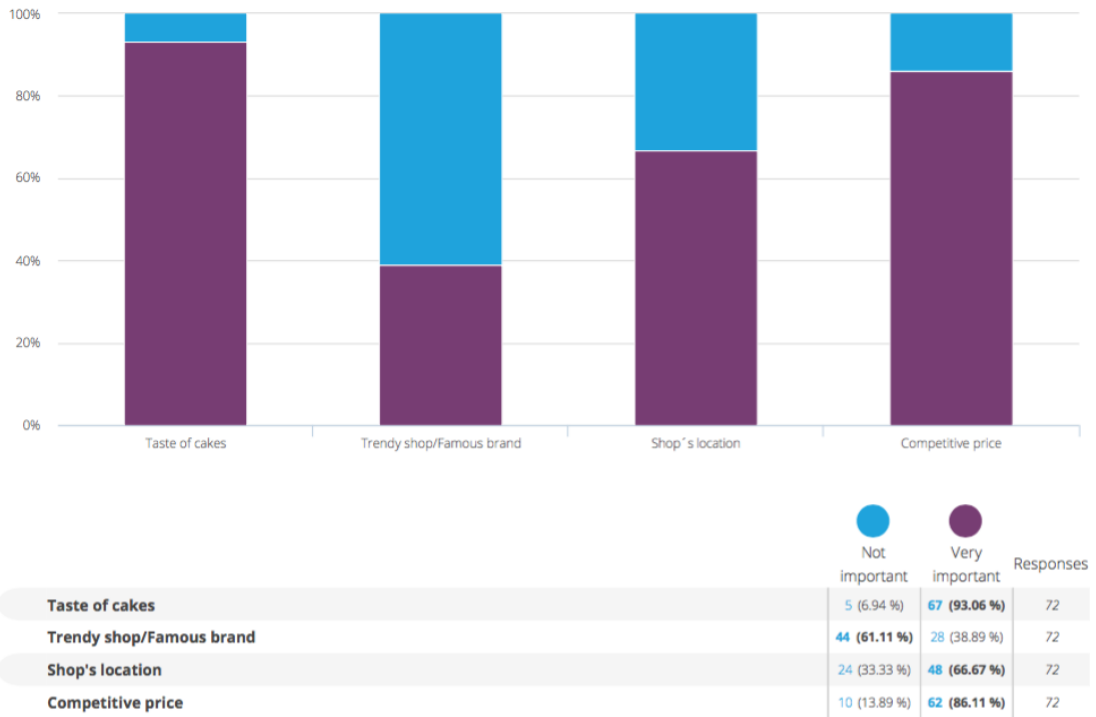


Figure 13. Patrons' buying behaviors

The second result that La Patatina has got is about customer behavior. The collected data reflects patrons' behavior in buying desserts; there are a lot of people would like to take-away sweets products instead of staying and enjoying that piece of treats. However, another group of contributors have a habit of staying at the bakery/coffee shop for a meeting. These two criteria help La Patatina to create good services to customers.

Additionally, this survey also provided a question to probe clients' opinions about the conditions of purchasing sweets. For example, they are serious about the taste of cakes and its affordable price. Then, shop location is also vital since they have to park their car before having any treats. In contrast, famous brand seems to be less critical in this term.

### 9.3 DESSERT PRICE

How much would you pay for a slice of cake/cupcake?

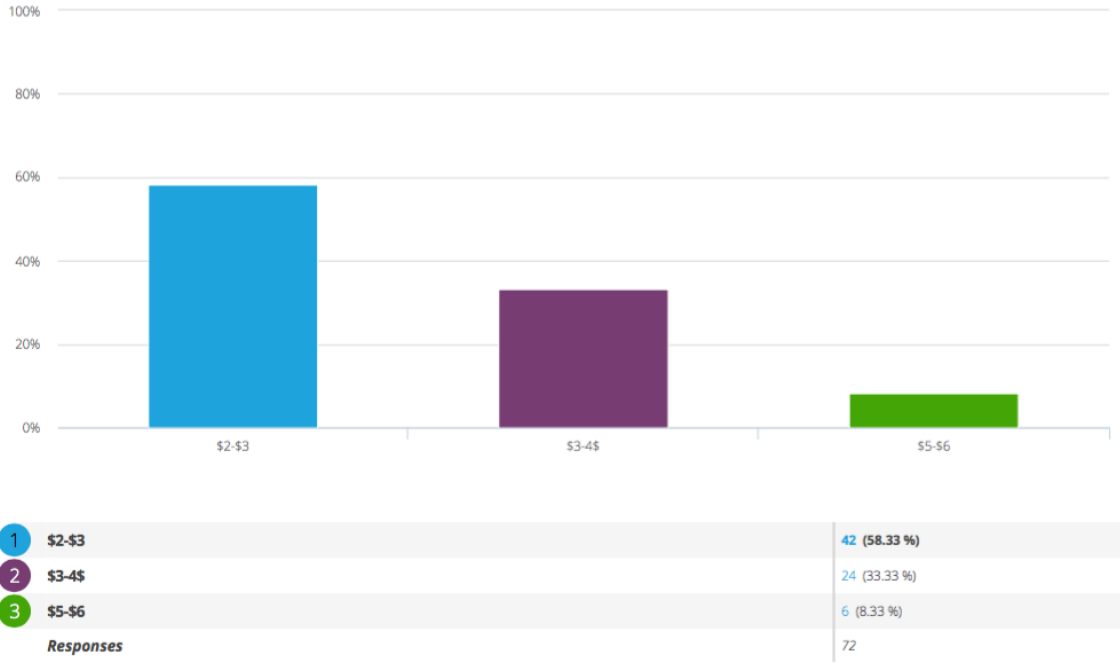


Figure 14. Average price of sweets from customer’s evaluation

This statistic graph reveals the average amount for a slice of cakes according to patrons’ point of view. It shows that nearly 60% of participants who are interested in desserts would like to pay a very competitive price, between \$2 and \$3.

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## **APPENDICES**

### APPENDIX 1. Questionnaires



**1. Bakery survey**

This is a survey to research customer's sweet desires.

**Gender**

- Male  
 Female

**Age**

- 12 - 18 yrs  
 19 - 25 yrs  
 26 - 34 yrs  
 35 - 45 yrs  
 45 yrs and above

**Income level (per month)**

- More than \$4500  
 \$2000 - \$4500  
 Less than \$2000

**Do you love sweets?**

- Yes  
 No

**How often do you visit a bakery shop?**

- Once a week  
 Twice a week  
 More frequent than twice a week  
 Never because I don't like desserts  
 Other \_\_\_\_\_

**How much would you pay for a slice of cake/cupcake?**

- \$2-\$3  
 \$3-\$4  
 \$5-\$6

**Which beverages would you like to sip with treats?**

- Hot flavored tea  
 Coke  
 Coffee  
 Your opinion \_\_\_\_\_

**Which is your favorite bakery in Sacramento?**

- 85C Bakery  
 Freeport Bakery  
 Cake Castle Bakery  
 Pahobora Japanese Bakery  
 Other \_\_\_\_\_

**Why would you visit a bakery mostly?**

- For quick breakfast  
 For friends meeting  
 To buy take-away desserts/bread  
 To do homeworks/projects  
 For lunch  
 Other \_\_\_\_\_

**How important these criteria for you to buy treats?**

	Not important	Very important
Taste of cakes	<input type="checkbox"/>	<input type="checkbox"/>
Trendy shop/Famous brand	<input type="checkbox"/>	<input type="checkbox"/>
Shop's location	<input type="checkbox"/>	<input type="checkbox"/>
Competitive price	<input type="checkbox"/>	<input type="checkbox"/>