Risk Factors

Being a grocery store, there are some industry specific risk factors that must also be addressed with the typical factors. The use of perishable inventory is a risky product in itself and there are several scenarios where this can be quite detrimental to the business. For example, in a regular company, inventory can be held for as long as the company desires and holds its value. In our case, our inventory must be as liquid as possible in order to reduce on irreversible losses.

Potential Risks

One of the worst things that could happen to the business is a lower than projected sales period. If our sales projections are not met on a weekly basis then we will eventually lose money from the spoiling of our product. Also, this will affect the rate at which we will be able to pay off our debt, putting us in a continuously worse financial position. To account for this, we must be very cautious about our projections as not to hold too much inventory and not sell it.

Another possibility is for our competitors to begin lowering prices or offering promotions to consume their product versus ours. However, due to the unique product we offer the university, we need only to emphasize our unique product and since the main reason we expect to succeed is that the consumer is looking for alternatives to their original options, we will prosper. If this fails, we must adjust our projections accordingly. Due to our low operating costs and high variable cost, as long as we’re able to accurately project the sales for the future, we will not suffer too harshly.

The final serious risk factor we face is the possibility of a larger competitor competing for our ability to purchase our product at a high volume from a wholesaler. Competitors like the university’s food services may have enough power in the supplies to restrict our access to wholesales. In this case, we may have to seek alternative wholesalers that will be out of the reach of our other major competitors, incurring higher transportation costs but maintaining our business’ operations. The second option we will have is to begin negotiations between both parties and attempt to work out an agreement.

Harvest or Exit

As founders, the initial members of the business will be overseeing all operations. This means when we opt to leave the business at some time, we will need to replace each person with another capable candidate. This candidate can either be from the initial member group (spreading more responsibility) or new help can be found. Since we’re running an operation that is quite common, management can be brought in from nearly anywhere in the industry. Once the operation becomes functional there will be little need for the initial member’s knowledge of entry and more towards the operations. This can be filled by another member of the industry that is willing and fitting to take it.

As for exiting the investment to pursue new ventures, if this venture is successful it will be easily transferrable to other locations. This is where the initial member’s intuition plays a part, as we will already have the knowledge and experience when setting up a specialized service such as this new venture. For the initial investors that helped create the first service, they will have priority and thus provide incentive for them to stay with the company as our primary source of financing. If an investor wishes to back out, we have projected sufficient sales to have enough cash-on-hand to properly address the situation once the first loan is paid off (estimated at Q1 2014).

In addition, the business will remain privately owned in order to minimize conflict and allow for quick and convenient decision making. Since we are asking for a loan and an additional cash amount for a small stake, we will not be tied down by investors when making decisions.

Scheduling/Milestones

May 2013 – Discussions will begin with the university concerning placement, costs and other factors. Also, we will being seeking initial investors who wish to partake in our venture.

September 2013 Onwards – Awareness will begin being generated around the target area (around campus) through flyers and other means of advertisements. Equipment begins being ordered and prepared.

May 2014 – Service design will be finalized and preparations made for the beginning of operations. This includes transportation, suppliers, promotional periods, marketing strategies and employees. Interviews will be held in April since most of our employees will be students, and the majority of them will not be here during the summer months.

May to August 2014 – Construction begins on the desired area, equipment moves in, training begins the last week in August.

September 2014 – Operations begin

December 2014 – Overview of previous quarter is analyzed and refinements are made to the business strategy to further improve the business.

February 2015 – Initial loan is paid off, all excess cash now is pure profit which can be turned into either a new venture or retained and put back into the business.