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THE DEVELOPMENTAL PROCESS FOR SUCCESSFUL MARKET PENETRATION INTO THE BAR INDUSTRY IN SOUTH COUNTY, RHODE ISLAND

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THE DEVELOPMENTAL PROCESS FOR SUCCESSFUL MARKET PENETRATION INTO THE BAR
INDUSTRY IN SOUTH COUNTY, RHODE ISLAND

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DEVELOPED BY
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ADVISED BY
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EXECUTIVE SUMMARY

Description of the business concept and the business

The goal of Annette's is to become the leader in the local bar/evening entertainment industry. The business concept behind Annette's is to provide evening entertainment for a variety of ages while at the same time assuring high quality service and complete innovation from local competitors. Annette's will change the atmosphere of nightlife in Narragansett, RI, as it will serve the local community with needs that are not currently being met. Everything from the design and floor plan/layout to the entertainment offered will take shape in a new and unique fashion that this town has not seen in one establishment. In addition to the business concept of entertainment and quality service, Annette's will change the way people look at the nightlife in Narragansett and will attempt to draw a market from those looking for something new and exciting.

The Opportunity and Strategy

With the recent closing of Black Point Bar there is a great opportunity to seize the "club" market in Narragansett, while at the same time providing new features to an establishment in South County. Annette's will be compelling to a market in which age ranges from 21-50. The unique format of Annette's will create a wide demographic base which will allow for immediate growth.

Competitive Advantages

Annette's will provide a number of competitive advantages to the local market. With the closing of the most popular establishment where one can enjoy a night of dancing, an opportunity has presented itself for replacement and eventual greater success. Annette's will have two floors; one which will provide those looking for the club atmosphere can fulfill their needs, and one which will provide those looking for the atmosphere of a jazz bar to fulfill their needs as well. The upper level jazz bar will be filled with class while maintaining a level of entertainment atmosphere that will create the uniqueness of the upper floor. Live jazz music and various themed evenings will fill the week with a combination of entertainment and excitement. The lower floor will be aimed solely at the college-aged crowd that makes up a large portion of the population of Narragansett. Live bands will have

the opportunity to play downstairs and local DJ's will have the chance to promote themselves and their skills while performing for the crowd.

THE MAIN OBJECTIVES FOR THE SUCCESSFUL DEVELOPMENT OF ANNETTE'S ARE:

- Capitalize on location (Narragansett, RI) and penetrate the Evening Entertainment/Bar industry
- Have Annette's open for business by Spring 2007
- Create a loyal customer base by providing competitive prices and superior service
- Provide Annette's customers with a unique evening atmosphere
- BEVERAGE COSTS: Being the key component of Annette's beverage costs must remain at a price point that will allow for proper growth and sales
- ANNUAL SALES: Generate profits such that Annette's annual sales reach predetermined goals

THE KEYS TO SUCCESS IN REACHING THESE GOALS ARE:

- Provide competitive prices and superior service to all customers
- Create an atmosphere that is welcoming and attractive to a wide demographic
- Develop a strict cost control strategy and stick to it at all times
- Hire an exceptional staff that will go above and beyond the call of duty
- Reaching the intended demographic (ranging from ages 21 to 50)

ANNETTE'S MISSION

Annette's mission is to become the premier nightclub/jazz bar in the Narragansett area. Our goal is to provide customers with a memorable experience based on the unique atmosphere that will be created. The market in Narragansett is open for entry in the Jazz Bar as well as the Nightclub areas. By focusing on this niche market our goals will be reached and a superior evening experience will be provided to our customers. Annette's will strive to become the market leader in the Evening Entertainment/Bar industry.

COMPANY SUMMARY

The key elements of Annette's are as follows:

- Provide live jazz music to the customers
 - Allow professional musicians to play on specific nights as well as allowing evenings for amateur musicians to display their talents.
There will also be a time slotted for URI and other local students to further their development by playing for live audiences.
- Create theme nights for Nightclub goers
 - Themes that have mass appeal will be focused on.
- Gaming
 - The upper level of Annette's will provide customers an opportunity to relax with a game of billiards, darts or other various interactive style video games while enjoying live music.
- Service
 - The goal of Annette's is to provide superior service to all patrons. In order to portray the image of quality the proper number of well-trained employees will be hired to provide the best service in town.
- Live DJ
 - On the lower Nightclub level a live DJ will host the evening's entertainment. This will also allow Annette's to provide local students looking to further their DJ skills the opportunity to do so, while also hiring professional DJ's for high-volume nights.

LIST OF ANNUAL EXPENSES

EXPENSES

Utilities	
Electric.....	\$17,340
Phone.....	\$7,400
Sewer/Water.....	\$3,272
Rent.....	(base) \$16,000
Included in rent is Gas, Trash Removal & Liability Insurance	
Supplies	
Office Supplies.....	\$4,300

Postage.....	\$1,200
Emotional.....	\$23,400
Salary (one owner)	\$55,000
Advertising.....	\$10,000
Licenses/Registrations.....	\$2,770
Includes Chamber of Commerce Dues	
Company contribution to Health Insurance.....	\$11,000
Taxes	
¹ Social Security & Medicare (FICA).....	\$30,000
State.....	\$20,000
Misc. taxes.....	\$3,600
² Corporate Net Income Tax.....	\$ 27,000
³ Litter/Control Participation Tax.....	\$125
⁴ State Unemployment Tax.....	\$14,000
⁵ Temporary Disability Tax.....	\$702
ASPCA Union dues.....	\$400
Building maintenance.....	\$7,000
Payroll Services.....	\$3,400
Depreciation Expense	\$19,545.05
Interest Expense on Loan.....	\$8,750
TOTAL:	\$254,379.05
TOTAL FOR FIRST YEAR:	\$199,379.05
(Salary will not be considered in first year)	

INDUSTRY AVERAGES

The RMA Annual Statements Study is a book that has compiled a listing of every industry’s median and average numbers pertaining to the financial aspects of the individual industry. The following data represents the industry averages in the Restaurant/Lodging – Drinking Places (Alcoholic Beverages) industry (NAICS # 722410; SIC # 5813).

With the knowledge that **Sales-Cost of Goods Sold (CGS) = Gross Profit (GP)** we can determine industry averages in the following manner:

Gross Profit % = 58.2%...
 Therefore CGS = 100 – GP% CGS = 100 – 58.2% = 41.8% (CGS)

Profit Before Taxes (PBT) is represented as 1.1%

¹ Social Security Taxes (FICA) are to be paid by the employer based on a 6.2% tax rate annually of all employee wages up to \$87,000
² Corporate Net Income Tax is shown on the federal corporate tax return and is represented at a 9% rate on net income
³ Litter/Control Participation Tax is charged to all businesses that sell taxable food. Fees range from \$25.00 for businesses with sales less than \$50,000 to \$125.00 for businesses that exceed \$1,000,000 in sales
⁴ In terms of the State Unemployment Tax employers are responsible to cover the 1.9% tax rate up to \$14,000
⁵ Temporary Disability Act mandates that employers are required to pay 1.5% of the first \$46,800 in wages towards disability

Operating Expenses + All Other Expenses = 57.1% (TOS%)

CGS + Total Operating Sales (TOS) = 41.8% + 57.1% = 98.9%

• This percentage (98.9%) represents the total percent of money taken in by Annette's in Year 1 that will be paid out towards expenses.

FORECASTS: (BASES ON INDUSTRY AVERAGES)

Sales = \$300,000
CGS = \$300,000 x 41.8% = \$125,000
TOS = \$300,000 x 57.1% = +\$171,300
\$296,700 → the dollar amount paid to expenditures
\$3,300 → the dollar amount representing profits

Sales = \$400,000
CGS = \$400,000 x 41.8% = \$167,200
TOS = \$400,000 x 57.1% = +\$228,400
\$395,600 → the dollar amount paid to expenditures
\$4,400 → the dollar amount representing profits

FORECASTS: (BASED ON ASSETS/EXPENDITURES & ANNUAL EXPENSES)

Total Annual Expenses + Total Start-Up Expenditures =
\$199,379.05 + \$102,221.77 = \$301,600.82 → this number
represents the amount of dollars that will be paid towards
expenses

- From this information we can find the CGS plus TOS to be 100.533%
- This means that initially Annette's will take a loss of 1600.82 in the first year but will see significant growth in the following years.

The percentages derived from my research differ very little from those of derived from the RMA book which leads to a confident conclusion that this endeavor would return a positive gross margin after year one and continue to grow in the following years.

START-UP EXPENDITURES & EQUIPMENT ASSETS LIST

	Quantity	Unit Price	Total (\$)
Bar Supplies			
*Direct Draw Beer Dispenser (3Taps) ³	2	\$1,691.19	\$3,382.38
*Back Bar Cooler ³	1	\$1,761.98	\$1,761.98
*Horizontal Deepwell Bottle Cooler ³	1	\$1,026.72	\$1,026.72
Assorted Beer Tap Equipment			\$800.00
Heavy Duty Bar Blender ²	2	\$229.00	\$458.00
Swivel Bar Stools ⁴	20	\$53.00	\$1,060.00
Cocktail Table Bases (30" x 30") ⁴	10	\$26.50	\$265.00
Cocktail Table Tops (36" - 42") ⁴	10	\$22.50	\$225.00
Under Counter Dishwasher ¹	2	\$3,983.00	\$7,966.00
Misc. Bar Supplies (Trays, Shakers, etc.)			\$600.00
Total Bar Supplies Expenditures			\$17,545.08

Food & Drink Supplies			
Endeavor Glassware:⁴			
Beverage Glasses (12 oz.) (12/case)	13	\$26.25	\$341.25
Rocks Glasses (9 oz.) (12/case)	13	\$22.05	\$286.65
Libbey Glassware:³			
Z-Stem Martini Glasses (12/case)	8	\$74.20	\$593.60
Series V Shot Glasses (24/case)	7	\$42.76	\$299.32
Sliverware:²			
Table Spoon/Dessert Spoon (12/case)	8	\$13.89	\$111.12
Dinner Fork (12/case)	8	\$14.19	\$113.52
Knife (12/case)	8	\$21.49	\$171.92
Steak Knife (12/case)	1	\$3.84	\$3.84
China/Dishes (Syracuse China):²			
9 3/4" plate (12/case)	8	\$49.59	\$396.72
8 1/2 oz. Mug (36/case)	2	\$48.39	\$96.78
6" Saucer (36/case)	2	\$20.59	\$41.18
10 oz. bowl (36/case)	1	\$41.89	41.89
Napkins (20" x 20") (12/case) ²	10	\$24.69	246.9
Misc. Food & Drink Supplies			\$600.00

Total Food & Drink Supplies Expenditures	\$3,344.69
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*All Beverage Air products. Beverage Air products are all Energy Star rated. This means that they have passed strict energy requirements for power usage and will cost less to operate. Restaurant owners will tell you that, behind rent, energy (refrigeration) is the most important expense.

**START-UP EXPENDITURES & EQUIPMENT
ASSETS LIST (CONTINUED)**

	Quantity	Unit Price	Total (\$)
Kitchen Supplies:			
Reach-In Refridgerator ¹	1	\$2,407.00	\$2,407.00
Ice Machine (307 lbs/day) ¹	1	\$1,769.00	\$1,769.00
30 lb. Fat Capacity Deep Fryer ¹	1	\$1,407.00	\$1,407.00
UltraMax Gas Charbroiler Grill (36") ¹	1	\$1,880.00	\$1,880.00
Single Deck Pizza Oven ¹	1	\$5,426.00	\$5,426.00
Panini Grill ¹	1	\$844.00	\$844.00
72" Stainless Steel Prep Table ¹	2	\$237.00	\$474.00
Walk-In Cooler & Freezer ¹	1	\$4,799.00	\$4,799.00
Single Stack Convection Oven ¹	1	\$2,803.00	\$2,803.00
1000 Watt Commercial Microwave ¹	1	\$341.00	\$341.00
36" Restaurant Range (6) ²	1	\$1,441.00	\$1,441.00
Misc. Kitchen Supplies (cooking tools, utensils)			\$2,000.00
Total Kitchen Supplies Expenditures:			\$25,591.00

Other Supply Expenditures:			
Billiard Table: ⁵ 7 Foot, Coin-Operated (53' x 93")	2	\$1,875.00	\$3,750.00
Valley HM Dart Board ⁶ Gaming Accessories (Pool Cues, Darts, etc)	1	\$895.00	\$895.00
Panasonic Flat-Panel Television ⁷	1	\$1,599.00	\$1,599.00

POS Computer/Register System ⁸	3	\$2,999.00	\$8,997.00
Total Other Supplies Expenditures:			\$15,741.00
Leasehold Improvements			\$40,000.00
Total Start-Up Expenditures			\$102,221.77

- ¹ Products designated with number one refer to bibliography documentation number 5.
² Products designated with number two refer to bibliography documentation number 7.
³ Products designated with number three refer to bibliography documentation number 6.
⁴ Products designated with number four refer to bibliography documentation number 12.
⁵ Products designated with number five refer to bibliography documentation number 4.
⁶ Products designated with number six refer to bibliography documentation number 1.
⁷ Products designated with number seven refer to bibliography documentation number 2.
⁸ Products designated with number eight refer to bibliography documentation number 10.

ASSET DEPRECIATION

The depreciation list has been created based on the Start-Up Supplies & Equipment Asset List in the previous section. The depreciation has been calculated based on the straight-line strategy over the course of a 5-year schedule (except in the case of Other Supply Expenditures which was depreciated over a 7 year schedule).

Asset Depreciation Schedule

Asset Depreciation Categories	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Bar Supply Expenditures	\$3,509.20	\$3,509.20	\$3,509.20	\$3,509.20	\$3,509.20	x	
Food & Drink Supply Expenditures	\$668.94	\$668.94	\$668.94	\$668.94	\$668.94	x	

Kitchen Supply Expenditures	\$5,118.20	\$5,118.20	\$5,118.20	\$5,118.20	\$5,118.20	x	
Other Supply Expenditures	\$2,248.71	\$2,248.71	\$2,248.71	\$2,248.71	\$2,248.71	\$2,248.71	\$2,248.71
Leasehold Improvements	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00	x	
Total Per Year	\$19,545.05	\$19,545.05	\$19,545.05	\$19,545.05	\$19,545.05	\$2,248.71	\$2,248.71

LOAN AMORTIZATION SCHEDULE

Costs & Capital	
Total Costs	\$301,600.82
Personal Cash Contribution	\$200,000.00
Small Business Loan	\$125,000.00
Balance on Opening Day	\$23,399.18

Small Business Loan

Commercial Term Loan	
Term:	6 Years
Interest Rate:	7%
Principle Amount:	\$125,000.00

Loan Repayment Schedule

	Outstanding Balance	Payment Amount	Interest Expense	Reduction of Principle	Ending Balance
Year 1	\$125,000.00	\$26,751.63	\$8,750.00	\$18,001.63	\$106,998.37
Year 2	\$106,998.37	\$26,751.63	\$7,489.89	\$19,261.74	\$87,736.63
Year 3	\$87,736.63	\$26,751.63	\$6,141.56	\$20,609.43	\$67,127.19

Year 4	\$67,127.19	\$26,751.63	\$4,698.90	\$22,052.73	\$45,074.46
Year 5	\$45,074.46	\$26,751.63	\$3,155.21	\$23,596.41	\$21,478.04
Year 6	\$21,478.04	\$26,751.63	\$1,503.46	\$21,478.04	\$0.00

**ALL PRE-START EXPENDITURES
(INCLUDING ASSETS & EXPENSE EXPENDITURES)**

Assets	Quantity	Unit Price	Total (\$)
Bar Supplies			
*Direct Draw Beer Dispenser (3Taps) ³	2	\$1,691.19	\$3,382.38
*Back Bar Cooler ³	1	\$1,761.98	\$1,761.98
*Horizontal Deepwell Bottle Cooler ³	1	\$1,026.72	\$1,026.72
Assorted Beer Tap Equipment			\$800.00
Heavy Duty Bar Blender ²	2	\$229.00	\$458.00
Swivel Bar Stools ⁴	20	\$53.00	\$1,060.00
Cocktail Table Bases (30" x 30") ⁴	10	\$26.50	\$265.00
Cocktail Table Tops (36" - 42") ⁴	10	\$22.50	\$225.00
Under Counter Dishwasher ¹	2	\$3,983.00	\$7,966.00
Misc. Bar Supplies (Trays, Shakers, etc.)			\$600.00
Total Bar Supplies Expenditures			\$17,545.08

Food & Drink Supplies			
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Endeavor Glassware:⁴			
Beverage Glasses (12 oz.) (12/case)	13	\$26.25	\$341.25
Rocks Glasses (9 oz.) (12/case)	13	\$22.05	\$286.65
Libbey Glassware:³			
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Series V Shot Glasses (24/case)	7	\$42.76	\$299.32
Sliverware:²			
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Knife (12/case)	8	\$21.49	\$171.92
Steak Knife (12/case)	1	\$3.84	\$3.84
China/Dishes (Syracuse China):²			
9 3/4" plate (12/case)	8	\$49.59	\$396.72
8 1/2 oz. Mug (36/case)	2	\$48.39	\$96.78
6" Saucer (36/case)	2	\$20.59	\$41.18
10 oz. bowl (36/case)	1	\$41.89	41.89
Napkins (20" x 20") (12/case) ²	10	\$24.69	246.9
Misc. Food & Drink Supplies			\$600.00
Total Food & Drink Supplies Expenditures			\$3,344.69

**ALL PRE-START EXPENDITURES
(INCLUDING ASSETS & EXPENSE
EXPENDITURES) (CONTINUED)**

	Quantity	Unit Price	Total (\$)
Kitchen Supplies:			
Reach-In Refridgerator ¹	1	\$2,407.00	\$2,407.00
Ice Machine (307 lbs/day) ¹	1	\$1,769.00	\$1,769.00
30 lb. Fat Capacity Deep Fryer ¹	1	\$1,407.00	\$1,407.00
UltraMax Gas Charbroiler Grill (36") ¹	1	\$1,880.00	\$1,880.00

Single Deck Pizza Oven ¹	1	\$5,426.00	\$5,426.00
Panini Grill ¹	1	\$844.00	\$844.00
72" Stainless Steel Prep Table ¹	2	\$237.00	\$474.00
Walk-In Cooler & Freezer ¹	1	\$4,799.00	\$4,799.00
Single Stack Convection Oven ¹	1	\$2,803.00	\$2,803.00
1000 Watt Commercial Microwave ¹	1	\$341.00	\$341.00
36" Restaurant Range (6) ²	1	\$1,441.00	\$1,441.00
Misc. Kitchen Supplies (cooking tools, utensils)			\$2,000.00
Total Kitchen Supplies Expenditures:			\$25,591.00

Other Supply Expenditures:			
Billiard Table: ⁵ 7 Foot, Coin-Operated (53' x 93")	2	\$1,875.00	\$3,750.00
Valley HM Dart Board ⁶ Gaming Accessories (Pool Cues, Darts, etc)	1	\$895.00	\$895.00
Panasonic Flat-Panel Television ⁷	1	\$1,599.00	\$1,599.00
POS Computer/Register System ⁸	3	\$2,999.00	\$8,997.00
Total Other Supplies Expenditures:			\$15,741.00

Leasehold Improvements			\$40,000.00
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Total Start-Up Expenditures			\$102,221.77
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**ALL PRE-START EXPENDITURES
(INCLUDING ASSETS & EXPENSE
EXPENDITURES) (CONTINUED)**

Expense Expenditures	Total Expense
Utilities Electric	\$17,340.00

Phone	\$7,400.00
Sewer/Water	\$3,272.00
Total Utilities	\$28,012.00
Supplies	
Office Supplies	\$4,300.00
Postage	\$1,200.00
Emotional	\$23,400.00
Total Supplies	\$28,900.00
Rent	\$16,000.00
Advertising	\$10,000.00
Licenses/Registrations	\$2,770.00
Food & Drink (to stock bar and Kitchen)	\$15,000.00

Total Expense Expenditures	\$100,682.00
Total Pre-Start Asset Expenses	\$102,221.77

Total Pre-Start Operating Expenses	\$202,903.77
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**ANNETTE'S INCOME STATEMENT
YEARS 1-6 (WITH ESTIMATED CASH FLOW STATEMENT)**

	Year 1	Year 2	Year 3	Year 4	Year 5	
Sales	\$300,000.00	\$360,000.00	\$432,000.00	\$488,160.00	\$546,739.20	\$617,000.00
Less CGS (41.8% of sales)	\$125,400.00	\$150,480.00	\$180,576.00	\$204,050.88	\$228,536.99	\$258,000.00
Gross Margin	\$174,600.00	\$209,520.00	\$251,424.00	\$284,109.12	\$318,202.21	\$359,000.00
Less Total Operating Expenses ¹	\$202,903.77	\$200,000.00	\$205,000.00	\$200,000.00	\$200,000.00	\$210,000.00
Net Operating Income	-\$28,303.77	\$9,520.00	\$46,424.00	\$84,109.12	\$118,202.21	\$149,000.00
Less Interest Expense	\$8,750.00	\$7,489.89	\$6,141.56	\$4,698.90	\$3,155.21	\$1,000.00
Net Income Before Taxes	-\$37,053.77	\$2,030.11	\$40,282.44	\$79,410.22	\$115,047.00	\$148,000.00
Income Taxes (40%, federal & RI)	\$0.00	\$812.04	\$16,112.98	\$31,764.08	\$46,018.80	\$59,000.00
Net Income	-\$37,053.77	\$1,218.07	\$24,169.46	\$47,646.14	\$69,028.20	\$89,000.00
Add Depreciation Expense	\$19,545.05	\$19,545.05	\$19,545.05	\$19,545.05	\$19,545.05	\$2,000.00
Cash Flow from Operations	-\$17,508.72	\$20,763.12	\$43,714.51	\$67,191.19	\$88,573.25	\$91,000.00
Less Principal Repayment (loan)	\$18,001.63	\$19,261.74	\$20,609.43	\$22,052.73	\$23,596.41	\$21,000.00
Less Demand Loan Repayment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Actual Cash Flow	-\$35,510.35	\$1,501.38	\$23,105.08	\$45,138.46	\$64,976.84	\$69,000.00
Beginning Cash Balance	\$23,399.18	-\$12,111.17	-\$10,609.79	\$12,495.29	\$57,663.75	\$122,000.00
Ending Cash Balance	-\$12,111.17	-\$10,609.79	\$12,495.29	\$57,633.75	\$122,640.59	\$192,000.00
Revenue Growth Rate	0.00%	120.00%	120.00%	113.00%	112.00%	111.00%

¹Total Operating Expense data for year 1 gathered from the Pre-Start Expenses, which includes both pre-start asset purchases as well as pre-start expenses, such as rent licenses, etc.

**ANNETTE'S BALANCE SHEET
(5-YEAR PERIOD, INCLUDING OPENING DAY)**

Assets	Opening Day	Year 1	Year 2	Year 3	Year 4
Current Assets					
Cash	\$23,399.18	-\$8,586.40	-\$7,085.02	\$16,020.06	\$61,158.52
Accounts Receivable	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Inventory	\$10,000.00	\$10,000.00	\$13,000.00	\$22,000.00	\$25,500.00
Pre-Paid Expenses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Current Assets	\$33,399.18	\$1,413.60	\$5,914.98	\$38,020.06	\$86,658.52

Long Term Assets					
Deposits					
Leasehold Improvements	\$40,000.00	\$40,000.00	\$32,000.00	\$24,000.00	\$16,000.00
Less Accumulated					
Depreciation	\$0.00	\$8,000.00	\$8,000.00	\$8,000.00	\$8,000.00
Net	\$40,000.00	\$32,000.00	\$24,000.00	\$16,000.00	\$8,000.00
Bar Supply					
Expenditures	\$17,545.08	\$17,545.08	\$14,035.88	\$10,526.68	\$7,017.48
Less Accumulated					
Depreciation	\$0.00	\$3,509.20	\$3,509.20	\$3,509.20	\$3,509.20
Net	\$17,545.08	\$14,035.88	\$10,526.68	\$7,017.48	\$3,508.28
Food & Drink Supply					
Expenditures	\$3,344.69	\$3,344.69	\$2,675.75	\$2,006.81	\$1,337.87
Less Accumulated					
Depreciation	\$0.00	\$668.94	\$668.94	\$668.94	\$668.94
Net	\$3,344.69	\$2,675.75	\$2,006.81	\$1,337.87	\$668.93
Kitchen Supply					
Expenditures	\$25,591.00	\$25,591.00	\$20,472.80	\$15,354.60	\$10,236.40
Less Accumulated					
Depreciation	\$0.00	\$5,118.20	\$5,118.20	\$5,118.20	\$5,118.20
Net	\$25,591.00	\$20,472.80	\$15,354.60	\$10,236.40	\$5,118.20
Other Supply					
Expenditures	\$15,741.00	\$15,741.00	\$13,492.29	\$11,243.58	\$8,995.00
Less Accumulated					
Depreciation	\$0.00	\$2,248.71	\$2,248.71	\$2,248.58	\$2,248.58
Net	\$15,741.00	\$13,492.29	\$11,243.58	\$8,995.00	\$6,746.42
Total Long Term Assets	\$102,221.77	\$82,676.72	\$63,131.67	\$43,586.75	\$24,041.83

Total Assets	\$135,620.95	\$84,090.32	\$69,046.65	\$81,606.81	\$110,700.35
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**ANNETTE'S BALANCE SHEET
(5-YEAR PERIOD, INCLUDING OPENING DAY) (CONTINUED)**

Liabilities	Opening Day	Year 1	Year 2	Year 3	Year 4	Year 5
Current Liabilities						
Accounts Payable	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Current Long Term Debt	\$0.00	\$18,001.63	\$19,261.74	\$20,609.43	\$22,052.73	\$23,444.02
Demand Loan Repayment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
Income Tax Payable	\$0.00	\$812.04	\$16,112.98	\$31,764.08	\$46,018.80	\$61,279.60
Total Current Liabilities	\$0.00	\$18,813.67	\$35,374.72	\$52,373.51	\$68,071.53	\$84,723.62
Long Term Liabilities						
Long Term Debt	\$125,000.00	\$106,998.37	\$87,736.63	\$67,127.19	\$45,074.46	\$23,444.02
Total Long Term Liabilities	\$125,000.00	\$106,998.37	\$87,736.63	\$67,127.19	\$45,074.46	\$23,444.02
Capital/Equity						
Contributed Capital	\$200,000.00	\$0.00	\$0.00	\$0.00	\$0.00	
Retained Earnings	\$0.00	-\$41,721.72	\$54,064.70	\$37,893.89	-\$2,446.12	\$54,064.70
Total	\$200,000.00	-\$41,721.72	\$54,064.70	\$37,893.89	-\$2,446.12	\$54,064.70
Total Liabilities	\$325,000.00	\$84,090.32	\$69,046.65	\$81,606.81	\$110,699.87	\$108,167.64

SERVICES

Annette's will offer the high-energy atmosphere of a dance club coupled with the mature and relaxed atmosphere of a jazz bar. Annette's will sell beer, both bottled and draught, wine, liquor and mixed drinks. Non-alcoholic drinks will also be available and non-alcoholic drink specials will be offered to designated drivers. A light food menu will be created for patrons consisting mainly of simple bar items, including nachos, French fries and small salads. The initial operating hours will be 5:00 p.m. to 1:00 a.m. with the hours of 5:00 p.m. to 8:00 p.m. being designated "happy hour" with offering various drink specials. Annette's will draw mainly from the local college crowd as well as the older local crowd while reaching out to tourists and business travelers throughout the summer.

MARKET ANALYSIS SUMMARY

The bar industry in Narragansett, RI is one that is flourishing with the given market segmentation. Offering a unique evening entertainment experience will give Annette's the opportunity to gain a significant portion of this market and find success along the way. Annette's will be a two-floor entertainment entity. Each floor will be approximately 12,000 square feet with various areas designated for particular aspects of the two bars. The bottom floor, the nightclub, will focus solely on the dance-oriented theme presented in the Key Element section. There will be a bar large enough to adequately serve the entire crowd, two sets of bathrooms located at opposite ends of the room, a stage/DJ area for performers and a large dance floor, approximately 50 feet by 40 feet. The upstairs portion of Annette's will be dedicated to the segment of the market who enjoy a more laid-back atmosphere. This floor, also 12,000 square feet, will be divided into a number of sections. The main section will be the bar itself. Smaller than the bar downstairs but still large enough to satisfy the needs of all customers, the upstairs bar will offer all lower end drinks while also offering higher end liquors and wines. There will be a small kitchen on the second floor with a grill, a deep fryer, a salad station and a small oven used to create light dishes such as nachos, salads

and other bar-friendly foods. A small room will be fashioned for those who would prefer to eat at a booth-type table rather than at the bar itself. There will be one set of bathrooms upstairs. There will be a stage large enough to accommodate the average size of a jazz band, but it will be small enough as not to detract from customer seating or from the overall aesthetic created upstairs.

MARKET SEGMENTATION

The purpose of offering a dual genre bar in Narragansett is to attack two market segments that are being ignored at the same time. Offering a mature atmosphere in the jazz bar while at the same time offering a high-energy dance-themed nightclub accomplishes the goal of attracting multiple segments. The market segments that Annette's will be focusing on through both the nightclub as well as the jazz bar are as follows:

- **COLLEGE STUDENTS:** Creating an environment that is appealing to college students is our main goal for the nightclub portion of Annette's. Effective word-of-mouth and competitive prices will encourage this segment to frequent Annette's and our superior service and overall high entertainment value will create loyal customers who will look forward to visiting Annette's on a regular basis.

- **LOCAL MARKET:** Annette's hopes that by offering the mature atmosphere of a jazz club coupled with enjoyable company and quality service and food we will attract the 29-50 age group to the upstairs bar. The upstairs bar will be built with this segment in mind. A comfortable lounge will be created for the enjoyment of the live music as well as small cocktail tables that will be offered for those who would like to eat a light meal while enjoying the shows.

- **YOUNG PROFESSIONALS:** This market segment is key because it can fill both the upstairs bar at Annette's as well as the nightclub. These young professionals, ages 23-29, can be just out of college and still looking for an exciting night out with friends. While the latter half of the segment may be looking for a place to unwind after a long day at work and it is Annette's goal to fulfill all of the needs of these young professionals, whatever they may be.

- **TOURISTS & BUSINESS TRAVELERS:** Throughout the course of the summer season in Narragansett the population grows by a large number. Annette's will capitalize on this fact by providing the business traveler with a relaxing atmosphere that can be enjoyed

with business partners providing an opportunity to forget about work for the evening. Older tourists will be welcomed into the jazz bar while younger, college age tourists will be enticed to visit the exciting atmosphere of the nightclub after spending a long day enjoying all that Narragansett has to offer.

TARGET MARKET SEGMENT STRATEGY

The wide demographic base that Annette's will be focusing on will allow for a unique mix of niche markets to be explored. The older local crowd as well as the local university students will be equally promoted to in an effort to help Annette's reach it's full potential.

In order for the marketing strategy to be successful we must focus on the following:

- Developing a successful promotional plan that will attract attention and gain a loyal customer following
- Provide the highest quality of service in the area, outdoing all competitors and reinforcing Annette's reputation of providing superior service and a unique entertainment blend.
- Continuously focus on our target markets to create a large share of the market for Annette's

Part of what is going to make the Annette's experience memorable will be the simple but unique menu offered to guests visiting the upstairs lounge. In order to maintain the high-end level of service Annette's menu items will be simple yet unique and available to patrons at a fair price.

MARKETING STRATEGY

SWOT ANALYSIS

STRENGTHS

- Offering live music will create an entertaining atmosphere for patrons
- Providing a mature jazz atmosphere where none is offered in this local market
- Exceptional service
- Unique Atmosphere
- Providing a full-fledged dance club will serve the local market with the opportunity to dance for hours on end in an exciting atmosphere

WEAKNESSES

- Lots of competition within the bar industry in Narragansett
- Lack of experience

OPPORTUNITIES

- Chance to gain large share of market with our wide segment
- The lack of experience will bring a fresh face with new ideas to the Narragansett bar industry

THREATS

- Jazz bars in Newport for those willing to travel and who want to frequent an established club
- Dance Clubs in Providence for those willing to make the trip north

MARKETING MIX

● **PRICE STRATEGY:** Annette's pricing strategy will consist of a mix between competitive pricing and penetration pricing. By setting prices at an economically competitive rate Annette's can compete with local bars. Annette's goal is to draw a crowd and retain customers based on the entertainment value provided. While this may lead one to believe that our prices could be set higher, we do not want to lose customers in our key demographic to bars who will offer lower prices. These prices will be coupled with promotions and specials that will also help in appealing to our target segment.

● **PRODUCT STRATEGY:** Annette's is in the service industry. Therefore, our product goal is to provide the best service while maintaining our mission of great evening entertainment. In an attempt to reach this goal Annette's will create a loyal following from the large target market base.

● **PROMOTION STRATEGY:**

- **COUPONS:** Offer discounts on drinks and food in magazines such as RI Monthly and Shop 'Til' You Drop.
- **CONTINUITY PROGRAMS:** Create programs in which customers are rewarded for repeat business in an effort to assist in the growth of customer loyalty.
- **DIRECT-MAIL:** Send out postcards and packets containing information about Annette's to the local community in an effort to spark interest within the area. Packets could include coupons and discounts and other various incentive-laden pieces.

COMPETITOR ANALYSIS

LOCAL COMPETITORS

CASEY'S GRILL & BAR

Hours of operation: 11:30 am – 1:00 am

Monday through Sunday

Tuesday: 10 ¢ Wing Night, \$ 2.00 Coors Light

Sunday: Karaoke Night

Casey's appeals to the local college crowd

- Central focus is on Wings and drink specials throughout the week as well as offering many televisions for use on game nights.

CHARLIE O'S

Charlie O's is a sports bar

Provides pool tables, and other interactive gaming

Free pool after 9:00 pm on Sunday

Good late night menu available

Charlie O's appeals to the local college crowd in the evening and doubles as a family restaurant during the day

THE MEW'S TAVERN

The Mew's is open all day and offers breakfast all day and lunch starting after 11:00am

Friendly atmosphere

Features 69 Microbrews on tap

Offers an upstairs Martini Bar

Very popular with college students

- Hosts a very successful Happy Hour

NON-LOCAL COMPETITORS

NEWPORT BLUES CAFÉ

Newport, RI

Open Wednesday through Saturday

Thursday: 2 for 1 dinner special. \$5.00 bottle of house wine

Located in the heart of Newport

Offers multiple levels of bars

- All with great views of the Newport Harbor

Provides musical acts once evening falls

ASTERISK & OBELISK

Newport, RI

Upbeat NY-style restaurant

- Features fusion cooking
- Great espresso martinis

Live jazz on Sunday evenings

DIESEL

Providence, RI
Hip-Hop club featuring DJ's
Full bar offered
18 + admission

STRATEGY AND IMPLEMENTATION SUMMARY

Annette's will build on three marketing strategies in order to find success in the market, the first of these strategies being outstanding service. There are a number of ways that Annette's will provide this service to its patrons. The first and foremost will be the proper training of the staff. All employees will go through a training program created by the management team focusing on the most important aspects of proper service while at the same time covering all areas that deserve attention. Employees will then be given incentives to work harder for the customer in every situation. Incentives such as "employee of the month" will be awarded to the top bartender each month. Along with the award would come rewards such as gift certificates, personal parking spots for the month and other rewards that would drive Annette's employees to perform great customer service. Additionally Annette's will have a customer/employee ratio that will work in favor of the customer. Annette's goal is to staff enough well trained bartenders so that no customer will have to wait more than 3-5 minutes for a drink.

The second marketing strategy is to focus as much attention as possible on the entertainment that Annette's will provide. This strategy will be directly linked with Annette's success based on the fact that Annette's will provide such a unique evening experience. The entertainment in the lounge area upstairs will be live jazz music. A comfortable seating area, including couches and cocktail tables, will be provided for all guests. The jazz bands that plays will be selected after interviews by the management team. The lounge will also provide amateur musicians a chance to play in front of a crowd.

The entertainment downstairs is will also drive the success of Annette's. A permanent DJ booth will be constructed next to the dance floor as will a small stage area for nights when live music (other than jazz) will be provided downstairs. Local bands will be invited to play from the college community. Annette's will be proud to assist local college student reach their dreams of playing their live music in front of a crowd. Also available in the Nightclub will be a few billiards tables as well as interactive games, such as electronic darts and touch-screen games for those who want to enjoy the atmosphere of Annette's but not take part in the dancing.

Perhaps the most important of all three strategies will be what is known as a “promise fulfillment strategy”. Within this strategy Annette’s will focus on meeting the needs of each and every customer, as well as going above and beyond the call of duty by perhaps altering theme nights based on customer suggestions. Value can be described as service minus price charged and it is therefore Annette’s goal to do more than just simply provide drinks and entertainment, we must make a lasting impression that will leave customers with the desire to return on a regular basis.

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