

1.0 Executive Summary

The Haley House will establish a Bakery Café in Dudley Square, creating a successful business that enables us to fulfill our underlying mission: to nourish our neighborhood with wholesome food and promote economic independence through job training in the culinary arts.

For the last nine years Haley House has operated a successful bakery job training program in the off hours of our soup kitchen in Boston's South End, a neighborhood adjacent to Roxbury's Dudley Square. Through our job-training program, men and women with significant barriers to employment develop job skills in the culinary field. Establishing the Bakery Café in Dudley Square will enable us to expand our effective training model and make it sustainable.

A diverse, lower income neighborhood in the heart of inner-city Boston, Dudley Square has been only able to attract "cheap eat" restaurants to open in its commercial center in the past. Healthy food options are a significant unmet need for the people who live and work there.

The Bakery Café will be located in a newly renovated 2000 square foot café and bakery production space in the heart of the Dudley commercial district. We will offer fresh, healthy food options to the people who live and work in the Dudley neighborhood. In addition to retail sales, we will sell quality baked goods wholesale to coffee shops, cafés, restaurants and specialty convenience stores in metro-Boston. In the initial years of operations, sales from the Bakery Café retail operation will be the most significant source of revenue, while the wholesale portion of our business will aid in our long-term sustainability through an inherently scalable model.

The market opportunity in the Dudley Square neighborhood is compelling. This developing commercial district will drive Bakery Café retail revenues of \$180K in Year 1, \$289K in Year 2 and \$351K in Year 3. Wholesale demand for our quality baked goods will drive wholesale revenues of \$125,250 in Year 1; \$240,250 in Year 2; and \$298,500 in Year 3. Income from the Bakery business will support the training program, enabling us to build a sustainable model program teaching job skills to ten low-income men and women a year.

The Haley House Bakery Café will set itself apart by offering delicious, healthy food made from scratch. Targeted marketing with people who work and live in Dudley Square will attract customers for lunch and coffee and baked goods at the Bakery Café. Our wholesale baked goods will offer great taste and superior nutrition. Direct one-to-one marketing to coffee shops, cafés, restaurants and specialty convenience stores will attract wholesale customers.

With an understanding the difficulties in establishing a new business, we plan to become cash flow positive on a monthly basis in month 18. Our financial plan is conservative with a focus on cash flow, diverse revenue streams, and prudence in considering risk.

The team that will make this vision a reality includes a repeatedly successful Chef/Entrepreneur, a Bakery Director whose management of the Bakery for the last two years has prepared us for this next phase, and several professional bakers who serve as Baker-Trainers.

2.0 Description of the Business

Bakery Cafe

On May 9, 2005 the Haley House Bakery Café will open its doors in Dudley Square, Roxbury. From maple scones to robust slaws, jerk chicken to sweet potato biscuits, as well as soups, sandwiches, and muffins, everything we serve will be made from scratch with nutritious and delicious ingredients.

Awareness of the health impact of food is growing in the diverse Dudley Square community. A vibrant but struggling commercial center in the heart of inner city Boston, Dudley Square has several take-out “cheap eats”, but no place offering fresh, healthy options. Our conversations with employees and residents show that they want an alternative. ***Our goal is to offer a wholesome, delicious menu at affordable prices to the people who live and work in Dudley Square.***

Our Bakery Café will be located in the heart of Dudley Square. The 2,000 square foot space includes a state-of-the-art kitchen with production space and equipment to prepare a wide range of fresh baked goods and wholesome foods, all made from scratch. The kitchen opens out into a café with 28 seats facing Washington Street, one of the main streets in the Square. The Bakery Café will be open Monday through Saturday 7:00 AM and 4:00 PM, and all our offerings will be available to eat-in or take-out.

Executive Chef Emmons will use a wide variety of fresh vegetables, herbs, and whole grains to craft healthful and creative yet simple food. She has developed a menu based on the neighborhood’s desires, drawing on dozens of her already well-tested recipes. She will also offer a range of products for people with specific health needs, including heart-healthy, non-dairy, low-fat, and sugar free items. All our options will be offered at a rate competitive to prices in the neighborhood.

Wholesale

To balance the risk inherent in a single revenue stream from a retail location, ***our goal is to grow our wholesale business selling quality baked goods to establishments in metro-Boston.*** We will continue to deliver our popular line of fresh baked goods to coffee shops, convenience stores and restaurants. We will also be adding a new and unique healthy product line that includes dairy-free muffins, vegan coffeecakes, and other delicious baked goods with superior nutritional value.

Job Training

In operating the Bakery Café, ***our goal is grow our training program teaching baking and job skills to underemployed men and women.*** For the last nine years, the Haley House has operated a successful bakery training program out of our soup kitchen facility in Boston’s South End.¹

¹ We have graduated 38 adults from our training program. All have come from low-income backgrounds, many have experienced homelessness, and about 19% have been incarcerated. After graduating, 85% went on to full or part-time jobs.

We envision the Bakery as a model business, enabling us to fulfill *our mission: to nourish the neighborhood by providing wholesome food and training in the culinary arts.*

History:

The Haley House's decision to open a Bakery Café in Dudley Square is based on our extensive experience using social enterprise for community development. The Haley House founded the Bakery nine years ago as one of three community development initiatives.² After thirty years of offering meals to the homeless in Boston's South End, we understood that many of our regular guests were interested in economic empowerment.

We began teaching baking skills to homeless men in our soup kitchen after meal hours. A full-fledged training curriculum was built from these modest beginnings. We recruited trainees from re-entry and transitional programs throughout Boston that supported people's moves toward self-sufficiency.

Haley House grew the business into a full-fledged bakery business. We sold our baked goods from a retail shop at the front of our soup kitchen. We also developed wholesale sales, delivering our fresh baked goods to local coffee shops and restaurants. In 2004, we generated more than \$108,000 from retail and wholesale sales.

While the Bakery's development has been significant, it has been limited by the constraints of sharing kitchen and refrigeration space with the Haley House's other activities. Within the Haley House, we've had the opportunity to develop our training program, hone our operational skills, and grow our business. *After nine years of steady growth, we are ready to move the Bakery to a stand-alone facility.*

By moving to Roxbury and opening a Bakery Café, we link our mission of individual economic empowerment with the economic empowerment of the community. For years, we have been meeting with Dudley Square residents, employees, merchants, and local organizations such as Dudley Main Streets and Dudley Pride. We have been emphatically told that our sustainable approach to food and community would be a perfect fit for the developing neighborhood. *We see ourselves as partners in the revitalization of Dudley Square.*

Management

To create and deliver on the promise of our offerings, we are relying on the talent of Didi Emmons, our Executive Chef. Chef Emmons is a renowned chef and restaurant entrepreneur with 20 years of restaurant experience, with 10 of those spent running restaurants in the Boston area. She will draw on the culinary traditions of the various cultures of Dudley Square to prepare delightful food that is honestly good. She will bring her expertise in streamlining operations to make good food affordable.

Bakery Director Christian Willauer is responsible for growing the business and administering the job-training program. Christian has a Masters degree in City Planning from the Massachusetts

² The other two economic development activities are: affordable housing and What's Up Magazine. Since 1979 we have developed 102 units of affordable housing in the South End. What's Up, a magazine linking entertainment and issues of social justice sold by homeless and low-income vendors, has a circulation of 5,000.

Institute of Technology, with a concentration in community economic development. She has been managing the Bakery for the last two and a half years, growing sales by 25% and the bottom line by 27%.

Objectives:

We will meet the following target annual revenue goals for retail sales in our Bakery Café: Year 1: \$180,750; Year 2: \$289,031; and Year 3: \$351,656.

We will meet the following target revenue goals for wholesale sales: Year 1: \$125,250; Year 2: \$240,250; and year three, \$298,500.

In our training program, in Year 1 we will train eight people, and in Years 2 and 3 we will train 10 people. We will place 90% of them in full or part-time jobs.

Conclusion:

We have been preparing for this venture for nine years. Professional staff and local relationships are in place. We have extensive contacts in the media. Our food preparation, accounting, training and job placement procedures are on a firm footing. We have excellent relationships with distributors and equipment repair companies. Wholesale customers throughout Boston trust the quality of our products, and we have wide community support in Dudley Square.

3.0 Industry Analysis

We have considered overall trends in two segments of the foodservice industry: restaurants and baked goods.

Restaurant Industry

Nine hundred thousand restaurants in the U.S. generate annual revenues of \$476 billion. Over 70% of these establishments are independently run, single-unit operations. Over 70% employ fewer than 20 employees.³

Growth of the U.S. restaurant industry, both locally and nationwide, has been quite positive over recent years. The year 2004 marked the 13th consecutive year of real sales growth for the restaurant industry in the U.S. In particular, the quick-service segment of the U.S. restaurant industry grew at 3.5% CAGR between 2001 and 2004.

In Massachusetts, there are 18,077 restaurants generating \$11 billion in sales. Growth between 2003 and 2004 was 4.4%.⁴

Trends

Case studies suggest that the retail bakery café model – offering both baked goods as well as lunch and beverage options – has fared particularly well over the past several years.⁵ These

³ National Restaurant Association, 2005.

⁴ National Restaurant Association, 2005 Restaurant Industry Forecast

⁵ “Fresh Baked Goods”, BB&T Capital Markets, October 2003. Growth in 2002 was actually 6.1%.

restaurants offer consumers an alternative to fast food restaurants. For example, the bakery café chain Panera Bread, which complements its pastries and baked goods with a variety of salad, sandwich, and beverage options, grew from 533 locations in 2003 to 669 locations in 2004, a growth rate of 25.5%. It is planning an additional 145 store openings in 2005. Atlanta Bread Co. operates more than 150 bakery-cafes nationwide and has made plans to open 30 more throughout the state of New York.⁶

In response to consumer demands, the restaurant industry is also paying increasing attention to healthy eating. Restaurants ranging from Au Bon Pain to McDonald's to P.F. Chang's are introducing special menu items for consumers watching their calorie/carbohydrate/fat intake, publicizing nutritional information, as well as establishing other initiatives to assist consumers in living a healthy lifestyle.⁷

Baked Goods Industry

Players in the U.S. baked goods industry span everything from small independent specialty bakeries to national commercial bakeries that operate manufacturing plants. When *Modern Baking* conducted a survey of full-line retail bakeries in 2001, the industry was thriving. Respondents reported positive trends in annual sales, customer counts, cost stabilization, and pre-tax profits.⁸ In more recent years, sales of baked goods have slowed. Much in part to the recent low-carb revolution, the growth of the overall U.S. \$17 billion baked goods industry slowed to only 1.7% in 2003. 63% of all retail bakeries also sell wholesale.⁹

Trends

In search of new growth, major baked goods companies are now looking for successful new product concepts. Executives from major brands of baked goods, including Sara Lee, Interstate Bakeries, and Kraft, believe the answer lies in addressing the growing health-consciousness of the U.S. population. Roger Deromedi, CEO of Kraft said in 2004, "We face rapidly changing consumer needs...the growing importance of health and wellness has altered buying patterns to a degree I have not seen before in the food industry. Low-carb diets like Atkins and South Beach, the focus on trans fats, concerns about obesity, and increased demand for natural and organic products are requiring a shift in how we market and what we market."¹⁰ Throughout the baking industry, there are widespread initiatives for developing healthier options, in order to stimulate growth going forward.

4.0 Market Analysis

A. Retail Market

The Haley House Bakery will be located in Dudley Square in Roxbury, a vibrant but struggling inner-city commercial district in Boston, Massachusetts. Dudley Square lies at the center of a

⁶ BakingBusiness.com, December 2003.

⁷ National Restaurant Association, 2005.

⁸ *Modern Baking*, June 2001.

⁹ *Modern Baking*, June 2001.

¹⁰ "Moving Forward" by Meyer Sosland, *Milling and Baking News*, April 13, 2004.

culturally diverse, economically mixed, primarily low-income neighborhood that has undergone a period of steady growth over the past 20 years due to community activism, private investment, and increasing involvement by non-profit organizations and government agencies.

Description

Selling lunch, coffee, and baked goods to people who live and work in the Dudley Square area will drive the Haley House Bakery Café's retail business:

- **People who work in Dudley Square**
 - There are a total of **8,900 people who work within 0.5 mile of Dudley Square**, including approximately 4,500 full-time employees working within Dudley Square, and an additional 4,400 employees working outside the Square but within a 0.5-mile radius.¹¹
 - Overall, 38% of Dudley Square commercial space is home to non-profit organizations and social service agencies, churches, and government offices, including the headquarters of Morgan Memorial Goodwill Industries. In all, there are **22 social services organizations and 11 government offices in Dudley Square**, including a courthouse, police station, post office, and public library.¹²
 - An additional 30% of 189 total establishments are devoted to retail and services. Such businesses include **three banks, several law firms, and a newly opened fitness center**.
 - In Dudley Square, **a typical employee purchases lunch approximately ten times a month** on workdays, according to primary research by OKM Associates¹³. Additionally, employees are likely to purchase coffee/baked goods for breakfast or snack an average of 3.5 times per week.¹⁴

- **People who live in Dudley Square**
 - Approximately **11,000 people live within a 0.5-mile radius**, and an **additional 47,000 people live within between 0.5 and 1.0-mile** of Dudley Square.¹⁵
 - The Dudley neighborhood is highly diverse; 37% of residents are African American, 25% are Cape Verdean, and 29% are of Hispanic or Latin origin.¹⁶
 - According to Haley House primary research, **residents purchase lunch in the Dudley Square area 1-3 times per week**.¹⁷ Additionally, in an Abt Associates survey of Dudley Street residents, forty percent of respondents indicated that they would **frequent a café at least once a week** in the Dudley Street area for

¹¹ ESRI Business Information Solutions; Access Boston 2000-2010: Boston's Citywide Transportation Plan Document. Note that we do not have data for how many people both live and work in Dudley Square; thus summing these figures may result in some double counting.

¹² "Dudley Square Retail Market Analysis", OKM Associates, July 2003.

¹³ "Dudley Square Retail Market Analysis", OKM Associates, July 2003. This figure was also confirmed by Haley House primary research.

¹⁴ The Haley House Bakery Café administered surveys and conducted one-on-one interviews with 42 Dudley Square residents and employees from August-November 2004. Ten percent of employees interviewed responded that they would visit once per week; 30% responded that they would visit 2-3 times per week, and 60% responded that they would visit 4-5 times per week.

¹⁵ Dudley Square Retail Market Analysis, OKM Associates, July 2003.

¹⁶ Building on Success, 1984-2002, Dudley Street Neighborhood Initiative, 2002.

¹⁷ Haley House Interviews, 2004.

coffee and snacks, if one were available. An additional 20% indicated that they would visit every 2-4 weeks.¹⁸

Retail Market Size

Based on our primary and secondary research, we make a set of assumptions: on average, employees purchase lunch in the Dudley area ten times a month (2.5 times a week) and residents purchase lunch in the Dudley area once a month (0.25 times a week). We also make the assumption that, on average, employees purchase breakfast or have a coffee break in the Dudley area once a week and residents purchase breakfast or a snack in the Dudley area twice a month (0.5 times a week).¹⁹

According to our calculations, *36,750 lunches are purchased in Dudley Square per week*. In addition, *37,900 breakfast and snack purchases are made in Dudley per week*.

Table: Total Retail Market Size

	Number of People	Number of Lunch Purchases (per person per week)	Number of Coffee/ Baked Goods Purchases (per person per week)	Total Lunch Purchases/wk	Total Coffee/Baked Goods Purchases/wk
Employees Market					
Primary Market	4,500	2.5	1	11,250	4,500
Secondary Market	4,400	2.5	1	11,000	4,400
Total Employee Market	8,900			22,250	8,900
Residents					
Core Market	11,000	0.25	0.5	2,750	5,500
Secondary Market	47,000	0.25	0.5	11,750	23,500
Total Resident Market	58,000			14,500	29,000
Total Market	66,900			36,750	37,900

Potential Future Growth in the Retail Market

Dudley Square is an area that is experiencing continuing positive economic and social transformation.

¹⁸ DSNI Resident Survey, Abt Associates, August 2000.

¹⁹ We have made our estimates conservative for the most part.

In 1992, there were 425 businesses in the broader Dudley Street neighborhood area. This number grew to 643 in 1999.²⁰ The Jubilee Christian Church has broken ground on a \$9.2 million project to build the three-story Warren-Palmer Building, the first office project built by a private developer in Roxbury's Dudley Square in 40 years.²¹

Aside from private investment in the area, Dudley Square has also received strong governmental support. The Square and its surroundings is a federally designated Empowerment Zone. The Warren-Palmer project will be utilizing \$4 million in federal funds.²² On December 14, 2004, Boston's Mayor Menino announced his administration's plans to take the Ferdinand Building in Dudley Square by eminent domain, renovate it, and move all employees of the Boston Housing Authority to offices there.²³ Dudley Square is also a focus area for the Boston's Main Streets program.

A number of nonprofit organizations are contributing to the revitalization of Dudley Square. In January 2005, Nuestra Comunidad, a community development corporation, celebrated its restoration of the Dartmouth Hotel, an affordable housing development with ground-floor retail. In April 2005 the Madison Park Development Corporation completed its restoration of Hibernian Hall, which will serve as the Roxbury Center for the Arts. Additionally, Central Boston Elder Services Inc. will soon move to a new \$9.5 million building in Dudley Square; and the Gordon-Conwell Theological Seminary is planning to move its Boston campus to there.²⁴

Continued growth of this nature will bring more employees and visitors to Dudley Square, increasing the size of the market for fresh, healthy food and baked goods.

Competition

In this section, we explore the competition that the Haley House Bakery Café faces in the lunch and the coffee and baked goods market. The Haley House Bakery Café's retail market competitors in Dudley Square are existing lunch spots as well as places that offer takeaway coffee and baked goods. Some employees also choose to bring their own lunch.²⁵

Cheap Eats

In total, there are 4 Chinese take-out restaurants and 6 sub/pizza shops in Dudley Square. Dunkin Donuts also offers bagels, which may occasionally serve as a lunchtime option. In addition, there are two ethnic eateries, which are less frequented for lunch.

Convenience Stores

The local convenience store has a few pre-made sandwiches for sale.

Upscale Eateries Outside Dudley Square

²⁰ Building on Success, 1984-2002, DSNI.

²¹ "Putting their Faith in Dudley Square", by Chris Reidy, Boston Globe, March 30, 2005.

²² "Putting their Faith in Dudley Square", by Chris Reidy, Boston Globe, March 30, 2005.

²³ "Doing it Right in Dudley", *Boston Globe*, December 14, 2004.

²⁴ "Putting their Faith in Dudley Square", by Chris Reidy, Boston Globe, March 30, 2005.

²⁵ Please note that our market calculations in the previous section covered only lunch *purchases* in the Dudley area. Thus, should people who bring their own lunch begin to purchase more – this would result in growth in the total market, rather than in market share.

Ten percent of those interviewed by Haley House noted that they might occasionally (once a week) travel up to 3 miles outside Dudley Square to pick up lunch.²⁶ When they do venture away from Dudley Square, they usually seek out a natural foods grocer (Whole Foods Market) or a bakery café for soups, salads, and “nicer” sandwiches (Flour Bakery & Café in the South End and Centre Street Café in Jamaica Plain).

Cafes and Coffee shops

Our survey of existing Dudley Square businesses found no coffee shops, no cafes, and no establishments that offer fresh baked bakery products. The only store that somewhat fits this description is Dunkin Donuts. The Silver Slipper, a small restaurant in the Square, has a few seats and offers coffee but no fresh baked goods. The closest establishment with an in-store bakery is 3.5 miles away in Mattapan (Lenny’s Tropical Bakery). According to research by Abt Associates, over half of Dudley area residents (54.4%) visit their nearest supermarket at South Bay Center (1.5 miles away) for fresh baked goods.²⁷

Table: Competition in the Lunch and Coffee/Baked Goods Market

	Cheap Eats: Arizona BBQ	Cheap Eats: Suki Yummy	Fast Food: Dunkin’ Donuts	High End, Outside Dudley Square: Flour Bakery & Café
Location	Dudley Square	Dudley Square	Dudley Square	South End (1 mile from Dudley Square)
Type of Cuisine	Hot and cold subs, pizza	Chinese lunch specials	Coffee and donuts, bagels	Sandwiches, quiche, salads
Avg. Price for Lunch	\$4.00-6.00	\$4.00	\$3.00	\$6.00-\$8.00
Primary Lunchtime Clientele	Dudley Square employees	Dudley Square employees	Dudley Square employees, visitors, and residents	South End residents, medical community
Seating	None	None	None	~12 people
Perception of Quality	Medium	Medium-low	Low	High
Coffee & Dessert	No	No	Yes	Yes

Competitive Advantages

Based on our primary and secondary research in the retail market: we found the following unmet needs, which we hope to channel into opportunities for the Bakery Café:

²⁶ Haley House interviews, 2004.

²⁷ DSNI Resident Survey, Abt Associates, August 2000.

- **high quality, fresh, healthy food**
- **served in a comfortable, attractive atmosphere with seating**
- **at a convenient location in Dudley Square**

Unmet Need: Fresh, Healthy Food

The most common complaint regarding lunch in Dudley Square is that there are too few options. Local establishments such as Arizona BBQ and Suki Yummy do not offer much variety beyond pizza/subs and Chinese. Respondents noted that there are currently no salad and soup options in Dudley Square, and that the sandwich offerings are dull at best. “We’re stuck with sub shops around here. I just want a wrap, or a fresh sandwich on some nice bread.” “The people here are dying for some salad that’s not just a bunch of iceberg lettuce.” Those looking for healthier lunch choices in Dudley Square are also at a loss. According to one respondent, “There is just too much grease, and too much white bread.”

Lack of good options causes a number of people to choose to bring lunch from home. Among those we interviewed who primarily bring their own lunches, all said that they would be willing to eat out more if there were more options available, including soups and salads and vegetarian options.

Competitive Advantage: The Haley House Bakery will **offer fresh, healthy, delicious food**. We will change a third of our menu items on a weekly basis, including soups, salads, and rice dishes to offer continuous new options for repeat customers.

Unmet Need: Sit-down meals in an attractive atmosphere

The majority of respondents in our interviews prefer to eat in the restaurant for lunch and complain that there are no places to sit and eat a good meal in Dudley Square. The one sit down restaurant, the Silver Slipper, is a small place and does not offer food that people perceive to be healthy. They also commented on the overall lack of ambiance among the Dudley Square establishments: “They’re all the same. There’s no atmosphere at all,” said one interviewee.

Competitive Advantage: The Haley House Bakery will offer **seating for up to 28 patrons** at a time in **a pleasant and inviting atmosphere**.

Unmet Need: Good Options in the Square

People can’t find good food for lunch in the Dudley Square area. “We’ve already had everything in the area 50 million times,” said one respondent. “Sometimes we will troop to the South End or Jamaica Plain just to find some healthy good food, or some soup.” OKM Associates estimates an overall leakage of 24% for the “eating and drinking places” within a 1-mile radius of Dudley Square.²⁸

In addition, there is no bakery in Dudley Square. Of all the residents living in the Dudley area, only 3.4% purchase their bakery products from Dudley Square itself. When asked why they do

²⁸ “Dudley Square Retail Market Analysis”, OKM Associates, July 2003. This is a rough estimate of how much of the local demand is lost to other areas, based on the total expenditures of people in the area and the total sales of the businesses in that same area.

not shop more often locally, 26% of respondents indicated that there are simply no places in the area that offer what they need.²⁹

Competitive Advantage: The Haley House Bakery Café's will be **centrally located in the heart of Dudley Square**, competing favorably with restaurants and bakeries outside of Dudley Square on the basis of proximity and convenience.

B. Wholesale Market

Our primary and secondary research suggests that there is significant opportunity in the market for wholesale baked goods. Our wholesale sales to **independent specialty food shops/convenience stores, coffee shops and cafés, and restaurants in metro-Boston** have seen steady growth. In the last two years, we have **grown from three wholesale customers to twelve** and **doubled our annual wholesale sales** from \$30,000 to \$60,000. We currently serve 10 wholesale customers with an average monthly account size of \$535.

Our current customers consistently categorize Haley House's products as 'premium'. Our primary target market for expanding our business are customers who demand fresh, wholesome, natural products based on quality.

Wholesale Market Size

The wholesale market for baked goods is large. In the spring of 2004, we assembled a list of 80 independent convenience/specialty food stores, 35 cafés, and 70 coffee shops within a 5-mile radius of Dudley Square. We have identified an additional 40 cafés located between 5 and twenty miles from our new location.

Competition

Several other bakeries in the Boston area currently sell wholesale baked goods, including Buns of Boston/Carberry's, Iggy's and Nashoba Brook. Based on feedback from our customers, many of whom order or used to order from these vendors, Haley House offers comparable, and often better, quality baked goods. Significant recent consolidation in the industry has reduced the number of baked goods vendors, and, according to the perception of several existing and potential wholesale customers we talked with, driven down both the quality of baked goods and the level of customer service at the remaining bakeries offering wholesale baked goods.³⁰

Unmet Need: *Product Quality and Variety*

In the spring of 2005, we interviewed purchasers at 7 convenience/specialty stores and 7 cafés. Many of them said they were dissatisfied with their current wholesale options. We discovered a significant unmet need for high quality baked goods, made from natural ingredients, delivered fresh every day, with good customer service. "When I say we look for 'healthy' products, I mean that customers mostly want things that are free of chemicals and preservatives. Our customers not only look for good taste, but want to be reassured that it's good for the body – to the extent possible for a muffin, or cookie, of course!"

²⁹ DSNI Resident Survey, Abt Associates, August 2000.

³⁰ Buns of Boston, a major independent baker, recently merged with Carberry's, another bakery.

Additionally, we have identified significant interest in baked goods with superior nutritional value, including vegan products: “We don’t get enough vegan or natural options in our baked goods, so we are always willing to try new places.” Many cafes and specialty food stores are looking for a good variety of products to cater to various dietary needs of customers.

Competitive Advantage: The Haley House Bakery will offer our customers *delicious products made with careful attention to health and nutrition*, using natural, whole ingredients. We are also currently developing a number of products that appeal to people with special dietary preferences such as low fat and non-dairy.

The Haley House Bakery has a proven track record preparing and delivering top quality baked goods, on time and with quality customer service, to cafés, coffee shops, convenience stores and restaurants throughout metro-Boston. In the fall of 2004, we interviewed nine of our existing customers. 100 % said they liked our products, that they sold well, and that they would be increasing orders next year. All said that if we increased our product line, they would be interested in ordering new products. Many said that if we could deliver every day, they would order every day. One Haley House customer described us: “They’re terrific, they have the best value and the best product. We’ve been voted Best of Boston 2004. Haley House is the only vendor we use and they fulfill all of our needs, I’m very happy with them.”

The research with area cafes, convenience stores, and specialty food stores uncovered a growing niche market for Haley House’s natural, quality baked goods. We will be using a significant ratio of whole grains, and we will also use oat bran, wheat bran, wheat germ, and cooked brown rice, among other grains. Despite the low-carb diets, we have found a growing interest in whole grain baked goods from our purchasers. Most said they would try a sample and consider buying baked goods wholesale from us if they liked what we had to offer. This is an evolving market that is still underserved.

5.0 Marketing Plan

A. Retail

Revenue Objectives

In order to achieve our goal of a positive net income and positive net cash flow at the end of our first year of operations, we have established the following target annual revenues for our Bakery Café retail sales.³¹ Our wholesale objectives are reviewed later in this section.

Year 1: \$180,750

Year 2: \$289,031

Year 3: \$351,656

³¹ These figures do not include projected income from our annual Thanksgiving Pie sales, which we anticipate to be \$12,000 in Year 1 and \$14,000 in Years 2 and 3. Last year, we sold over \$11,000 worth of pies through a network of workplace sponsored pie drives all over the city.

We broke our total revenue objectives down into objectives for two day-parts: *lunch* and *baked goods and coffee*, and developed total weekly revenue targets: Year 1: \$3,615; Year 2: \$5,781; and Year 3: \$7,033.

Table: Retail Business: Projected Revenues (Years 1-3)

	Year 1	Year 2	Year 3
Annual Revenues			
Lunch ³²	\$122,850	\$201,656	\$255,656
Baked ³³ Goods/Coffee	\$57,900	\$87,375	\$96,000
Total	\$180,750	\$289,031	\$351,656
Weekly Revenues			
Lunch	\$2,457	\$4,033	\$5,113
Baked Goods/Coffee	\$1,158	\$1,748	\$1,920
Total	\$3,615	\$5,781	\$7,033

Customer Visit Objectives

Year 1

In order to achieve our projected revenues in Year 1, the Bakery Café will need to serve an average of **365 customers for lunch** and **385 customers for coffee/baked goods** each week.

Year 2

The Haley House Bakery Café will need an average of **600 lunch customers** and **580 coffee/baked goods customers** each week.

Year 3

The Haley House Bakery Café will need an average of **755 lunch customers** and **640 coffee/baked goods customers** each week.

³² We estimate an average expenditure of \$6.75 per meal for lunch: \$5.50 average price for food, plus \$1.25 for beverage. Please see the Marketing Section for detail on our pricing strategy.

³³ We estimate an average expenditure of \$3.00 per visit per customer for coffee and baked goods.

Table: Retail Market: Customer Visit Objectives (Per Week)

	Year 1		Year 2		Year 3	
	Number of Customers	Target Market Share	Number of Customers	Target Market Share	Number of Customers	Target Market Share
Lunch						
Primary Employees	285	3%	425	4%	440	4%
Secondary Employees	80	1%	125	1%	170	2%
Residents			50	0.2%	145	1%
Total	365		600		755	
Coffee/Baked Goods						
Primary Employees	300	7%	400	9%	410	9%
Secondary Employees	85	2%	140	3%	160	4%
Residents			40	0.1%	70	0.2%
Total	385		580		640	

Marketing Strategy

In order to hit our target numbers for customer visits, we have established the following strategy for our three retail customer segments: the primary employee market, the secondary employee market, and the residential market. We will target the three market segments according to the following timeframe:

- Year 1: Focus on primary and secondary employee market
- Years 2: Continue to attract employee customers. Initial efforts to attract residents.
- Year 3: Shift focus to residential market. Maintain employee customer base.

We are *targeting the employee market in the first year* in order to *establish a foundation for a sustainable business*. Our research leads us to believe that the employee market will be quicker to respond to the opening of the Bakery Café and become loyal, repeat customers. After building a stable customer base in the employees market, we will be able to dedicate greater efforts to bringing fresh, healthy food to the residents of the neighborhood.

Customer Profile

Our first customers will be primarily *office workers at non-profits, government agencies and private companies* located in and around Dudley Square. Our customers will represent *a wide range of ethnic, racial, and cultural backgrounds* because the non-profit and government agencies in Dudley Square reflect the diverse communities and neighborhoods they serve. The Dudley residential community is also highly diverse. Many of our customers will have grown up in families where food and culture are closely interrelated.

The majority of office workers fall into a mixed age range from their mid 30's to late 50's. Based on our research, they are *interested in their health and appreciate fresh food that is good for you*. They are looking for food options that offer both *variety and good taste*. "We are always

looking for something new that is better than what we have here now,” said one employee.³⁴ At the same time, they have limited time and need *quick service*.

Many will *appreciate the mission* of the Haley House Bakery Café. Dudley Square is a district founded on strong community values. According to Joyce Stanley, Dudley Square Director at Boston Main Streets: “The community will be receptive to you. The Haley House Bakery’s social mission is the reason why we recruited you in the first place.”

Product

Through our product offerings, the Haley House Bakery Café will connect with our customers and celebrate the diversity of people who live and work in Dudley Square. We will offer a *menu inspired by the cultural and historical traditions of the neighborhood*. Through extensive research and testing with those who live and work in the area, Executive Chef Didi Emmons will offer a great tasting, creative menu that thoughtfully incorporates elements of African-American, Caribbean, Cape Verdean, Haitian, and Mexican and Central American cuisines and appeals to the diverse palates of those who live and work in Dudley Square. Our opening menu is attached in the appendix.

Our menu will emphasize *healthy eating and healthy living*. Our food will be made from scratch using fresh vegetables, herbs, whole grains and little if any processed foods. Our products will have no preservatives, no trans-fats, and no GMOs. We will seek to use ingredients that support local sustainable agriculture, organic whenever possible. We will produce food that is high in nutrients and low in fat. We will be conscious of different health needs and offer specialty products including heart-healthy, non-dairy, low fat, and sugar free items. We will serve Fair Trade coffee and tea.

The menu will be based on a *core menu of consistent offerings*, augmented by *new menu items every week* for those who are always seeking something new and different. Staff will provide *friendly, welcoming and quick customer service*.

Pricing

Our overall pricing strategy will be based on competitive benchmarking. We will track our production costs consistently on a per item basis to ensure profitability.

Lunch

The average price for a take-out lunch in Dudley Square is \$4.00-6.00, with an additional \$1.00-1.50 for a drink. We will be offering food of higher quality than the offerings at other Dudley establishments, as determined by both objective and subjective measures. Thus we believe that our offering will be compelling if priced on parity with the upper end of our competition. Additionally, according to our primary research, Dudley Square employees have indicated that, for food of higher quality obtained outside of Dudley Square, they are willing to spend between \$6.00-9.00 for lunch.

The average price for a lunch entrée at the Haley House Bakery Cafe, for example, a soup and salad or a macaroni and cheese, will be around \$5.50. Drinks, including juices and natural sodas,

³⁴ Haley House interviews, 2004.

will be \$1.50. Sandwiches will range from \$5 for a Rod's Hot Tuna sandwich to \$6 for a chicken sandwich with chutney. Large entrée salads will be \$5. We are targeting an average lunch ticket of \$6.75.

Coffee and Baked Goods

Dunkin' Donuts, the one other source of coffee and baked goods in the Square, offers a 14 oz cup of coffee for \$1.80 and muffins for \$1.35. Our fair trade coffee from Equal Exchange will be competitively priced at \$2 for a 16 oz cup. We believe that the that we will be serving will be a better quality product in terms of taste and certain "intangible" measures such as social impact.

Given that there are no competitors for most fresh baked goods in the Square to provide a benchmark, we will price our bakery products at the low end of prices for fresh baked goods in the city of Boston: for example, \$1.25 for cookies and brownies, \$1.50-1.75 for giant breakfast muffins, and \$12 for freshly baked pies.

Affordable items and discounts

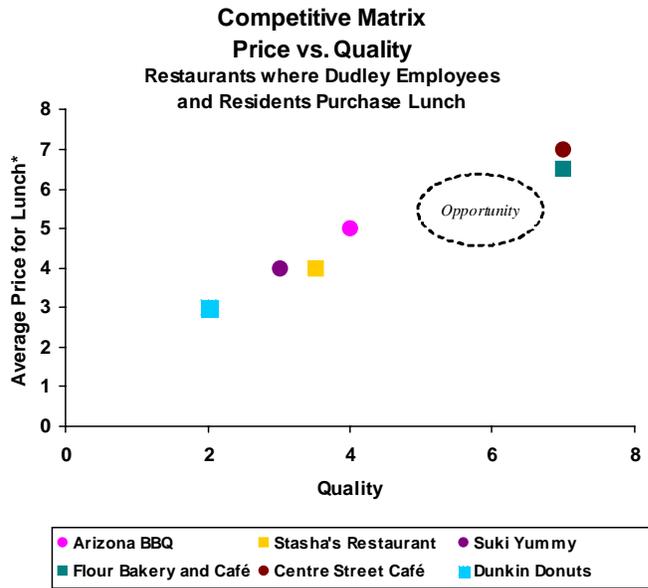
Our competitive pricing strategy will help make our high quality, healthy products accessible to local residents of the Dudley community. We will also be sure to offer a range of products at varying prices so that more people can find something they can afford

In addition, we will also offer indirect price discounts to those living in the area. Given that residents will be more likely to visit the Bakery Café on weekends, we will offer "special" brunch products on Saturday that will be priced more affordably, such as breakfast sandwiches for \$3.50.

In addition, the Haley House Bakery Café will offer anyone living in the neighborhood's 02119 zip code a "Haley House Zip Card". Any customer with a zip card will be able to take advantage of monthly Dudley Appreciation Days, when the Bakery Café will offer specials, such as a complimentary cup of the Bakery Café's lemonade with the purchase of lunch.

Positioning:

The Haley House Bakery Café will be the place to go in Dudley Square for ***fresh, healthy, delicious food at an affordable price, and sit down to enjoy it.***



Distribution:

The Haley House Bakery Café will sell our products from our retail location in the heart of Dudley Square. Most customers will be walk-in customers. Food will be available for eat-in or take out. The Bakery Café will have tables and chairs to accommodate approximately 28 eat-in customers at a time.

Promotion:

The Bakery Café will use the following promotion methods to communicate our compelling product and price positioning to the retail market.

Pre-Opening:

Prior to opening, we have sought to introduce people who live and work in Dudley Square to the Haley House mission and products and *create a buzz around the arrival of our Bakery Café.*

Executive Director Kathe McKenna has brought Haley House baked goods to Dudley Pride community meetings for the last three years. Haley House has participated in the popular Dudley Street Farmers Market sponsored by the Food Project for the past 4 years. In the summer of 2004, we participated in the Dudley Square National Night Out Event. We have also gained community exposure by catering events in Dudley Square, including the opening of Madison Park Development Corporation's Hibernian Hall and conferences held by Social Justice Educators, a Roxbury-based organization.

Through these efforts, we have already begun to build a following for our products. Research at our South End location has shown that there are customers who currently travel from Roxbury to the South End specifically to purchase our baked goods. A large banner announcing the arrival of the Bakery Café in 2005 has been hanging on the exterior of the store since summer 2004. The

most common question we are asked these days by people in Dudley Square is “When are you getting here?”

Year One

The Bakery Café expects to drive the majority of sales from the Primary and Secondary Employee markets in our first year of operations, as outlined in the Retail Market Analysis section.

Our goal is to ***reach 8700 of the 9700 employees*** (approximately 90%) in the primary and secondary employee markets ***through three channels in the first twelve months***.

1. Dudley Square Employees will hear about the Opening of the Haley House Bakery Café

The Bakery Café’s “***soft opening***” will be held on a weekday the first week after moving in. We will hold an opening party and invite people from key workplaces and community organizations for a free “preview” tasting of our products. We aim to ***invite 500 people at 15 companies and organizations*** to come to the Bakery Café, try free samples of our food, and take copies of our menus back to their workplaces to share with others. We will also be open to any feedback regarding our products at this time.

We will officially open for business after our “soft opening”, and will spend the next two months refining our products and process/operations. Then, we will hold our grand opening, which will be highly publicized and open to the general public. The Bakery Café will be open all day, with rotating product samples and coupon giveaways. People will have the opportunity to experience the space, the food, and bring our menus home to share with others.

In order to publicize this event, we will ***mail invitations to all of the businesses, offices, and organizations in Dudley Square*** that employ the 8,900 people working within 0.5 miles of the Bakery Café, along with copies of our menu. We will also ***invite Mayor Thomas Menino***, as well as other key city and community leaders, professional chefs and bakers, organic farmers, and restaurant/café owners, and all the other key partners and individuals who have supported us and helped us develop our business.

We will also pursue all media avenues for listing and announcing our opening event in local newsletters and papers. We will ***invite reporters*** to cover our opening from the local community paper, the *Bay State Banner*, as well as from metro-wide papers such as the *Boston Herald*, the *Boston Globe*, and the *Metro*. In addition, we are currently working with a filmmaker who would like to cover the opening in a ***documentary for WGBH***.

2. Dudley Square Employees will hear about the Bakery through word-of-mouth

We will undertake an intense direct one-to-one marketing strategy. Our ***Bakery Director will be responsible for talking with Dudley Square employees and distributing menus and other marketing materials***, including coupons and special offers. In the first six months we will target the 4800 workers in the Square; in the 2nd six months, we will focus on reaching the 4900 workers within ½ mile. We have a list compiled by the Dudley Main Streets organization of all

the names and addresses of workplaces in and around the Square; the Bakery Director will also build on our existing relationships with many Dudley area organizations.

We will seek to ***establish a core group of Bakery Café enthusiasts*** in the community who will educate their coworkers about the Bakery Café. We will build on the successful volunteer marketing model that we have developed to publicize our Thanksgiving Pie Drive at workplaces throughout Boston.

By highlighting our mission as well as our product offerings, we will recruit employees at Dudley workplaces to be “Café Coordinators”. We expect people to be interested in participating because they support the mission of the organization and like the food, but we will also offer them free lunch once a month for a year. We will provide them with marketing materials about the Bakery Café, including menus, coupons, and text for email messages with special offers. We will also work with them to arrange free tastings of Haley House products at their workplaces.

3. Dudley Square Employees will see a story about the Haley House in the Media

We plan to make extensive use of free media to publicize the Bakery Café. Media coverage has already begun. A ***non-profit bakery café that combines great food from a well-known chef with an honest social mission*** is an attractive story to media.

The arrival of chef Didi Emmons at the Haley House Bakery Café has already sparked a number of articles in major publications with citywide distribution, including the *Boston Herald*, the *Boston Phoenix*, the *Improper Bostonian*, *Stuff at Night*, and *Boston Magazine*. Given the high level of interest already demonstrated, there is great potential for continued media coverage. Aside from free coverage by media reporters, we also intend to do a limited amount of advertising periodically in local newsletters and publications, such as the *Bay State Banner*.

Additional Marketing Efforts: Website and Web Communications

We are currently developing a website that communicates information and educates visitors about our products and mission. Our website will provide directions and a printable menu. We will also use our website to educate visitors about the high quality of our product, the wholesome, natural ingredients we use, and our all-scratch process. We will explain to our customers why our products are healthier and more nutritious. We will also have a description of our job-training program, with statistics and stories demonstrating our impact.

Year 2 and 3

In Years 2 and 3, we plan to have our growth come from customers in the residential market as well as the secondary employee market. As a result, beginning in Year 2 we will start resident outreach, and continue this focus in year 3.

Our research has shown that residents view Dudley Square restaurants holistically, as places in their community. A visit to a restaurant is rarely about the product only, but about the entire experience – greeting the owner, seeing friends, reading the bulletin board, in addition to picking up a meal. In order to become this type of “place” for the Dudley residential community, our

marketing communications strategy for the residential market will need to begin with community outreach and relationship development.

We plan to use the following methods of community-based marketing:

Outreach to Community Organizations

The Haley House has already established a foundation by forming relationships with organizations that are currently very active in the Dudley community, including Madison Park Development Corporation, the Dudley Street Neighborhood Initiative, and the Food Project.

Offering Community Specials

In addition to reaching the community through organizations, we will also seek to draw in individuals through community-oriented promotions. To reach residents, we will post flyers and leave menus with coupons at least once a month in or near Dudley Square establishments that draw a lot of foot traffic, such as the post office, the library, the health club, and Tropical Foods, the grocery store next to the Bakery Café, which draws over 13,000 customers per week.

For our “bring your grandparent to brunch” special on Saturdays, we will give two free cookies or brownies to anyone who has brunch with his/her grandparent in the Bakery Café.

There will also be an ongoing competition called “Spill the Beans” held once a month. Customers of the Bakery Café are encouraged to share a family recipe or personal favorite on an entry card. Chef Didi Emmons will select four or five finalists, who will have the opportunity to bring in their dish to the Bakery Café on a given day. The community will be invited to try the different dishes and vote for their favorite. The Haley House Bakery Café will prepare the winning recipe every Friday as a menu special until the next winner is picked. The winner will receive recognition at the Bakery Café, and be awarded free lunch for five.

Catering and Sponsoring Community Events

We will expand our visibility in the community by participating in and supporting cultural events such as the Boston Arts Festival and the Boston Gospel Festival. We will provide sandwich and dessert platters for community events, donate coupons to raffles held by community-based organizations, and sponsor stalls at outdoor fairs such as Dudley Square National Night Out.

Holding Community Events at the Bakery Café

We plan to offer our space free of charge to the Nia collaborative³⁵ on Sunday evenings. Each event will be organized around a central performance, speaker, or film, which will provide a foundation for facilitated discussions, debates, etc. Food served at the gathering will be inspired by the cuisines of local cultures and seasonal produce.

Other Promotional Opportunities: Free Publicity

With regards to our initiative to provide nutritious, high quality food, we aim to be certified as a provider of healthy food options by Boston Steps in 2006. STEPS provides free publicity to

³⁵ The Nia Collaborative is made up of the Haley House Bakery Café, Haley House’s *What’s Up* Magazine, and Social Justice Educators, a Roxbury based community organization.

restaurants that have menu items that fit a set of nutritional guidelines developed by Boston's Brigham and Women's Hospital.

B. Wholesale

With our increased production capacity at the Dudley Square facility, we will add more wholesale customers. Our wholesale revenue goals are:

Year 1: \$125,250

Year 2: \$240,250

Year 3: \$298,500

We will focus on attaining larger accounts in order to spread delivery and logistical costs most efficiently. By the end of year one, we will increase our wholesale business to 20 customers, with an average monthly account of \$690. By the end of Year 2, we will increase our wholesale business to 27 customers with an average monthly account size of \$840. In Year 3, we will slightly decrease the number of accounts we serve to 22 customers, and increase our average monthly account size to \$1,147.

Given the price sensitivity of wholesale customers, we will price our wholesale products to match the prices of our competitors for similar items.

We will drive our wholesale sales through direct one-to-one outreach. The Bakery Director will be responsible for visiting targeted cafés, coffee shops and specialty/convenience stores with product samples and wholesale menus.

Performance Milestones

We will measure our performance and success based on a number of metrics. We will track:

Marketing Activities

- The number of businesses where we have outreach coordinators
- The number of community events we have participated in
- The dates and numbers of places we have done literature drops

Marketing Outcomes:

- The number of customers that visit our store each week
- Customer usage of coupons
- Visits to our website
- Our weekly retail revenues
- The number and size of wholesale accounts that we add each month

6.0 Management Plan

Management

A management team made up of an Executive Chef and a Bakery Director will lead the Bakery Café. The Executive Chef will oversee operations and the training program. The Bakery

Director will oversee financial management and business development, including marketing and sales. Jointly, they will make the many decisions necessary in running the day-to-day operations. The Executive Director of Haley House will oversee the Bakery management team and ensure that all financial and programmatic targets are met. The Executive Director will hold weekly business meetings with the management team.

The ***Executive Chef*** will be responsible for managing the kitchen. Her responsibilities include running the café, cooking and serving customers every day during the start-up phase; product development, setting up and monitoring production processes; ensuring the safety and cleanliness of the kitchen and staff; and implementing the Training Program, including lesson and curriculum development. She will also be responsible for managing kitchen staff.

The ***Bakery Director*** will be responsible for developing the business and for the administration of the training program. Her responsibilities include sales and marketing; financial management including bookkeeping, accounts payable and receivable, and payroll, and preparing monthly, quarterly, and yearly reports. She will also be responsible for the administration of the training program, including recruiting and placing trainees and maintaining training program records and reports

Staff

The ***Sous-Chef*** will be responsible for the preparation of foods for the café until business demands that the café hire another cook for the Sous-Chef to manage.³⁶ The Sous-Chef will be supervised by the Executive Chef. The ***Bakery Production Manager*** will be responsible for managing all day-to-day workflow in the production of baked goods. The Bakery Production Manager will be supervised by the Executive Chef. The remainder of the staff will consist of ***two full-time Baker-Trainers*** responsible for bakery production. One of the Baker Trainers will also be responsible for deliveries. They will be supervised by the Bakery Production Manager.

Trainees

Through the Bakery Training Program, we will provide paid part-time hands-on training in baking and job skills to eight men and women a year facing major barriers to employment. We will add trainees as the business grows for a total of ten trainees a year in Years 2 and 3.³⁷

Business Expertise

The Bakery Café's management team represents a strong mix of both restaurant and business skills, as both are equally important in running a successful Bakery Café.

Executive Chef Didi Emmons has *twenty years of experience as a successful chef, cookbook author, pastry chef and entrepreneur*. She graduated from New York University in 1985 with a degree in food service management and completed a yearlong work-study program at La Varenne Ecole de Cuisine, Paris, France.

³⁶ A part-time cook will be hired in Year 3, based on projected revenues.

³⁷ Because the training program lasts for six months, we will meet these goals by training 4 trainees at a time in Year 1 and 5 trainees at a time in Year 2.

Didi has spent the last ten years opening and operating successful restaurants. After working in a wide range of establishments such the Centre Street Café, Hammersley's Bistro, The Cambridge House Inn, and The Blue Room, Chef Emmons opened the kitchen as chef at the DeLux Café in Boston in 1994. The Deluxe was selected as the best restaurant in Boston by the *Boston Phoenix*, as well as "Best Bar" by *Boston Magazine*. During her post at the Delux she wrote *Vegetarian Planet*, which subsequently sold over 200,000 copies and earned her a James Beard Award nomination as well as a reputation as one of the finest vegetarian chefs in New England. In 2002, she published *Entertaining for a Veggie Planet*, which received an IACP award (formerly the Julia Child award). In the same year, she opened Veggie Planet, a successful vegetarian restaurant in Harvard Square.

A long-time friend of the Haley House Bakery, Chef Emmons provided us with our first wholesale contract: making and sheeting organic pizza dough for her Veggie Planet. Chef Emmons joined the Haley House Bakery staff in January 2005 as our Executive Chef and is leading our expansion in Dudley Square.

Chef Emmons has been featured on television programs such as "The Victory Garden" on PBS and "Chronicle" on Boston's ABC affiliate and has written articles for *Cooking Light Magazine*, the *Boston Globe*, and the *Boston Herald*, among others.

Bakery Director Christian Willauer has served as the ***Haley House Bakery Manager for two and a half years***. She has a Masters Degree in Urban Planning from the Massachusetts Institute of Technology with a specialization in community economic development. She has over five years experience in the food and hospitality industry and over ten years experience in non-profit program development.

As Manager of the Haley House Bakery since early 2002, Christian has grown the business, developed the training program, built internal financial systems, and coordinated the team to execute the expansion of the Bakery. In her first year as Bakery Manager, she grew sales by 25% and the bottom line by 18%, and in her second year she grew sales by 29% and the bottom line by 26%.

Based on her two and a half years of experience managing the Bakery, she understands how to integrate the training program into a growing business. She created a cohesive and stable team of Baker Trainers, reducing staff turnover and improving productivity. She developed systems to maintain high standards for product consistency and taste through shared responsibility for quality control.

Staff Members

The Bakery will also benefit from an experienced staff with many years of working together as a team to produce quality baked goods and teach baking and job skills to men and women facing significant barriers to employment.

Production Manager Erma Cuenca has over seven years experience as a professional baker. She has served as a Baker-Trainer at Haley House for the last three years, including the last two as Production Manager. She will continue as Production Manager at the Bakery Café in Dudley

Square. Baker Trainer Eric Grimshaw, a graduate of the Haley House Bakery Training program, has been on staff for over two years and will be a Baker-Trainer at the new Bakery Café. Eric has also been responsible for making deliveries to our wholesale customers for the last two years. Eric will continue to do deliveries as our business grows for the next year. Sous-Chef Andréas Arevalo has spent three and a half years working with Chef Emmons at Veggie Planet, where he has been promoted from dishwasher to prep cook to line cook. We are in the process of hiring an additional Baker Trainer.

Compensation

Executive Chef: \$35,000

Bakery Director: \$32,000

Training Coordinator: \$19,500 (\$15 an hour, 25 hours a week)

Production Manager: \$28,600 (\$13.75 an hour)

Sous-Chef: \$20,080 (\$10 an hour)

Baker-Trainer: \$21,320 (\$10.25 an hour)

Baker-Trainer \$18,720 (\$9 an hour)

Café Counter Worker \$11,232 (\$9 an hour, 24 hours a week)

We will add a Bakery Manager at the beginning of Year 2: \$31,200 (\$15 an hour)

Organizational Support

We deeply believe in this project to bring healthful food in a fresh, wholesome setting to the neighborhood residents and employees with whom we have been engaged in Dudley Square. We are proud of our training program affording people the opportunity to better themselves by developing their talents and work skills. Our vision is a sustainable community where everyone has a fair chance for economic independence.

Dan Walters, Board member

Board of Trustees

The Haley House Board of Trustees strongly supports the establishment of the Haley House Bakery Café in Dudley Square. The Board has directed resources to subsidize the Haley House Bakery since its inception nine years ago, including free use of the soup kitchen and office space as well as in-kind contributions for utilities, telephone and internet. The Board supported the Executive Director's significant expenditure of time to raise funds for the bakery's capital expansion project starting in January 2004. On December 9, 2004 the Board voted to give their full support to the Bakery Café and provide up to \$150,000 in working capital until the bakery breaks even on an operating basis in year 2.

The Board has established a committee to monitor the expansion, the Bakery Advisory Committee. The Bakery Advisory Committee is a group of people with relevant expertise who give advice and support to the management of the Bakery Café, provide oversight for the operation, and make recommendations to the Board. The Bakery Advisory Committee has met since the spring of 2004 and has played an integral role in developing the business plan for the Bakery Cafe. One member of the Haley House Board of Trustees sits on the Bakery Advisory Committee, serving as a liaison. After the opening, the Bakery Advisory Committee will review

financial statements and analyze the growth of the business on a monthly basis for the first year, and quarterly in Years 2 and 3, then making reports and recommendations to the board.

Executive Director

Executive Director Kathe McKenna co-founded Haley House over almost forty years ago and has spearheaded the organization's focus on economic development and the establishment of the Haley House Bakery. In recognition of this, she was awarded the Creative Entrepreneur Award from the Carlisle Foundation in 2001, accompanied by an unrestricted \$50,000 grant.

The Executive Director has led fundraising efforts for the establishment of the Bakery Café in Dudley Square and leveraged many connections based on Haley House's work in the community to ensure its success. Perhaps most importantly, she established a partnership with the Mayo Group, a successful private developer in Dudley Square. The Mayo Group is giving the Haley House Bakery Café a three-year lease in a building ideally located for customer traffic, with one year's free rent and all build-out work billed at cost.

Personnel Benefits

All employees of the Bakery will be employees of the Haley House. We will offer competitive salaries and benefits. Haley House provides full-time employees with health insurance for which the company pays 80% of the premium. The Bakery Café will offer full-time employees a total of 17 paid days off, including holidays, sick time, and vacation.

Recruitment

We do not expect employee turnover or hiring to be a significant problem due to the following benefits of working for Haley House:

- Daytime hours (shifts scheduled between 5 a.m.- 5 p.m.), excluding Sundays
- Competitive salaries
- Benefits
- Managers are committed to promoting a collaborative work environment
- Flexible hours
- Employees will know that their work is having a positive impact on people's lives and the community

Should we have to make a new hire, we will first consider graduates of our training program.

7.0 Operations Plan

Facilities

The Haley House Bakery Cafe will be located on the ground floor of a former industrial building in the center of Dudley Square. The newly renovated space, designed by Jerome Cooper of the restaurant design company CKI designs, captures the flavor of the old factory space with its tall windows, exposed brick and high ceilings. At the same time, the cafe is welcoming and warm, with beautiful lighting, freshly painted tables and chairs, and a big bakery case filled with fresh pastries.

The Haley House Bakery Café maintains the history of the building being a production space. The building footprint is 2,000 square feet, and the back 2/3 of the building is devoted to the kitchen for food preparation and production baking. No wall separates the café from the kitchen, so that customers have the opportunity to see and smell the preparation of food and baked goods.

The Bakery Café will seat 28 customers. Its entrance faces Washington Street, one of the main streets running through Dudley Square. The building is set back slightly from the street and there is potential for outdoor seating in summer. The Bakery Café will have four spaces dedicated to parking for take-out customers, and there is significant additional parking in the adjacent public parking lot.

Because of the Bakery Café's proximity to workplaces and residences, we expect that a significant number of customers will be walking, not driving, to the location. There will be highly visible signage on the front of the building so the Bakery Café can easily be identified from the street by passers-by. An external rendering of the Haley House Bakery Café is included in the appendix, as well as a floor plan.

Production Schedules and Processes

Café Service

The Bakery Café will be open 7 am to 4 pm Monday through Saturday. Customers will walk up to the cash register past the bakery case to place their orders and pay. Orders will be called out when ready for customers to pick up from the counter.

In the start-up phase, the Executive Chef will be working every day in the Bakery Café, preparing food, taking orders, working the cash register and developing the menu to respond to customer tastes. The Sous-Chef will be working 5 days a week. He will be responsible for prepping food for the lunch rush and, during lunch, assembling sandwiches. A third Café worker will work part-time to cover the lunch rush during the week.

Chef Emmons will draw on a large selection of creative and successful recipes for soups and salads, taken primarily from her years at Veggie Planet. She will draw on her experience to develop many additional recipes for menu items at the café. All recipes will be standardized for use by the café staff.

We can serve over 70-80 customers per hour if necessary. Chef Emmons has designed processes and menu items for maximum efficiency. Chef Emmons has experience expediting up to 90 people per hour on the register. Both our breakfast and lunch menus are designed for quick service. All the prep is done beforehand, and all that needs to be done once the order is placed is assembly. For example, for Jamaican Jerk Chicken on Coconut Rice, the sandwich maker takes a place of portioned coco rice, tops it with cold jerk chicken, a few tomatoes, and some scallions and then places it in the microwave for 4 minutes. The dish is then plated into a take-out container or onto a plate. The grilled cheese sandwiches are already assembled and only need to be grilled to order. Salads will be tossed in a bowl with the dressing to order.

We approximate the prep time for each lunch order to be a maximum of 60 seconds, and when cooking is needed, 5 minutes (but only 30 seconds of the cook's time). While sandwiches are being made by the Sous-Chef, the Café Worker will be filling soup/salad orders at the same time.

We will involve trainees in the Café primarily in prepping food for lunch and in cleanup. Until Year 2, most training will take place in the bakery, where the routine is established.

Café Employees Hourly Schedule

Executive Chef: 6 am to 4 pm Monday-Saturday

Sous-Chef: 6 am to 4 pm Monday-Friday

Sandwich Maker: 11 am to 3 pm Monday-Friday

Bakery Production

The Bakery will operate from 5 am to 5 pm. Three baker trainers, (including the production manager), and trainees will mix, bake and package quality baked goods.

Bakery Employees Hourly Schedule:

Production Manager: 7 am-3 pm Monday-Friday

Baker Trainer/Delivery Person Tues 5 am -1:00 pm Tuesday-Saturday

Baker Trainer: 5:00 am-1:00 pm Monday-Friday

Bakery Trainees Hourly Schedule:

1) 7 am –12 pm Monday-Thursday

2) 12 pm-5 pm Monday -Thursday

3) 12 pm-5 pm Wednesday and Thursday, 7 am-12 pm Friday and Saturday

4) 12 pm-5 pm Monday Tuesday Friday Saturday

Bakery Production Schedule

The Haley House Bakery Café will prepare all baked goods from scratch. Because we will use all natural ingredients and no preservatives, and because all items are sold fresh, everything is prepared according to a “just-in-time” schedule.

The Bakery Director will create the daily production schedule based on projected retail sales and wholesale orders. The daily production schedule, posted in the kitchen, shows what needs to be done that day and in what time-frame: number of mixes to be prepared, number of pie crusts to be sheeted, number of cookies to be baked, etc. The daily production schedule assigns staff and trainees to different “stations”: mixing, prepping and baking, and packaging. The daily production schedule also shows which items are allocated for the Bakery Café and which items are to be assembled into wholesale orders for delivery.

Wholesale

We will prepare baked goods for wholesale at the same time we are baking for the retail, taking advantage of efficiencies of scale.

The Baker Trainers prepare invoices for each wholesale order. The Bakery Director tracks the invoices using small business accounting software. Billing is sent out once a month. Customers have 30 days to pay bills.

We expect to continue our current system for delivering baked goods to wholesale customers. Delivery is primarily the responsibility of one Baker Trainer who works both in the kitchen and makes scheduled delivery runs each week. Haley House owns a van, which it makes available to the Bakery for deliveries. Haley House is responsible for maintenance. The Bakery pays for gas and insurance. Depending on volume, we may hire an additional part-time delivery person at the end of the first year.

Training Program

Haley House's on-the-job training program is based on a one-on-one mentoring model. Each trainee is assigned a Baker Trainer, who has overall responsibility for that trainee's learning and evaluation. In addition to on-the-job feedback, the Bakery Training Program's structured evaluation process is designed to give trainees additional support in developing job skills in baking such as mixing and shaping; as well as soft skills such as timeliness and communication.

The evaluation process takes place in two-week cycles. The Baker Trainers are responsible for implementing this evaluation process, while the Executive Chef oversees it. Every two weeks, the Baker Trainer evaluates the trainee's development of six "skills for success" in the baking and foodservice industry: attendance, focus, pace, motivation, communication, and teamwork. In addition to the "skills for success", the Baker Trainers maintain records of the tasks that the trainees work on each day in a "baking skills chart".

At the end of the two-week period, the Baker Trainer meets with the trainee for 1/2 hour to go over the "skill for success" evaluation and baking skills chart. The evaluation process also provides a clear structure of accountability for performance. If a trainee receives "unsatisfactory" in attendance or in three or more skills for success categories, their evaluation for the period is "unsatisfactory". If they receive two "unsatisfactory" periods in a row, or four "unsatisfactory" periods in six months, they must leave the program.

In the final month of the Training Program, trainees complete a kitchen practical, which tests mastery of their chosen focus products. Trainees are then given a final review to assess their overall skills and achievements over the course of the program.

Quality Controls

The Executive Chef will be responsible for assuring food safety in the facility. She will maintain sanitation through vigilance, with a particular focus on food storage, employee's personal hygiene, and the cleanliness of the equipment and facility.

The Baker-Trainers are responsible for maintaining quality control in the production of baked goods. All items will be prepared from standardized recipes to ensure quality and consistency. Although the Bakery is a learning environment for the trainees, it is also a business, so maintaining quality is the highest priority. Baker-Trainers work alongside trainees, supervising and checking their work, especially early in the trainee's six month program.

Equipment

Because the Haley House Bakery Café will be a scratch operation, there will be little automation. We are bringing major equipment from our current location, including stoves, Hobart mixers and a dough sheeter. New equipment and dining room furnishings will be purchased or donated for the new Dudley location. The Mayo Group, the general contractor, will do all installations.

Purchasing

In our nine years of operations, the Haley House Bakery has built relationships with a variety of distributors, including Siegel Eggs and BMS Paper. We focus on working with smaller, locally owned companies that tend to be cheaper, more willing to negotiate, and more flexible. The Bakery Café will continue to capitalize on good relationships with our current suppliers in order to obtain favorable pricing. We can also take advantage of our city location: suppliers are close by, so we can pick up items in a pinch. This keeps our ingredients fresh and our costs down. Depending on vendor schedules, we place orders daily, weekly or monthly.

In selecting new vendors for our needs in Dudley Square, we will *pursue twin goals in our purchasing: “healthy” and “affordable”*. Fortunately, Chef Emmons has had experience making these two goals complementary. We will promote the health of our customers and the health of the planet by striving to be a green business: choosing environmentally friendly kitchenware and take-away materials, and using organic and locally grown ingredients wherever possible. We will continue to serve fair-trade coffee and tea. We will not rely on mixes, imitations, or artificial ingredients. We will use only a minimum of frozen food, and only high quality ingredients like olive oil, 100% butter and real vanilla.

Using such high quality ingredients can be quite expensive, and given our location in a low-income neighborhood, we will need to be mindful of keeping our ingredient costs to a minimum, in order to make our products affordable to those who live in the area. Fortunately, our chef has extensive experience in controlling costs, given her previous experience developing recipes and menus for several other restaurants in the Boston area. For example, Chef Emmons is developing dishes that rely heavily on lower-cost healthy ingredients, such as dried beans and grains, and spices to give food flavor and character. Meat will be present but will not take center stage on any plate, meeting both our desire for affordability and healthy eating. We will also choose locally grown vegetables such as onions, carrots, sweet potatoes and cabbages, as well as fresh herbs such as dill and cilantro, for our soups, salads and entrées. Using locally grown produce in season is both fresher and less expensive.

Our *partnership with two non-profit organic farms* in Eastern Massachusetts will also enable us to get *seasonal ingredients well below market prices*. The Haley House Farm, Noonday Farm, and The Food Project, a youth development project and farm in Roxbury and Lincoln, MA, will donate seasonal organic produce in exchange for product recognition on our menu and in our café. Serving vegetables that are fresh from the ground will not only be a major attraction, but also help rebuild ties between rural and urban life.

Inventory Management

We will operate on a First-in-First-Out (FIFO) food rotation system. The Production Manager will be responsible for checking that all ordered items are received. The Production Manager will also conduct a weekly food inventory and check for spoilage and damage. We will use production schedules that maximize freshness and minimize waste.

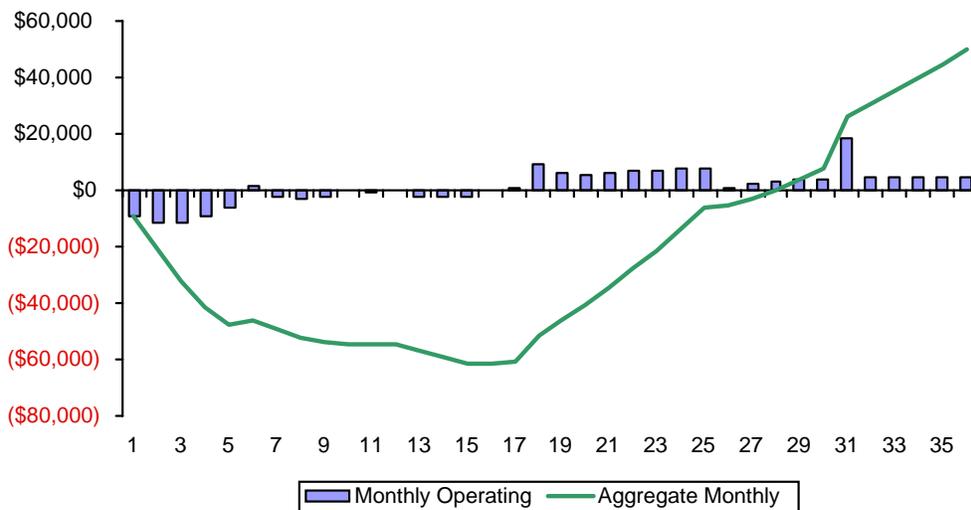
Research & Development

Executive Chef Didi Emmons is developing a menu that will be inspired by the cultural and historical traditions of the Dudley neighborhood, which is 37% African American, 25% Cape Verdean, and 29% of Hispanic or Latin origin.³⁸ Given the diversity of the community, consumer research for menu development is highly important. Products will be carefully developed based on customer interviews and feedback and tested with the Bakery's nearby partners, such as Madison Park Development Corporation. Based on previous experience running restaurants, Chef Emmons has also found that a periodic refresh of the product offering generates continued interest and enthusiasm from customers. Thus, while there will be a number of standard tried-and-true Café menu items, a number of items will be flexible.

8.0 Financial Plan

The Haley House Bakery Café operations will move into sustainability, as defined by positive cash flow on a monthly basis, beginning in our 18th month of operations (Please see appendix for financial statements). Operations turn positive in aggregate 28 months. Positive cash flow will reach an optimal level when profits from the Café and wholesale operations are able to support both the operations and our training program. This does not occur until the last half of Year 3.

Operating Cash Flow Performance
Positive on monthly basis at 18 months



³⁸ Dudley Street Neighborhood Initiative.

Our projected financials assume significant growth of annual revenue growth in the retail Bakery Café business in Year 1, followed by slower growth in the following two years. Our wholesale business will grow significantly in Years 1 and 2, followed by slower growth in Year 3. Our key assumptions of all the inputs to our financial plan are summarized below. The overall driver of our revenues in the early periods of our plan will be our ability to meet an unmet demand for healthy affordable meals in the Dudley Square area, as outlined in the marketing section. Our wholesale business will afford operational utilization and additional revenue.

Income Statement	2006	2007	2008
	Year	Year	Year
Revenue			
wholesale	125,250	240,250	298,500
Café/Retail	180,750	289,031	351,656
specials	12,000	14,000	16,000
Total Revenue	318,000	543,281	666,156
 Cost of Goods Sold			
labor	202,597	227,470	300,688
Ingredients	111,300	179,283	206,508
Total COGS	313,897	406,753	507,197
 Gross Margin \$	4,103	136,528	158,959
Gross Margin %	1%	25%	24%
 Operating Expenses			
G&A	62,585	93,652	95,388
Depreciation	12,467	12,467	12,467
Total Operating Expenses	75,052	106,119	107,854
 Operating Profit/(Loss)	(70,949)	30,410	51,105
 <i>Training Program</i>	<i>42,485</i>	<i>41,232</i>	<i>46,254</i>
 Net Income after Training Program	(113,434)	(10,822)	4,851

Statement of Cash Flows

	2006	2007	2008
	Year	Year	Year
Cash Flows from Operations			
Net Income	(113,434)	(10,822)	4,851
Plus Depreciation & Amortization	12,467	12,467	12,467
(Increase) Decrease in A/R	(17,188)	(11,250)	(3,125)
Increase (Decrease) in A/P	21,003	9,237	848
Total Cash Flow from Operations	(97,152)	(368)	15,040
Cash Flows from Investing			
Purchase of fixed assets	(133,000)	-	-
Total Cash Flow from Investing	(133,000)	-	-
Cash Flows from Financing			
Contribution Equity	250,000	25,000	-
Increase (Decrease) in Debt	-	-	-
Total Cash Flow from Financing	250,000	25,000	-
Increase (Decrease) in Cash	19,848	24,632	15,040
Beginning Cash	-	19,848	44,480
Change in Cash	19,848	24,632	15,040
Ending Cash	19,848	44,480	59,520

Balance Sheet

	2006	2007	2008
	Year	Year	Year
Assets			
Cash	19,848	44,480	59,520
Accounts Receivable	17,188	28,438	31,563
Total Current Assets	37,036	72,917	91,082
Fixed Assets	133,000	133,000	133,000
Accumulated Depreciation	12,467	24,933	37,400
Net Fixed Assets	120,533	108,067	95,600
Total Assets	157,569	180,984	186,682
Liabilities			
Accounts Payable & Accrued Expenses	21,003	30,240	31,088
Total Liabilities	21,003	30,240	31,088
Owners Equity			
Unrestricted Net Assets	250,000	275,000	275,000
Retained Earnings/Deficit	(113,434)	(124,256)	(119,405)
Net Income	(113,434)	(10,822)	4,851
Total Equity	136,566	150,744	155,595
Liabilities + Net Equity	157,569	180,984	186,682

Financial Projections Key Assumptions

Initial Capital Required – \$250K including \$106K for building improvement \$27K for equipment and the remainder for start-up working capital.

Revenue Growth - Brisk growth in years 1 and 2 for retail Bakery Café and wholesale business due to small revenue base.

Labor Expenses – Cash burn rate for labor expenses is approximately \$21K per month, which is 62% of total. This includes all employees (see notes to the financial plan in the appendix).

Labor expenses include payroll taxes and health benefits for employees.

Operating Expenses – Ingredient Cost of Goods Sold (ICOGS) is modeled starting at 35% of revenue, narrowing to 31% by year 3. Remaining expenses represent predictable fixed costs such as rent, utilities, insurance and equipment maintenance. We have a small amount of discretionary marketing expenses that is less than 5% of total cash burn.

Balance Sheet Considerations – Accounts payable and accounts receivable aging assumes net 30 for 75% of balances with the remaining paid in 15 days.

Working Capital – Initial working capital of \$117K is enough to cover six months fixed costs (people and non-ICOGS). A working capital infusion will be needed in Year 2 that is modeled as equity but could be financed via debt (line of credit) with Haley House.

Financing

This plan will be financed by a combination of sources that together will provide \$275K of investment funds (characterized as unrestricted net assets in the equity section of our financial statements). These funds will be used for capital investment in building and equipment as well as working capital to fund operating losses in our initial operations. Funding and support for our business will come from five sources. These include:

- Revenue from our existing retail operation and wholesale contracts.
- Organic growth in our cafe business and expanded retail.
- Traditional non-profit funding organizations such as foundations and government organizations such as the City of Boston.
- Social investors, who may be non-profit organizations themselves but analyze and fund projects based on entrepreneurial metrics.
- In-kind donations of equipment and commercial operating space.

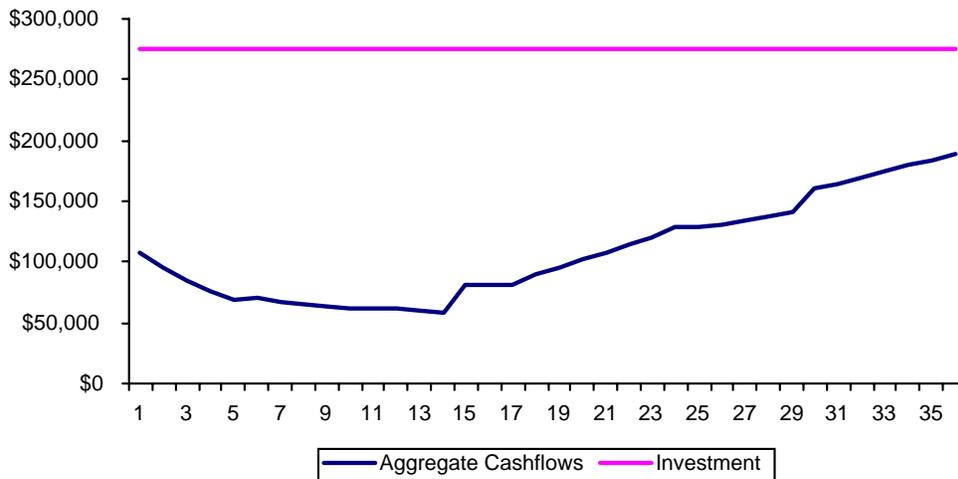
To date we have raised \$145K in committed funds from traditional sources including: City of Boston, Mabel Louise Riley and Amelia Peabody foundations. We also have \$286K in outstanding proposals to such traditional organizations. We are targeting social investors for an additional \$250K of proposed funding. Assuming 25% of our proposals are accepted from both sources, our cash needs should be satisfied. If we do not reach our funding goals in a timely fashion, we have commitment from Haley House for a working capital loan (line of credit) of up

to \$150K on an as-needed basis. We have secured in-kind donations for rent and capital equipment \$45K reflected in Year One.

Break-Even on Initial Investment

Based on our assumptions for a capital asset investment of \$133K and initial working capital of \$117K, we do not break even during the time horizon covered by our analysis (36 months). (See graphic below). Based on projected trends, break-even should occur in early Year 5. Our plan calls for an additional capital infusion of \$25K during Year 2 that, if financed as equity/contribution, will bring total invested capital to \$275K. We will evaluate progress towards our goal on a monthly basis and recommend specific changes to our operations on a quarterly basis, based on our performance and trends.

Haley House Bakery
Break Even On Invested Capital



Social Return on Investment

Although it is not possible to capture all of the benefits that flow to the community due to the investment in the Haley House Bakery, this section uses qualitative measures to capture those benefits that can be identified in a meaningful manner. The main social impact can be divided into three categories based on their primary beneficiaries: the bakery trainees, the community, and the Haley House.

Bakery Trainees

The individuals who enter the Bakery’s training program come from a variety of backgrounds but all have one thing in common – each had been unemployed for anywhere from 8 months to several years. The training program gives individuals with minimal employment skills and many social challenges a chance at rejoining the workforce. “I learned pretty much everything there – they taught me all that I need to know to be a baker. The Program can get you interested in work, give you the courage to go on, and discover a love for baking,” said one graduate of the training program.

Almost half of the individuals who enter the training program are homeless and one-fifth had been incarcerated. Some participants are battered women and others are young people looking to get their lives on the right track. Through the Bakery training program these individuals are imbued, not just with the concrete skills but also with a renewed sense of self-confidence and community. The relationships they build with the Haley House staff are relationships that they can continue to draw on even after they have graduated from the program. “The Haley House is different from other training programs, because they teach you about life – they teach you how to communicate with people, work with people from different backgrounds, and to give other people a second chance.”

The new training program curriculum will ensure that graduates of the program leave the bakery with the both technical baking skills and the “soft” workplace skills that are needed to retain jobs in the competitive workforce. For example, the evaluation process will measure muffin making and dough sheeting ability, but will place an equal emphasis on attributes such as timeliness and attitude.

The training program aims for participants to transition from the Bakery into full-time and part-time jobs earning at least \$8/hour. We spoke with 18 owner/managers of local retail bakeries, large production bakeries, supermarket bakeries, as well as bakeries in university, hotel, and hospital kitchens. All respondents were open to the idea of hiring graduates of the Bakery Training Program, stating that they would pay between \$8-10 to start, after participation in our rigorous six-month program. On average, we found that larger production bakeries hire between 4 and 6 entry-level bakers per year, and smaller retail bakeries hire between 1-2.

Community

As previously mentioned, the Bakery will be located in the Dudley Square neighborhood, an economically challenged, predominantly African-American neighborhood in Boston. In this community, 29% of all residents live in poverty, compared to 20% citywide.³⁹ The Dudley Square area is in the midst of neighborhood revitalization, and community leaders are working to bring businesses back to the area.

Dudley Square is a community that is in need of both businesses and healthy eating options. The Haley House Bakery brings both resources to the community. Currently African-Americans have the highest death rate from heart disease in the City of Boston. The Roxbury neighborhood, where Dudley Square is located, has the third-highest rate in all of Boston.⁴⁰ Eating establishments in the area are currently limited to pizza places and sub shops, neither of which is known to be particularly healthy. The healthy offerings of Haley House are likely to have a positive health impact on the lives of these residents. The café’s marketing plan includes a strategy of reaching out to neighborhood residents to enable them to benefit from the healthy, natural food alternatives available through the bakery and café.

³⁹ Jennings, James. July 2004. Urban Planning, Community Participation, and the Roxbury Master Plan in Boston. The ANNALS of the American Academy of Political and Social Science. <http://ann.sagepub.com/cgi/reprint/594/1/12>

⁴⁰ Cardiovascular Health: A Roadmap for the Prevention of Heart Disease and Stroke Prevention in Boston. 2001. Boston Public Health Commission. http://www.bphc.org/reports/pdfs/report_106.pdf

The business is located in a neighborhood that for profit companies have been reluctant to enter. Following the tipping theory of community development, the Bakery's presence and success may create a ripple effect, and lead other businesses to think more seriously about locating in Dudley. The presence of a new business will also add to the perception that Dudley Square is becoming a stronger, more economically powerful neighborhood.

It is also clear that the Bakery's positive social impact will spread beyond the Dudley Square area. Residents throughout Boston will enjoy the healthy, all-natural products of its wholesale business. In addition, its sustainable purchasing practices and its emphasis on organic products have an impact not only on the health of their customers but also on the health of the environment.

Haley House

Although Haley House will not reap any direct profits from the training program, the organization will certainly gain many benefits from their leadership in the project. Overall, the project increases Haley House's goodwill in the community. This has already helped the organization to develop stronger relationships among community leaders in the Dudley Square area and to build increased community awareness of the Haley House and its mission. This publicity and relationship building can be leveraged to support the Haley House's work in its other core areas.

9.0 Risk Assessments and Planning

Overview

We recognize the risk inherent in opening a Bakery Café in Dudley Square. Our overall strategy to manage risk is to have the flexibility and understanding within our operation to respond quickly and effectively to address problems as they emerge. We have built this flexibility and expertise into our business model in two primary ways:

- ***Qualified management team*** with necessary restaurant and business experience
- ***Diversified income stream*** including both retail and wholesale sales

Scenario Planning

The following is a discussion of several scenarios that we have developed to help us be prepared for various outcomes. Each scenario relates to a change to one of our Key Assumptions:

Scenario 1: Low sales

In this case, we assume that sales in Year 1 are 25% below the projected retail income in the "likely scenario" included in the financial section. People who work in Dudley Square may not patronize the Bakery Café as expected. Maybe they find the prices too high, or they prefer other kinds of food, or they don't hear about the café despite our marketing efforts.

Under this scenario, we will be running out of cash during month nine of operations, which is approximately three months earlier than planned. Unless we are able to make up this revenue in the future, we would require an additional cash inflow of \$50 to \$75K.

Response:

We will follow a staged response strategy to address low sales in the Café:

1st Quarter: ***Accelerate awareness campaign.*** This could include coupons and other incentives to get people in the door for the first time. In addition, we will survey our existing customers to see what works and what does not. If we find that a significant number of customers are not satisfied with our products/services, we will attempt to adjust accordingly as a next step. We may have a slower start than we anticipate, but we plan to give our sales and marketing strategies time to work.

2nd Quarter: ***Persevere and adjust.*** If sales are still low by Month 4, we will start to implement new sales and marketing strategies. We will conduct several one-on-one interviews with Dudley Square employees to develop a hypothesis as to what may be wrong with our offering. We will then test possible solutions through a larger survey of 200 people working in Dudley Square to find out determine what they really want in terms of food and pricing. When we believe we have found a solution, we will change our menu to reflect our findings. We will publicize these changes widely by distributing our “New and Revised” menu to all Dudley area employers. We will make sure that Dudley employees have a chance to try our new offerings by visiting their workplaces with free samples of our new menu items and distributing coupons for the Café.

3rd Quarter: ***Evaluate and consider strategic change.*** If by month 7, sales are still far below projections and are not trending positively, we will examine other innovative product offerings including potential emphasis on special orders and/or catering. During the course of our primary research, a number of interviewees indicated that they would take advantage of a breakfast/lunch catering service if we were to offer one. As an incentive, we will offer free delivery for orders of ten or more lunches within Dudley Square. We will grow customers for our catering business by conducting heavy outreach to procurement officers at employers in the Dudley Square area who order food for lunches and meetings. We will also begin considering what a shift to emphasizing the overall wholesale business would mean to our operations. This could include active pre-sales contacts with potential wholesale customers.

4th Quarter: ***Implement strategy change.*** If our retail business remains slow at the end of the first year, despite continued efforts to increase volume, we will have the opportunity to change our focus and shift our business towards wholesale. We will continue to operate the café, but will attempt to utilize the same resources for wholesale production. We will attempt to acquire five new wholesale customers during the quarter. Based on demands of this new business and performance of the café/retail operations we may reduce our hours or offerings. At the same time we will review our allocation of staff time and resources, making the necessary changes to increase the number, size, and profitability of our wholesale accounts. If, after implementing this change in strategy, the café demonstrates an ability to grow as previously predicted, we will likely require a short-term capital infusion to fund growing operations. We should be able to quantify this need based on our ongoing review of the café business. Based on ongoing analysis of sales and expenses in Year 2, we will decide whether or not to continue operating the café portion of the business.

While this would be an undesirable outcome, our commitment from Haley House is sufficient to fund the incremental investment needed, as it would bring our total draw on these funds to \$100K, which is below the commitment level.

Scenario 2 – Significant cost increases

Significant cost increases, especially in our Ingredients Cost of Goods Sold (ICOGS) could have a significant impact on our business. Aside from payroll, the cost of ingredients will be our highest expense, so it is essential that we control these costs. At the same time, ingredients costs do have a certain volatility based on the time of year, the weather, political conditions in producer countries, distributor pricing strategies, and other factors.

An increase of 25% in ICOGS could leave us in a cash poor position four months earlier than planned. If an increase of this magnitude occurred, we may be faced with passing on the incremental costs to our customers via price increases. In the short term, we would need to access an incremental \$25K of capital late in the first year.

Cost increases of this magnitude occur due to macroeconomic trends based on supply and demand. Our ability to respond, other than through pricing, is severely limited. A change of this magnitude may also have other impacts on our business based external economic factors (i.e.) average disposable income available to spend on meals at the café.

In order to avoid this situation we will control ingredients costs through *strict monitoring and quick response*. We have an established system for calculating the costs of each product based on component costs. We will review the costs and prices for each item we sell on a quarterly basis to evaluate exactly how our profits are affected by any changes in ingredients costs.

To maintain adequate margins, we will evaluate and implement a range of strategies, including *negotiating with suppliers, changing suppliers, changing recipes, raising prices and replacing menu items with products with lower component costs*.

Other potential risks include:

High Sales

Risk: Too many people show up, particularly during peak hours such as lunch between 11:30-1:30, outstripping our capacity to serve good food quickly. Customers leave disappointed at the quality of the food or service.

Strategy: Our Executive Chef is an experienced restaurant chef. She has been running a busy restaurant in Harvard Square for 3 1/2 years, managing staff and keeping customers happy. At Veggie Planet, lunch sales often exceeded \$1,000 over the course of 2 1/2 hours.

The strategy for lunch rushes appears in the Operations Section. Additional information about the work breakdown appears in the work schedule in the Appendix.

Key Personnel Loss

Risk: The departure of Executive Chef Emmons leaves the Bakery Café without a qualified leader

The success of the Bakery Café is heavily dependent on the skills, experience, media connections, and creative energy of Executive Chef Emmons. If she chooses to leave, the business may lack the capacity to grow according to our projections)

Strategy: Chef Emmons has made a commitment for two years. If she leaves, we will conduct an extensive candidate search to find and ***hire someone with similar gifts, experience, and reputation.***

Most of this risk is concentrated in the start-up phase and first year of operations, and the ***risk lessens over time.*** After Year 1, when the menu is in place, the customer base established, and the training program developed, it will become easier to replace the position of Executive Chef. The job will become more attractive to potential candidates because the Bakery Café will have an established reputation. We will also have the flexibility to hire someone with less experience because Chef Emmons will have already established a precedent, defining the role and responsibilities of the Bakery Café's Executive Chef.

Health Risks

Risk: Customer experiences a food related illness as a result of eating food prepared at the Bakery Café.

Strategy: We ***maintain sanitation through constant attention.*** Our Chef and all Baker Trainees are ServSafe certified. Trainees receive training in sanitation in their first two weeks in the program. In case of an emergency, we carry liability insurance.

Equipment Failure

Risk: Our operation is dependent on equipment, and equipment does break down.

Strategy: We have developed ***long-term relationships with reliable maintenance firms*** over the last nine years of operation. In the few times that we have had problems, they have been able to respond and address the issue in a timely manner.

Crime

Risk: There is a burglary or hold-up at the Bakery Café.

Compared to other neighborhoods in Boston, the Dudley neighborhood has a relatively high level of crime, including hold-ups and breaking and entering.

Strategy: The Bakery Café will operate during daytime hours and install a professional security system. In addition, deposits will be made daily so that the cash in the Bakery Café is kept to a minimum. . We will maintain internal controls for cash handling, following protocols prepared by a volunteer accountant with restaurant experience.

Low Staff Productivity

Risk: Productivity will be negatively impacted by the ongoing need to integrate new and inexperienced trainees.

The training program is based on hands-on learning, and the goal is for trainees to contribute to the business as valuable employees as early as possible. However, the Bakery Training Program lasts for only six months, and so newly trained, valuable employees are constantly leaving the Bakery Café, and new, inexperienced trainees must be trained in their place.

Strategy: Based on our nine years of experience operating the training program, we have developed *a staged training process based on teaching simpler skills first* so that trainees can be quickly and effectively integrated into production. By the end of three months, most trainees have been cross-trained in all areas and are able to contribute significantly to production.

Risk: There is a risk that trainees will leave before six months, making trainee turnover even higher. This risk is amplified by the fact that many of our trainees have dealt with instability in their lives in the past. It is a loss to the Bakery Café when Baker Trainers spend time teaching basic skills to trainees who don't remain long enough to exercise their skills and contribute to production.

Strategy: Based on our 9 years of experience, we have developed detailed screening criteria for our trainee candidates, correlated with completion of the program.

New competitors enter the market

Risk: Since there is a very obvious need for better lunch and coffee options in Dudley Square, it is possible that other entrants may eventually come to the Square as well. This would likely occur if we are successful in our business. According to our retail market analysis, there is room in the retail market for new entrants.

Strategy: We will continue to differentiate ourselves by *offering great-tasting, healthy food with attention to service, and customers will keep coming back.*