

About this Document

The full narrative of this business plan is available for public consumption. The confidential financial information has been removed.

For those who need to see the skill set of formulating financial projections, please contact Andrew Kokas directly at: akokas@comcast.net.

The entire document, including financial projections, was written by Andrew Kokas.

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Business Plan Narrative

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II. Executive Summary



Price and location were the main reasons Olivia Liang purchased the building (above) from the Jordan Evanoff family late in 2014. Downtown Jackson was still stuck in a soft real estate market, and this blighted building had been sitting vacant for more than ten years. The building needed massive repairs, but the \$65,000 price for the real estate was too good to pass up considering the location. The structure is just one story, but its front façades face two streets in the core downtown—Cortland and Francis (now MLK Blvd.). It is extremely close to potential retail customers. The Consumers Energy building (1,500 employees) and the Michigan State Office Building (400 employees) are directly across the street. The Commonwealth Commerce Center (500 employees) and One Jackson Square (500 employees) are exactly one block away. Within the same city block are two senior apartment complexes, both fully rented, where 225 residents live. Yet despite the nearby customer base, Ms. Liang needed to find a business that could be created in her building that could attract them. This thought process led to the business plan contained within these pages.

There were many ideas and numerous iterations which included building atop the structure to create market rate apartments, creating a vendor-operated food court, opening a bar, a nightclub or simply leasing spaces to small retailers. The final idea—the idea that research showed was needed—became Peach Market, a small format fresh food market and a companion bar. This is the business Ms. Liang will operate with her husband, Andrew Kokas and their staff. This is the idea that fit perfectly into the context of what had just started to happen in downtown Jackson.

The back-story: Right after the building was purchased an executive from Consumers Energy, Allan Hooper, approached Ms. Liang and Mr. Kokas. In addition to his job at Consumers Energy, Mr. Hooper represented himself as serving as the executive director of a newly formed organization called the *Jackson Anchor Initiative*. The JAI was comprised of the twenty largest employers in Jackson County. The company chieftains came together solely because they all faced the same problem with their workforces. They had difficulty recruiting new college graduates to take the managerial and technical jobs that needed to be filled because new college graduates did not want to live in Jackson. The millennials they sought wanted to combine their first job out of college with an urban lifestyle, and sleepy downtown Jackson did not capture their imaginations. As a result, it became a mission of the JAI to use its resources and influence to improve downtown Jackson. Mr. Hooper encouraged Ms. Liang and Mr. Kokas to build up and create market rate apartments—which was seriously considered—but in the end Liang and Kokas simply acknowledged that in the future, more young people were going to be living downtown. Twenty captains of business and industry would make sure of that.

Simultaneously, city government published its multi-year *City of Jackson Master Plan*. It is probably no coincidence that the Master Plan and the JAI were created at the same time. The Master Plan addressed most of the ills and opportunities of Jackson, but the primary message of the 100-page document was clear. Downtown development was the priority. Almost immediately the downtown began to improve. The streets were unearthed to their core. New electric, sewer and pipelines, road surfaces, bike trails, green spaces, wider sidewalks, better lighting and lots of trees were among the improvements. City-owned land was donated to developers who could promise housing. To Liang and Kokas the Master Plan was good news, too.

The adoption of the Master Plan and the efforts of the JAI were the existential forces that caused Liang and Kokas to look carefully at retail. If millennials would eventually populate new downtown apartments, that would be a bonus. Still unanswered, however, were what Liang and Kokas could sell while waiting for the downtown to become a chic urban center. Also, why had other retailers—a jewelry store, a furniture store, a gift shop and a camera store—failed to thrive downtown. Moreover, they needed to know the lifestyles of those who were already participating in the urban experience—the white-collar lunch goers, the urban poor, the loiterers and the subsidized elderly who perambulate the downtown on mobility scooters.

The Research: Liang and Kokas conducted primary and secondary research on the potential market. Various data sources revealed that 7,500 white collar professionals were working within six blocks of their building. 5,000 of those workers are within three blocks, and 2,500 are within one block. To conduct primary research, Liang and Kokas stood in front of their new building taking note of who walked by, where they went and what they did when they got there. They saw and counted the people who went out to breakfast, lunch and dinner. They saw how many ate alone, how many ate with a friend, how many ate in a group and how fast they all went back to their office cubicles. This data was combined with secondary research which showed most consumers shop at secondary food markets at least once during the week to pick up a few items they need for home. Other research showed a downward slide in restaurant sales, mainly due to price. With this information and additional primary surveys, the product offerings of the new Peach Market began to define themselves. Peach Market would emphasize Grab 'n Go and prepared lunches at less than restaurant prices. There will be plenty of general grocery, meats, dairy, convenience items, fresh baked breads and muffins, fresh fruits and vegetables. These products and services are designed for the built-in customers embedded in this location because their workplaces are nearby. The adjacent bar may also become attractive to after-work customers.

The next consideration was given to those who live near downtown. Downtown and the surrounding areas have long been classified, collectively, by the United States Department of Agriculture as a "food desert," which essentially means the people who live there have limited access to fresh food. Their lives are made more difficult when their incomes are low with minimal access to personal transportation. There are 7,000 persons who live within seven blocks of the proposed food market. 4,000 persons live within four blocks, and 2,200 are within three blocks. As a group, these residents have household incomes far below the poverty rate, rarely go out to eat at the downtown restaurants, and many take a bus or ride with a friend to get to a grocery store three miles away. The nearest full-service market is 2½ miles away. There are eight different bus lines that start and end at the downtown bus depot. Passengers convene at this central spot, but hardly any wander beyond the station. It is as though everyone who rides the bus is resigned to the fact that nothing downtown is really meant for them or their thin wallets. The bus passengers walk straight back to their homes south of Washington Street. The outbound bus depot is one block from the new Peach Market.

The Vision: The developers believe that a fresh format grocer in downtown Jackson will change what people think of downtown, and the way they use downtown. No longer will half the population be shut out from buying something they need or want because they cannot find it, afford it or get to it. They can use their Bridge Cards to pick up tomatoes and carrots for tonight's dinner, buy the dish washing soap they've run out of, grab a quick salad or sandwich to satisfy their immediate hunger, or carry out a six-pack of beer. Five-thousand office workers will also have someplace to go after their 20-minute speed-lunches at the Junkyard Dog or Chilango's. They can take a few minutes to select a flower bouquet or card for their retiring secretary or pick out their favorite fruit for a late afternoon snack. They can find a tube of lipstick, a box of allergy pills, a cheap umbrella or just study the labels of fine wines and exotic vinegars. When it is operational, the food market will not need to solicit customers beyond a six-block radius because the business will do fine just serving the substantial customer base that is already part of the downtown.

The Costs: Projected development costs for the building located at 148 E. Cortland total \$800,000, including the cost of building acquisition, exterior renovations, leasehold improvements, equipment costs, inventories, start-up operating expenses and contingencies. It should be noted that entire 7,000 sf building will be restored inside and out. We had previously planned to reserve 1,600 square feet for future development, but that has changed recently for a variety of reasons. The newly proposed interior renovations are shown in a separate PDF document.

Some of the capital investment of this project has come from the developer—Olivia Liang, her husband, and some outside benefactors. Ms. Liang has invested at least \$150,000 in hard costs, such as building acquisition, clean-out, asbestos abatement, some roofing and the liquor license. She spent several thousands more in soft costs such as insurance, legal fees, taxes, appraisal fees and utilities. A \$30,000 grant had been secured from the City of Jackson Downtown Development Authority for façade improvement, but it was inexplicably revoked. A new grant of a similar amount is being sought. A \$100,000 grant came from the Michigan Good Food Fund. A grant of approximately \$48,000 has been promised and confirmed by the Michigan Department of Agriculture and Rural Development (MDARD). One lender--Northern Initiatives, a CDFI--provided a loan of \$265,000 at 9% interest. Another CDFI, Michigan Women Forward, has promised a \$50,000 loan at 8%. The Fair Food Network has promised a \$50,000 loan.

Projected Sales: Peach Market is projected to have sales of 1.7 million in its first year of operations. This is expressed as an average of \$4,800 in sales per day with a net operating profit of 8% even accounting for losses in the first couple of months. After the first several months, \$1,750 is projected in grocery sales per day to residential customers. Marginally more than that--\$2,000—is expected in grocery sales to downtown workers. The combination of pre-prepared meals, coffees, soft drinks and other grab ‘n go items are expected to yield \$930 in daily sales. Finally, \$175 is projected to be the daily total in poured liquor, wine, and beer.

The Market: Many downtown food service businesses have attempted to capitalize on their close proximity to office workers, even if they do not have the proximal advantage of this location. Liang and her husband, Kokas, however, will also tap into several customer bases that have been overlooked. These include: 1) the population of downtown workers who want to buy something other than lunch; 2) the people who live downtown who will be able to buy emergency groceries and sundries that can save them a trip to the city’s outskirts; and importantly, 3) the people who make up the statistical downward slide in restaurant patronage—those who have not yet accepted that their daily lunch is supposed to cost \$14.00. These are people who will not eat out because of the prices. At Peach Market, price-conscious consumers will be able to graze through the aisles and select healthy foods a la carte for much less.

The Impact: The grocery project will have a measurable impact on the community. When old paint is removed, broken bricks replaced and new windows and doors installed, the commercial property will begin to show life for the first time in a long time. The development will eliminate 15 years of blight from a visible entrance to the downtown. For historians and economists, it will re-purpose a building from the 1890’s, once a horse and carriage livery, preserving some of the heritage while creating an updated look. Thirty decent jobs will be created for skilled and unskilled workers. Some of these workers will be trained and drawn from the population of unemployed and underemployed persons who live nearby.

The developers expect to make money—to be able to repay their lenders without delay. But an underlying passion is to make a lasting improvement to downtown Jackson that brings rich and poor, white, brown and black, privileged and underprivileged to a gathering place open to all. It is what a downtown should be, and what the developers believe they can help create.

III. General Company Description

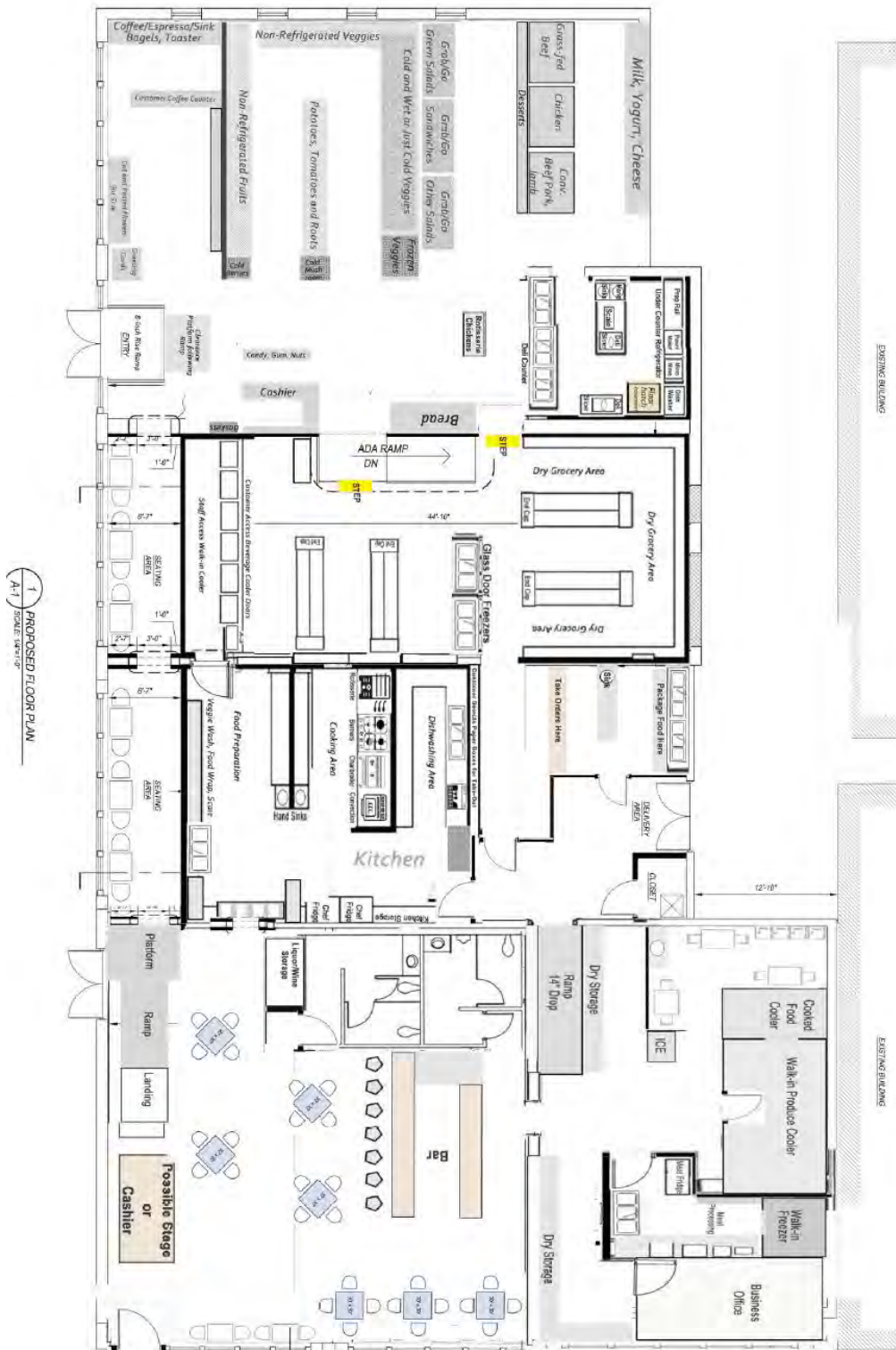
The Lay of the Land

The business site is on Cortland between Mechanic and Martin Luther King, Jr. Blvd. With 120 feet of frontage on Cortland and an additional 64 feet on MLK, the L-shaped corner complex totals 7,000 square feet. It faces the Consumers Energy building to the east and a large public parking lot to the south. It abuts the Otsego Apartments (for the elderly) to the north.



Of the total of 5,000 office workers in the core downtown, half are within one city block of the front entrance of Peach Market. The remainder are 1-3 blocks away.

Proposed Store Layout can be more easily viewed using a separate pdf document that can be sent by request.





The small format food market planned for immediate development will capitalize on an unmistakable trend for these stores. In addition to a 20% growth rate over the past ten years, the Food Marketing Institute projects that

“premium/fresh-format grocery stores that focus primarily on fresh and ready-to-eat foods are expected to have the highest growth rate through 2020.”

Smaller format markets emphasize fresh, global and exotic tastes, non-GMO and food sustainability among other trends, such as online ordering, delivery and label transparency. Some of them—Peach Market included—have a Class C Liquor License and can offer beer, wine and liquor served on the premises in addition to selling bottled beer and wine for take-out. Seating in the store and seating at an adjacent bar will also be available at Peach Market.

The competitive advantage Olivia Liang and her husband, Andrew Kokas bring is deep experience in business development and marketing, plus a lifetime relationship with Opus One Restaurant, Opus One Catering, New Pearl Catering and The Chambertin Restaurant (all of southeast Michigan). The Kokas family has owned and operated more than a dozen food service operations over the last 100 years. For the past fifty years Andrew Kokas has been a part of it as a grandson, son and brother. All Kokas family eateries, regardless of type, have always stood for high quality and service. Achieving that standard is part of the family DNA.

The image (right) is one of more than a hundred social and corporate events that Opus One catered annually from 1987-2015. Opus One Catering was the preferred caterer for the Detroit Opera House, The Henry Ford, the Detroit Symphony Orchestra and many others. It also operated in key venues in Oakland County and Ann Arbor. In addition, Opus One provided daily “canteen” services (breakfasts and lunches) within corporate office centers. Opus One Restaurant (1987- 2007) consistently received high ratings from Zagat, Wine Spectator and was named Restaurant of the year (Detroit) in 1989.



Ms. Liang and Mr. Kokas are building their companies (Peach Market, Inc. and Bridgepoint Development LLC) to be socially responsible enterprises. While not specifically seeking certification as a so-called “B-Corp” (*companies that are driving a global movement of using business as a force for good*), they still try to adhere to the principles of creating value for non-shareholding stakeholders. That means bringing value to employees, the local community and the environment. So far, ninety percent of all employees who have worked on this project live in the City of Jackson where unemployment rates are high, and nearly half of all employees are also people of color. Nobody works for less than \$15 per hour.

Peach Market’s greatest “equity challenge” will be as a participant in trying to improve health outcomes for the people who have lived in Jackson’s food desert for generations. Peach Market will need help from other community leaders to do this. Peach Market’s role is to create supply and demand for fresh foods where none has previously existed. Creating supply will be straight forward enough by simply finishing the store construction and beginning to sell produce, meats and dairy to the residential customers in and around downtown. The much harder part will be to create demand because food desert residents have never had easy access to fresh food, so it is unclear how many fruits and vegetables they will want to buy.



This picture (upper left) shows a typical downtown neighborhood “food market.” The store is little more than a beverage depot with beer, sugary drinks, bags of chips, pizza slices and a few cans of baked beans. Stores like these are the most accessible food stores to low-income persons who live in Jackson’s neighborhoods. According to Center for Family Health (CFH) which is Jackson County’s Federally Qualified Health Center and partner in Peach Market’s health mission, residents around downtown Jackson have an extremely high rate of uncontrolled diabetes and hypertension, and many residents are obese. Peach Market will endeavor to be a place where healthy food habits can be formed.

Peach Market is working with the Center for Family Health, the Fair Food Network and with the Jackson Housing Commission to find ways of changing food purchasing decisions among those living in Section 8 housing. Peach Market will be appealing to other non-profits to discover what they may be able to contribute to the community’s health mission.

If the coronavirus taught us anything so far, it is that the federal government cannot singlehandedly solve a pandemic, nor can it bring food equity with the stroke of a pen. It can help with national policies and to allocate resources, but it takes community leaders who understand local needs to bring solutions where they matter most.

The federal government's primary effort to combat hunger is for the USDA to allocate resources so that states can provide SNAP benefits to low-income persons with the goal of improving their fresh food access. Beyond that, there is little that governments can do to make people eat more fruits and vegetables or change their diets without interventional community support.

Peach Market, in coordination with several organizations, intends to show that the federal and state response to hunger—the Michigan Bridge card—can spur economic development, create jobs for low-income people, improve health outcomes and enable farmers to have new outlets for their agricultural products provided the community will make it a priority. To that end, and because Peach Market will soon become the biggest retailer in the area, Liang and Kokas plan to engage community leaders however they can.

Peach Market will open in a food desert early in 2022. Nutritional counseling, medical oversight, cooking classes and deeply discounted produce will be coordinated and promoted to see if a supply and demand for agricultural products can be created where none has existed.

Partners in the project:

Center for Family Health, an FQHC

Peach Market

Fair Food Network

Michigan Department of Agriculture and Rural Development

Michigan Good Food Fund

Jackson Housing Commission

MISSION STATEMENT

“to become a local favorite to the people of Jackson by finding, training and supporting those employees willing to put in the daily work necessary to achieve it.

The developer’s **goal** is simple. Her goal is *for Peach Market to be recognized for consistent quality, great taste and extraordinary service* so that a legacy of quality food can be passed on to a new generation of entrepreneurs in Jackson County through company’s guiding principles of operation.

Guiding Principles and Company Objectives

1. Identify food entrepreneurs, support them and provide them with training that will help make them successful;
2. Remain vigilant in researching and identifying food industry trends so that operations can either adjust to market preferences or lead the way;
3. Stay committed to the newest trends that are already here, such as fresh, wholesome and organic foods, locally sourced foods, ethnic foods and quick convenience foods.
4. Pay attention to every customer. Learn their names one at a time. Let them educate the company by what they know, appreciate and want.
5. Be transparent with operations so that customers can see improvements and become engaged with the reasons behind any changes;
6. Promote the community’s good works. Be a good corporate citizen. Be generous to those who are underprivileged;
7. Train employees. Train them continuously;
8. See the problems and challenges of customers as an opportunity to find creative solutions through food product, food preparation and/or service;
9. Become a place where anyone can get an answer about anything related to food.
10. Meet or exceed the company’s operating profit objectives on a continuous basis.

Corporate Structure

There has been a change in corporate structure of this project since the original financial projections were prepared. The changes deserve an explanation to avoid confusion. The change was initiated by our CPA, Tina Heap of Bond & Co., and was done primarily for tax purposes after our projections had been finalized.

The original projections that were prepared and presented by the developers show that Bridgepoint Development LLC owns the building, owns the equipment and is given all of the profits from Peach Market's grocery operations. That means Peach Market pays Bridgepoint to rent space, rent equipment and turns over all its profits to Bridgepoint. The developers prepared their financial projections in this manner so that they could more easily track the flow of money. This helped in the planning, and enabled a usable worksheet for the developers, but it was not the right structure according to the CPA.

The CPA said that Bridgepoint Development cannot take the profits of Peach Market because Bridgepoint does not own Peach Market. She also said that for tax purposes, Bridgepoint should not own the equipment. She said having Peach Market own the equipment is a better choice because Peach Market can take advantage of accelerated depreciation which Bridgepoint Development cannot.

The financial projections that accompany this document show the original plan concocted by the developers, including all assumptions.

The CPA's structure and future annual reports will become the standard going forward.

IV. Overview of Construction

This section shows selected photographs (with captions) to describe the fixes required and completed. The 7,000 square foot complex was blighted when purchased. The City of Jackson quickly condemned the structure and imposed a Development Agreement on the new owners.



All six roofs were leaking, some more than others. Buckets on the roof held down the degrading asphalt topping. The brick façade was coated with several layers of lead-based paint. Four windows had been infilled with brick.



The paint was removed by a Lansing company engaged in historic restorations. All front facades that were not made of brick were removed to prepare for storefront windows. The bricks in the four side windows were exfilled to allow new windows to be added that will be in keeping with the original 1893 structure.

Back sides of building



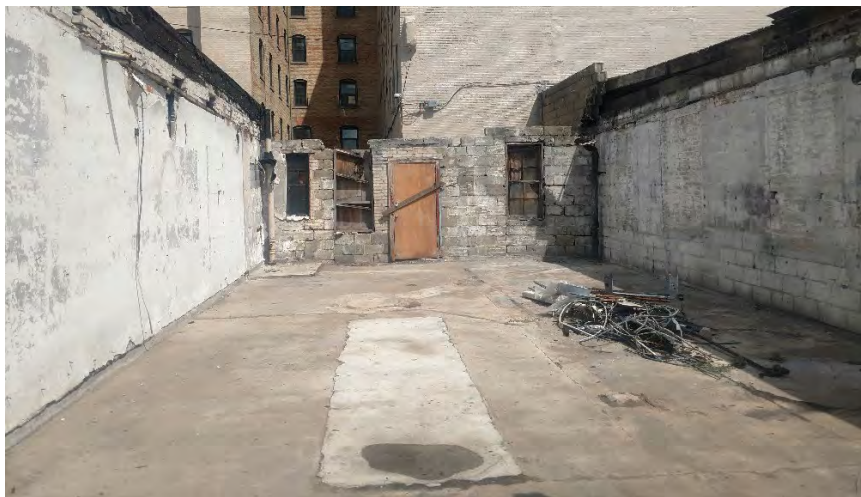
These two back walls (above) were demolished and then rebuilt (below).





This unit was the most blighted of all the 6 units of the complex.

The entire roof was unsalvageable.



The roof was removed.
The back wall torn down.



A new roof structure was built. The back wall was rebuilt.



In addition to the demolished roof structure from the previous page, all five remaining units required new roof decking, insulation and roof membrane.



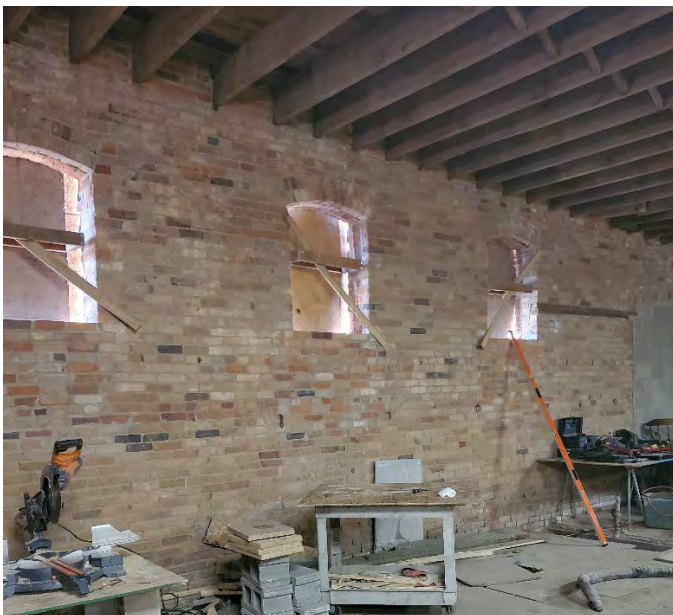
Eight inches of insulation was put on the roof top prior to the membrane.



Once non-bearing walls and drop ceilings were removed from this unit, all that remained were dirty roof joists and painted brick walls.



Soda blasting equipment was used to remove the old paint. It was a tedious, time-consuming job, but not harmful to the underlying brick.



The roof joists were cleaned to enable an exposed open ceiling for the new store and the windows were exfilled to allow original-style windows to be restored.

All demolition, repairs and exterior construction are nearly completed and paid. This includes removing lead-based paint from front facing walls, demolishing and rebuilding two loadbearing walls, partially rebuilding two more load bearing walls, building new roof structures where two had collapsed, applying all new decking on all roofs, insulating and applying new membrane roofs across 7,000 sq. feet and replacing broken bricks and repointing many of the bricks on all sides of the building.

In the interior, all old wall coverings and plasters have been removed leaving the underlying brick cleaned and exposed restoring many of the building features first installed in 1893. All open ceiling beams have been thoroughly cleaned. Several layers of old flooring atop the original maple plank flooring have been removed. The engineer has completed his work designing and drawing the mechanical, electrical, and plumbing upgrades to the building and quotations for this work is now in house. The hold-up on further construction is money and final approval from the Michigan Department of Agriculture and Rural Development (MDARD) which oversees construction plans of food markets before the City of Jackson can issue permits. In addition to M.E.P, the interior is also ready for wall, ceiling and floor finishes where needed.

New and some used equipment will be purchased to operate the food market. The goal of the next phase of construction is to start and end within a six-month window so that the owners can begin generating income six months once financing is approved. *Remaining construction and equipment costs are detailed in the Financial Section. First expenditures already paid into the project are shown below.*

Early Development Costs				
Item	Break-out cost	Cost	Cost PSF	
Building Acquisition				
	Building	\$65,000		\$9.29
	Subtotal	\$65,000	\$65,000	\$9.29
Professional Fees				
	Architectural Fees	\$6,999		\$1.00
	Initial Engineering Fees	\$6,000		\$0.86
	Subtotal	\$12,999	\$12,999	\$1.86
Demolition, Initial Leasehold Improvements				
	Masonry	\$18,321		\$2.62
	Roofing	\$66,900		
	Other Demolition and Leasehold Improvements	\$99,170		
	Subtotal	\$184,391	\$184,391	\$26.34
Building and Construction Costs to Dat		\$262,390		\$37.48
Equipment				
	Cooking Equipment and Refrigeration (pre-owned)	\$5,700		\$0.81
	Other	\$1,791		\$0.26
	Subtotal	\$7,491	\$7,491	\$1.07
Total MEDC Eligible Costs		\$269,881		
Working Capital				
	Loan Interest and Principal to Date	\$22,590		\$3.23
	All other working capital costs	\$64,302		\$9.19
	Subtotal	\$86,892	\$86,892	\$12.41
Liquor License				
	Acquisition Cost	\$25,000		
	Subtotal	\$25,000	\$25,000	
Project Costs to Date TOTAL			\$381,773	\$54.54
<i>(Excludes early cleanout, demo and early Operating Expenses)</i>				



V. Products and Services

Peach Market will offer hundreds of products and services to fill a market void downtown. The store will be too small to compete with supermarkets for weekly and monthly purchases, especially when a customer wants to buy something in large quantity. Yet, despite its small size, the market will be able to compete with foods necessary for tonight's dinner or when a customer only needs to "pick up a few things they have run out of." As such, Peach Market will be what is known as a *secondary store*, capturing a small portion of a consumer's weekly grocery purchases. Secondary stores are explained further in the marketing section of this plan.

In addition to groceries, Peach Market will offer products not commonly found or emphasized in a typical supermarket. These include organically grown produce and grass-fed beef. There will be a coffee bar that sells warm and toasted bagels with cream cheese. The market will emphasize its Grab 'n Go section where customers can select and take-home foods that are pre-prepared in the kitchen. The store will also have a separate bar and seating area where patrons can take grab 'n go to pair with a beer, glass of wine, soda or smoothie.

Peach Market will have to be reasonably competitive with major grocers in both pricing and common product offerings to build and maintain loyalty. Below are the 22 areas where Peach Market either intends to compete or offer an alternative to what is available at major stores.

- | | |
|--------------------------------|--------------------------------------|
| 1. Fresh fruits and vegetables | 12. Crackers, Cheeses |
| 2. Freshly baked breads | 13. Technology |
| 3. Fresh meats | 14. Bulk Foods |
| 4. Pre-prepared Grab 'n Go | 15. Ethnic Foods |
| 5. Coffee Bar | 16. Greeting Cards, Flowers & Candy |
| 6. *Wood fired pizza | 17. Parking |
| 7. Spices by the ounce | 18. Personal Care Items |
| 8. Discounted Vegetables | 19. Deli |
| 9. Fine Wines, Craft Beers | 20. Fresh Bar |
| 10. Ambiance | 21. Convenience |
| 11. Liquor Bar | 22. Cleanliness and Customer Service |

The 22 *areas of attention* are discussed individually and in detail within the *appendix* of this document. The authors discuss the rationale for these product and service categories as well as the strategies they will use to stay competitive. This section of the appendix will be shared upon request. *Wood-fired pizza may be delayed for a year.

FRESH BAR (Sample)

Breakfast Menu (7am – 9:30am)

Assorted Freshly Baked Muffins

Just Baked New York Style Bagel, toasted or not, with Michigan creamery butter or Michigan cream cheese

Just Laid, Local Free Range Chicken Eggs, Hard Boiled

Fresh cut Organic Fruit Cup (various medleys)

Lunch Menu 11:30a – 1:30p

Chicken Noodle Soup or Soup of the Day with slice of fresh baked bread

Warm Sandwich of Fresh Roasted Meats (2 daily choices) Grass fed Beef, Pork, Turkey, Chicken, Ham

Personal Lettuce Salad with four veggie combinations—grab n' go case only

Two or three pasta salads—grab n go case only

Italian Sausage/Brat in a fresh baked bun

Ethnic Meal of the Day, e.g., Pastistio, Spaghetti, Dumplings, Tacos, Ghalaba, Curry Beef

Also Available in Grab 'n Go Case: Ethnic meal of previous days, previous soups, cold sandwiches (plus salads)

Dinner Menu 5pm – 7:30pm

“Feed a Family” Meals (includes 1 ½ lbs. of Roasted Meats, Ample Servings of Cooked Vegetables and variously Cooked Potatoes)

Also Available in Grab 'n Go Case: Same as lunch

All Grab 'n Go Items Discounted after 9:00 PM (25%)

VI. The Markets -- Overview

The picture below represents Millennials—the generation of Americans (and Jackson residents) who were born between the years 1980–2000. Much has been written about this generation. They have become the largest generation in America, surpassing baby-boomers. They strive for a healthy lifestyle, seek peer affirmation, align themselves with brands dedicated to a purpose and are hooked on social media. They are digital natives. According to Pew Research, Millennials have an average of 338 Facebook Friends, 55% have posted a selfie to social media sites and, as a group, they send a median of 50 texts per day.



Peach Market intends a direct pitch to this demographic group. Many products and services will be marketed toward this group's tastes and social sensibilities, some of which have been discussed previously. Organic produce, non-GMO meats, recyclable carry out containers, ethnic foods (prepared and unprepared), transparency in labeling, and tablet-assisted food and beverage research are among the things Peach Market will offer.

Another important target market is comprised of the people shown below. They are office workers. Some are Millennials, some are late fringe Baby Boomers who have not yet retired, but most belong to Generation X (1960-1980). The main thing they all have in common is that their offices are but a short walk to Peach Market. This group will get full attention for breakfast, lunch and in the offerings at the food market.



According to research conducted by ABC (America's Best Companies) the priorities of Generation X, are, in order: 1) affordability; 2) quality and 3) trendy, with an emphasis on affordability. Generation X forms the largest group of potential customers for breakfast and lunch in Peach Market since these office workers are 40 to 60 years old and work just one block away. The good news is that they eat out a lot. The bad news is that this group that pays most attention to price.

Price, therefore, will be an important marketing tool of Peach Market. In a survey of restaurants located in the downtown area, many, including the BzB Café, will ask \$9.00 from the consumer—even for breakfast. Lunch at Matt's is \$9.00. Lunch at Bella Note is more. Even a salad-to-go with no special fixings is more than \$8.00 at the Chop House. By offering an a la carte assortment of breakfast and lunch items, customers of Grab 'n Go will be able to pick and choose their way to a price that makes them comfortable. No one will have to spend \$9 if their budgets do not allow. Customers can pay \$5 just by getting something less.

NOTE: Recent inflationary pressures have made the numbers above inaccurate (5/26/22)



Here is a photo of an iconic corner in Jackson. The Otsego can be seen from as far away as the train station. It is a gateway to the downtown that can be reached by winding along Francis Street past the State of Michigan office building. It looks like an historic hotel (which it once was), and its street-level retail space is suggestive of a place that in a different era might have offered millinery, luggage or couture. Today the Otsego provides housing to elderly and disabled persons on fixed incomes just like its neighbor—the Elaine—one block west. The people who live there represent a small subset of a third market group for Peach Market, namely, the people who live downtown and who need a place to buy groceries.

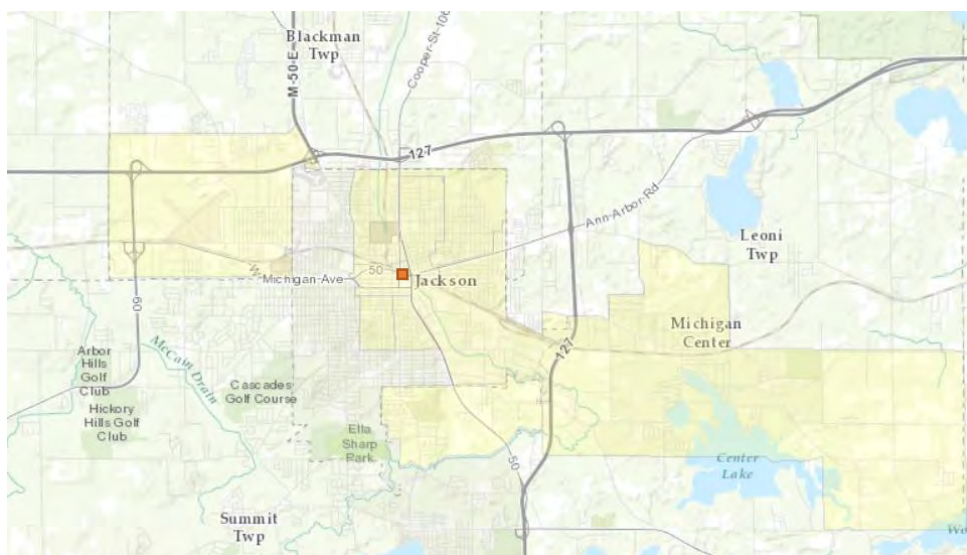
Approximately 40% of all downtown residents live below the poverty line, and a substantial percentage of those have incomes that are less than 50% of the poverty level. Many people rely on government assistance and use EBT cards for common grocery purchases. Reaching this group will be an entirely different proposition than reaching commuters who hold white collar jobs.

What is known for certain is that this group will be among the most enthusiastic in seeing a grocery store in their neighborhood. This was determined by primary market research conducted more than a year ago by the developers. When given a choice of businesses that would occupy the space on Cortland Street, the overwhelming majority wanted a food market and/or a Dollar Store. Because a Dollar Store was not a strong choice of office workers (but a grocery was), a grocery store became the obvious choice for development.

Reader Alert: The sales assumptions for Peach Market are based on market information the developers collected and evaluated when writing this plan. The next pages are devoted to this data. The information is drawn from a geographic area within a six-block radius of the store. The data is organized by those who live downtown and those who work downtown.

The Markets Defined

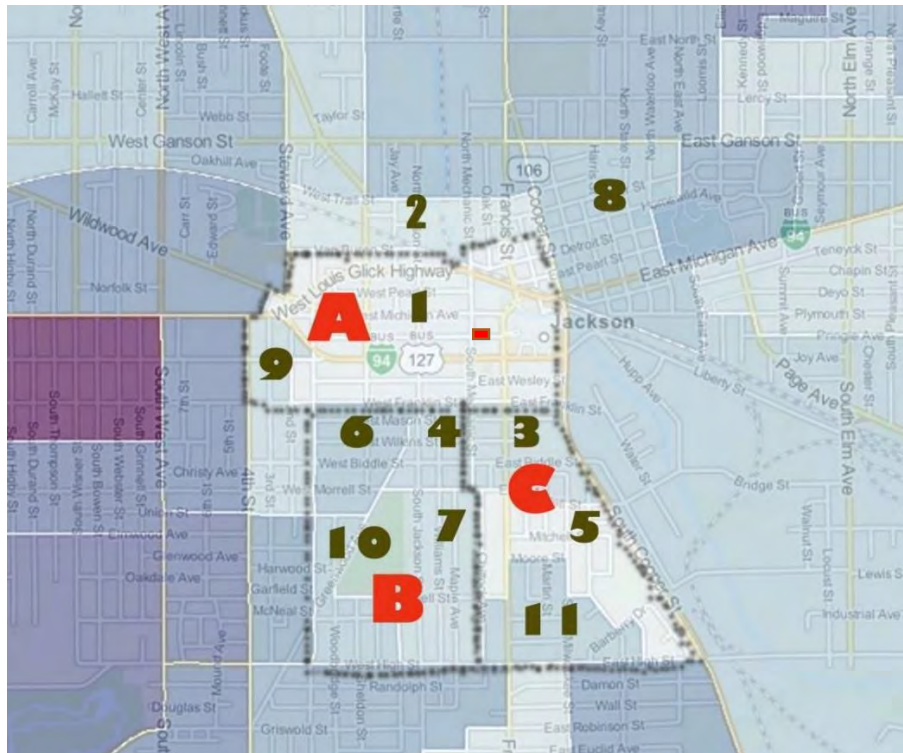
Residential Customers



The map above shows a central area of Jackson County with the location of the new food market identified by the small red square. The parts of the map shaded yellow represent parts of Jackson County that are referred to as “food deserts” — a term coined by the United States Department of Agriculture (USDA). A food desert designation means the populations in these areas meet all three of the following criteria: 1) low income; 2) limited access to a grocery store; and 3) a substantial percentage of residents have no personal vehicle for transportation. Within the broad swaths of yellow are individual census tracts defined by the United States Census Bureau. There are 11 different census tracts in Jackson County that are within food deserts.



The census tracts that are of greatest interest to the developers are designated at left as “A, B, and C.” Their actual census tract numbers are:
 A = Census Tract **26075000600**
 B = Census Tract **26075001000**
 C = Census Tract **26075001100**
 Persons in these census tracts live in a food desert and are most likely to frequent Peach Market because of their proximity to the store.



Here is another, closer look at the three census tracts—A, B, and C. This map also shows individual neighborhoods within the census tracts defined by City-Data.com. Note that each neighborhood is shaded a slightly different color. City-Data.com uses the color variants to highlight median household income for each neighborhood. Neighborhood 1, for example (south of Glick Highway and north of Franklin Street), is shaded very light green. That color represents a median household income of \$9,500. Neighborhood 6, a slightly darker blue-green, has a median household income of \$25,000. The purple colored neighborhood (far left on the map) has a median household income of \$85,000. The designations of 1-11 on the map above are unrelated to income, however. These designations are made by the developers to show which neighborhoods they believe will frequent the food market most often with 1 being most often and 11 being least often.

The neighborhoods are ranked based on several factors, but proximity to the store gets the greatest weight. Other factors that get weight include: 1) which neighborhoods have most access to a personal vehicle; 2) which neighborhoods are frequent bus riders; 3) which neighborhoods have two or more persons in the household and which have children; and 4) which have other store options. All factors are weighted to determine the neighborhoods most and least likely to visit the store regularly. The table on the next page shows a breakdown of demographic data for each neighborhood.

Neigh	Population	Households	Income	family	non family	black	white	hispanic	asian	multi	other	Unemp	Rent	Poverty	Age
1	1557	805	\$9,820	217	588	265	1197			89		16%	270	40%	37
2	714	318	\$14,375	192	126	189	404	17		66	35	22%	461	30%	23
3	741	269	\$18,677	188	81	670	37			33		30%	379	58%	23
4	663	525	\$20,368	134	391	115	390	78		44	35	28%	481	56%	32
5	1259	635	\$9,525	321	314	885	231	78		63	70	30%	265	53%	29
6	781	313	\$25,455	140	173	229	435	23		91		28%	479	40%	28
7	1057	421	\$18,519	223	198	308	594	81	53	21		28%	514	21%	24
8	709	345	\$25,431	165	180	31	531	146				22%	646	22%	16
9	644	452	\$18,500	117	335	60	504			79		15%	471	31%	33
10	624	235	\$22,898	138	97	282	267		16	41	15	28%	560	27%	27
11	804	322	\$22,500	213	109	591	160			51		30%	456	36%	28
	9553	4640		2048	2592	3625	4750	423		578	155				

Several bits of data are worth noting. By far, the neighborhoods with the least household income are neighborhoods 1 and 5, both under \$10,000. The entire area (all neighborhoods combined) has a substantial rate of poverty. Neighborhoods 3, 4 and 5 have a poverty rate of more than 50%. The unemployment rate in those neighborhoods hovers at 30%. Neighborhood number 6 has the highest median household income at \$25,455, but still has an unemployment rate of 28% and a poverty rate of 40%.

Some of the neighborhoods also show a stark racial divide. Neighborhood 8 has the highest concentration of Hispanic households at 21%, while Hispanics make up less than 5% of the population most everywhere else. Neighborhood 5 has a 70% black population, and neighborhood 3 has a 90% black population. This contrasts with neighborhood 9 which has only a 9% black population, or even neighborhood 1 (downtown core) which has a 17% black population.

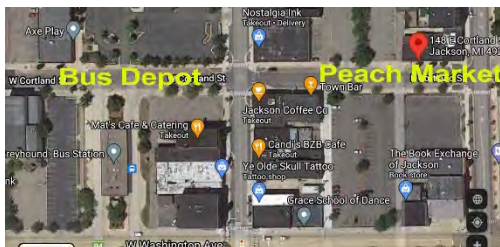
These statistics will be helpful to Peach Market when it advertises different products to specific neighborhoods.

As mentioned, the *food desert* designations for all the neighborhoods (1-11) that Peach Market plans to target get labeled as such because: 1) there is no nearby grocery store; 2) the residents are classified as low income; and 3) the residents have limited access to transportation. The “best” of those neighborhoods are those in which 25% of the population is without personal transportation. The “worst” of those neighborhoods are those in which 66% have no access to a personal vehicle. Despite having low access to vehicles, the statistics beg the question: “what are the residents doing now to get groceries?” The logical answers are:

1. They go to the grocery store with a friend, neighbor or family member who happens to have a vehicle;
2. They walk to the food bank on Wednesdays to get free food with Bridge cards;
3. They go to one of the grocery stores that is located on one of the city’s bus routes.

As long as there are friends and neighbors with cars, or otherwise reliable bus routes, Peach Market will lose customers to Meijer, Kroger, Walmart and Polly’s, at least on shopping occasions when major purchases are planned. Where Peach Market can compete is in the daily, weekly or semi-weekly trips when a shopper buys “a few items” that are best purchased fresh, like meat, produce, dairy and breads. Peach Market can compete effectively with those products even if there are busses to take shoppers to Meijer, Kroger, Polly’s and Walmart because of convenience.

There are nine total bus routes for the City of Jackson. Eight of those routes start downtown on Cortland and Mechanic Streets, one block west of Peach Market. That means almost everyone who rides a bus will pass by Peach Market if they start or stop at the downtown location.



Persons from the targeted neighborhoods of Peach Market who want to shop for groceries at one of the suburban stores will need to start their ride near Peach Market. Most buses begin their routes every 30 minutes.

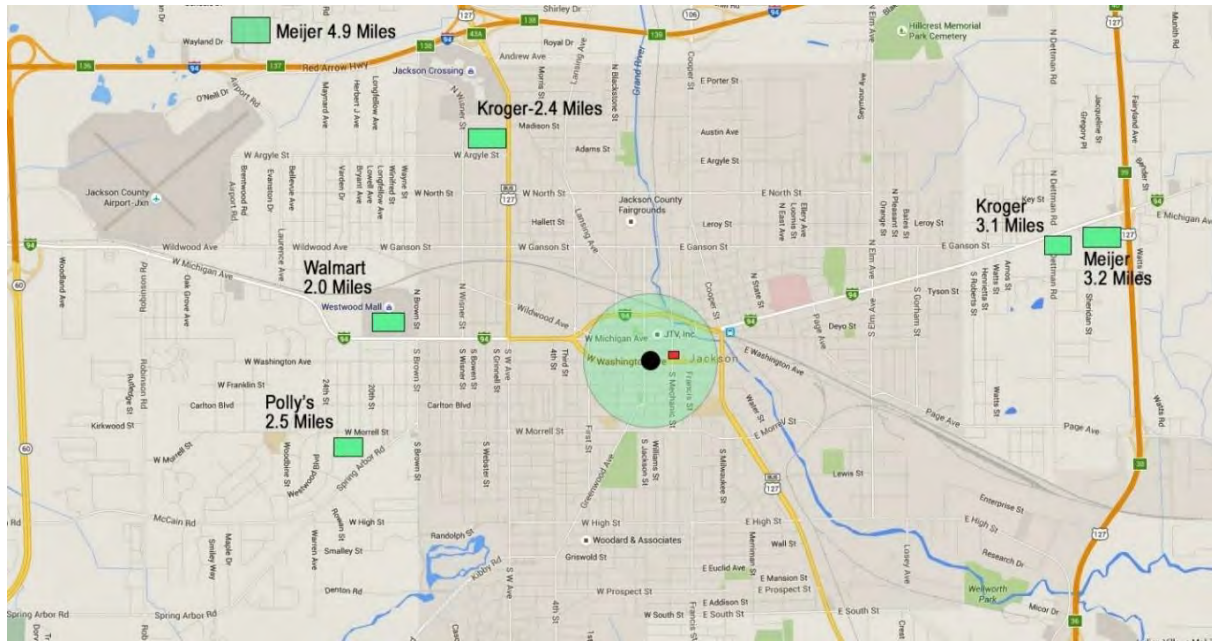
For those going to Meijer, Kroger, Walmart or Polly’s, they will have to wait a maximum of 30 minutes to travel on a bus that will take them 15 minutes (minimum) to get to their destination, then, wait up to an additional 30 minutes for the return bus and another 15-minute ride back. This assumes that these persons are already in the downtown area and can get on one of the busses that take the route to one of the grocery stores.

Persons living in the green shaded area of the map below, neighborhoods 1, 2, 3, 4, 6, 8, and 9 are less than a 10-minute walk to Peach Market (or to the bus station). The remainder, neighborhoods 5, 7, 10 and 11 (the yellow shaded area) must either walk from ten to twenty-minutes or take a bus inside their neighborhoods to the bus transfer station, then get on another bus that will take them to one of the main grocery stores.



To define the store’s primary market for residential customers, the developers focused on neighborhoods 1, 2, 3, 4, 6, 8, and 9—the green shaded area. Anyone living in those neighborhoods can walk to Peach Market in less than 10 minutes. Neighborhood 5, however, is added to the list of primary customers because it is the neighborhood with the lowest household income, but still within an easy bus ride to the downtown—just 3 minutes. Neighborhoods 7, 10 and 11 are not included in any sales projections for Peach Market even though residents from those neighborhoods are likely to use the store—at least sometimes. The next page shows the food challenges faced by these residents.

Positional Relationship of Targeted Customers (Green Circle) and Major Grocery Store Options



Every resident within the Peach Market target market area (the green circle) can get to a major grocery store by bus. First, they must travel by foot, bus or auto to the black dot which is the outboard bus station. The bus station is one block west of Peach Market (the red rectangle), so those same residents could choose Peach Market rather than riding an outbound bus. Depending upon which of the eight buses is taken, every resident can get to each of the supermarkets that are shown on the map.

The total persons living in the green shaded area (plus neighborhood #5) is 7,068. There are 3,662 separate households within that population, of which 2,188 are single person households. The remaining 1,474 households have an average of 3.3 persons living there. The racial breakdown is 53% Caucasian, 35% African-American, and 12% Hispanic, multi-racial or other. The average household income of all eight neighborhoods combined, whether single or multi-person, is \$16,205.

Data from The Bureau of Labor Statistics shows persons with an income of \$16,000 spend 28% of that income on food. 28% of \$16,205 = \$4,537 spent annually on food per household, or \$378 per month or \$87.25 per week, including food stamp allowances.

Multiplying the total dollars spent on food per year by 3,662 targeted households means the total annual expenditures for household food by those living in the green target area is more than 16-million dollars (\$16,434,462). All of these expenditures will not be made at Peach Market, of course, but it is a starting point to calculate the percentage of those expenditures that Peach Market should be able to anticipate among residential customers.

To predict the percentage of total food dollars that will be spent at Peach Market versus a major grocery store like Meijer or Kroger, the developers relied on statistics from the Food Marketing Institute (FMI). According to its data, money spent at major supermarkets has steadily declined over the last ten years. 78% of all food purchases were made at a primary store in 2005, but the percentage now is less than 69%. Those same statistics show that the percentage spent at secondary stores, such as Peach Market or Dollar General, has increased over the same period from 22% to 31%.

For purposes of the income projections at Peach Market by residential customers, the developers used the average household income of these neighborhoods--\$16,205—with 28% of that income spent on food. That equates to \$87.25 per week, per household. Using FMI statistics, 69% or \$60.20 will be spent at a primary store, like Meijer, with the remaining amount (31% or \$27.00) spent at a market like Peach Market and/or a store like Dollar General instead of a supermarket.



Shown at left is the positional relationship between Peach Market and Dollar General, which is the closest *Dollar Store* in the target market of households. The developers assume that most of the households that are south of Peach Market already shop at Dollar General. There are several other *Dollar Stores* in Jackson, but they are along bus routes.

5/26/2022 NOTE: This is out-of-date. A new Dollar General opened on Merrill Street.

To determine how much of the total remaining food dollar (\$27.00) will be spent at Peach Market and how much at a store like Dollar General, the developers again turned to statistics from the Food Marketing Institute (FMI) which show the percentage of total dollars spent in each department within a grocery store.

Distribution by Department	2014 Dept.%	Total %
Total Dry Grocery, Beer/Wine		34.66
Alcoholic Beverages	4.40	
Dry Grocery (Food)	24.26	
Dry Grocery (Not Food)	6.00	
General Merchandize	4.36	4.36
Health, Beauty and Cosmetics	3.04	3.04
Perishables		54.89
Meat/fish/poultry	14.98	
Service Deli	3.69	
Deli/Self Service	1.31	
Floral	0.17	
Produce	11.85	
Baked Goods	3.00	
Bakery	2.08	
DairyFrozen	9.08	
Foods Packaged	6.21	
Packaged Meats	2.52	
Pharmacy	3.05	3.05
Grand Total		100.00

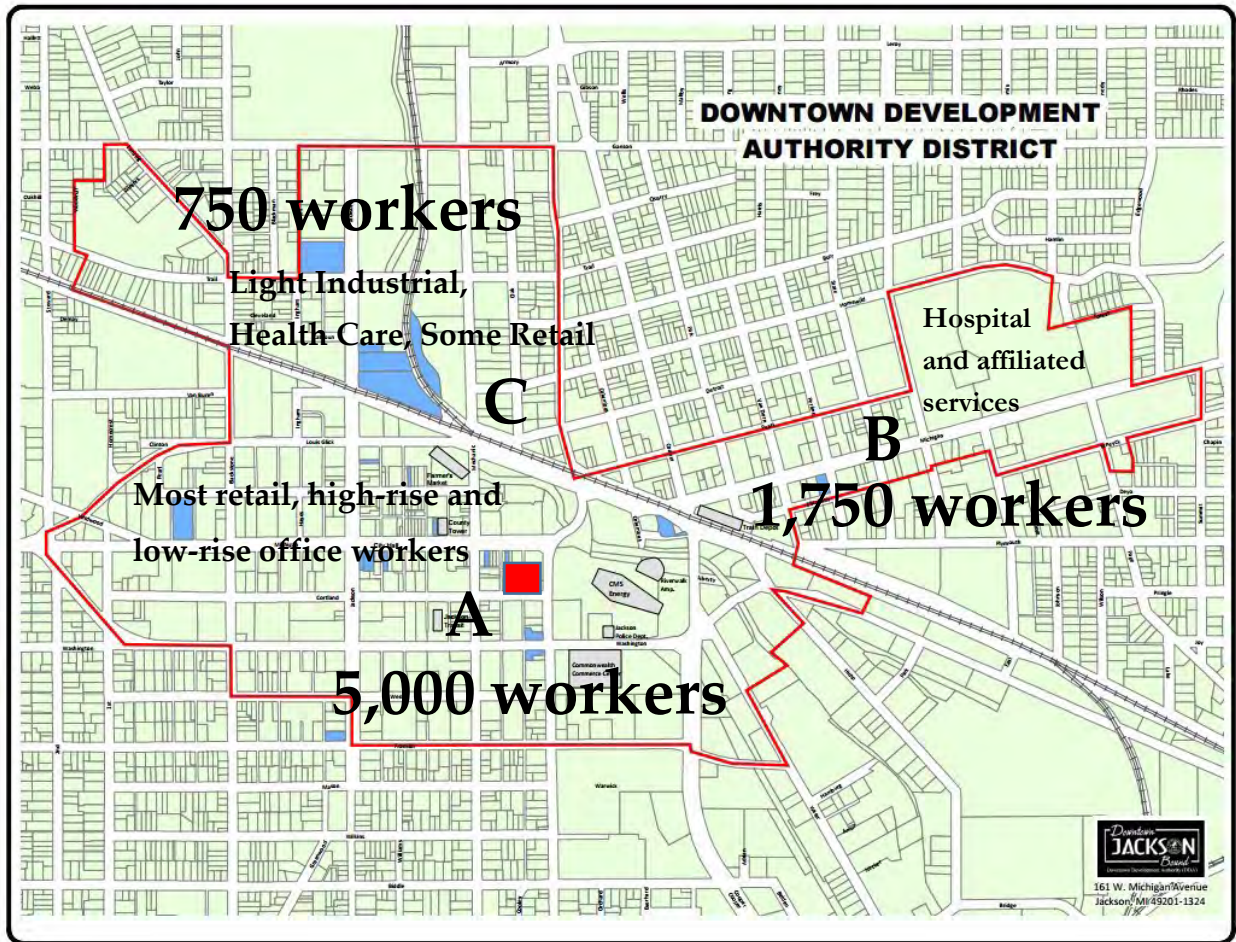
The *Dollar Stores* are known most for dry grocery and general merchandise, plus health, beauty and cosmetics. A *Fresh Food Market* is known mostly for perishables. Neither of these stores sells prescription medications. To find a figure for purposes of projections, the developers assume they will sell all products shown in blue (the perishables), and assume they will not sell any of the items shown in green or yellow. This is slightly far-fetched since Peach Market will sell many dry grocery food products and Dollar General will sell milk and a few frozen food items. Still, it provides a reasonable break-out of where (\$27.00) will be spent as shown below:

Peach Market	59%	\$16.00
Dollar Gen	38%	\$10.28
Pharmacy	3%	\$.82
TOTAL	100%	\$27.00

The Markets Defined

Downtown Workers/Commuter Customers

The Downtown Development Authority for the City of Jackson estimates there are 7,500 commuters working within its boundaries outlined by the red line on the map below. Within this boundary is a diagonal railroad track that creates a natural dividing line that segments the map into three different sectors, A, B and C. Peach Market is signified by the red rectangle in Sector A, otherwise known as the core downtown.



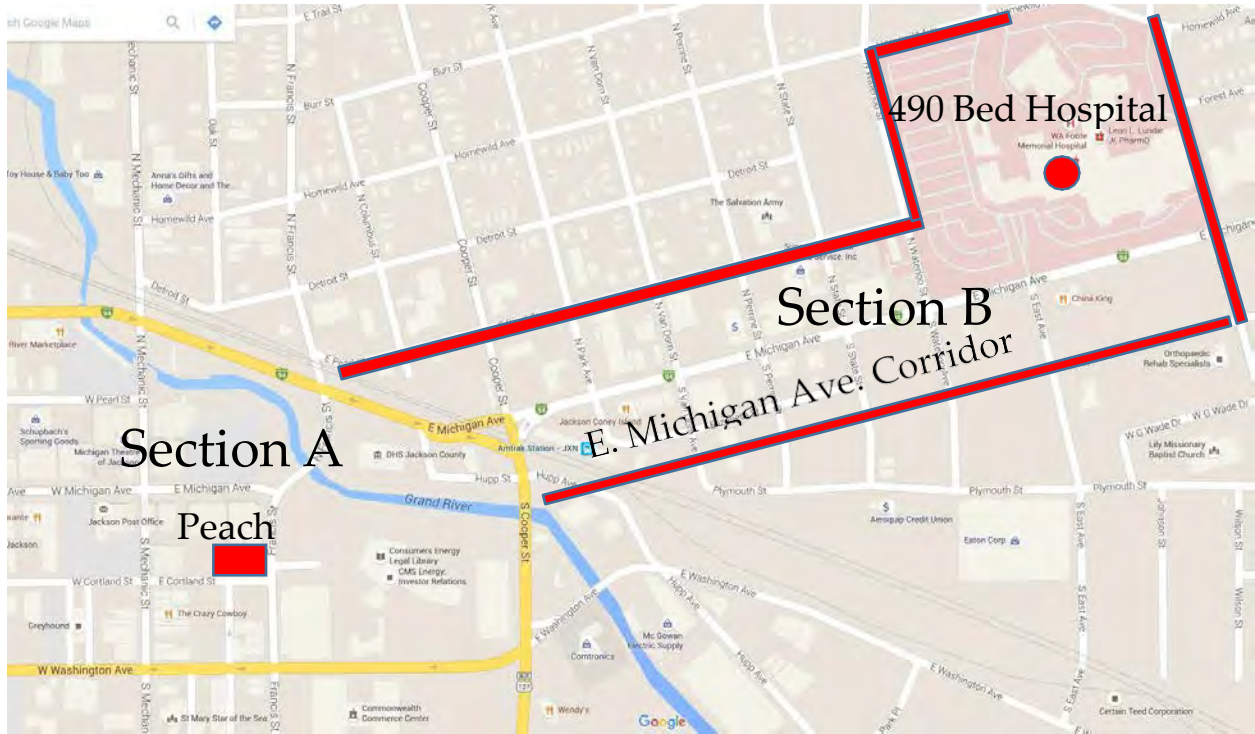
Sector A—the core downtown—has the most workers at approximately 5,000. **Sector B**— the hospital district—has the second most workers at approximately 1,750. **Sector C**—the mixed district—has the third most workers at approximately 750.



The map above shows many but not all of the largest buildings in Sector A. Each of the blue shaded buildings are occupied by at least 200 employees, with several buildings well above that amount. In total, the blue buildings represent 3,600 workers. The remaining 1,400 workers of the sector are divided among employees of the retail shops, restaurants, law offices, financial services firms and smaller office buildings. The four largest buildings are within one block of Peach Market, and collectively, they account for 2,400 office workers, or about half of the workers in Sector A.

The map also includes small, orange shaded rectangles. These represent the positions of various restaurants that will compete with Peach Market for lunch and dinner customers.

The red rectangles, labeled 75 and 150, represent two apartment complexes where 225 residents live on the same city block as Peach Market and are likely to be very frequent customers. None of the buildings—office, restaurant or apartment—is more than 3 blocks from the proposed food market in Sector A. Since this document was first published, several new apartment complexes have been built and occupied including the Francis Senior Lofts and the Albert Kahn Apartments both of which are two blocks from Peach Market.

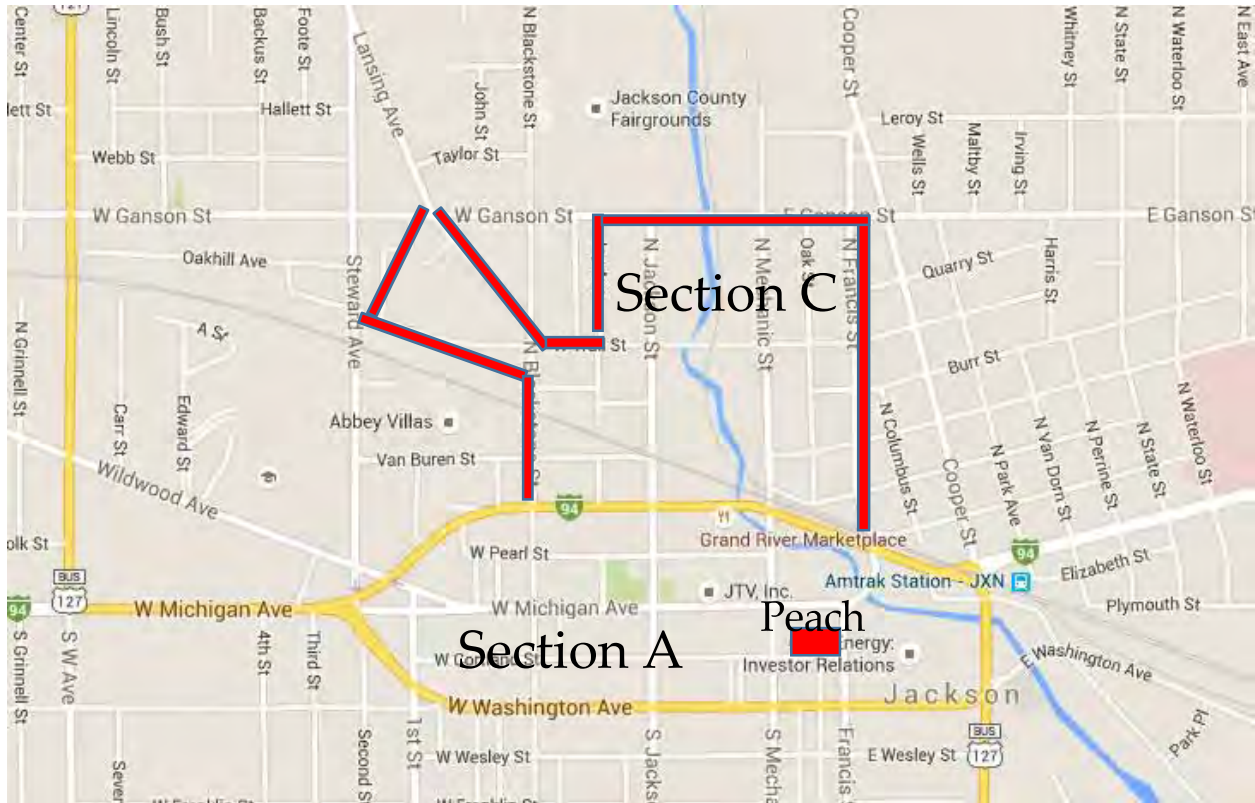


The distance between Peach Market and Henry Ford Allegiance Hospital is exactly ½ mile, less than a 10-minute walk. There are 1,750 hospital employees, including those in adjacent clinics and diagnostic centers. The hospital is staffed 24 hours per day.

The E. Michigan Avenue corridor is a mixture of neighborhood bars, a strip club, two Coney Island restaurants, ancillary hospital services and a considerable number of vacant buildings. The half-mile walk between the hospital and Peach Market is full of traffic making the walk not especially pleasant.

There are some workers who walk to the core downtown during lunch, but because most are service workers (nurses, techs) with a short lunch hour (usually 30 minutes), the vast majority are more likely to eat quickly in the hospital’s cafeteria or the Chinese take-out restaurant across the street. Peach Market is not counting on hospital workers to become lunchtime customers at the store.

Hospital workers are expected to shop for groceries, however. The array of wholesome, fresh foods, some of which will be gourmet items, will appeal to health-conscious consumers working in the health services industry. Eventually, Peach Market hopes to capture 7% of the total market of hospital-based employees for grocery (123 workers), but it expects 3% within the first year (53 workers), or one out of every 33 employees visiting once per week.



It is easier to walk to the core downtown from Sector C than from the hospital district, and considerably more pleasant. There are four north/south streets that go directly into the center city. Some of the workers in this area are expected to use Peach Market for lunch, at least on nice days, and shop at Peach Market for groceries. The eventual goal is to capture 10% of the market for secondary purchases. To start, Peach Market expects that one out of every 20 workers, or 5% will buy groceries once per week.

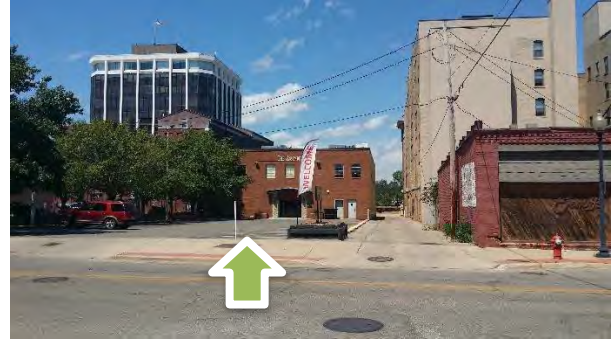
There are fewer workers in this district than the other two districts. Sector C has about 750 workers. They come from a mixture of light industry, retail and health care.

Every worker within the entire DDA District (7,500) will be a different kind of shopper than residential customers from nearby neighborhoods. The District workers are educated and many have advanced degrees. They have a much higher household income, and are more likely to buy higher priced items, e.g., gourmet and organic. The vast majority of these persons will also have their own personal transportation which is both an advantage and disadvantage to Peach Market.

Once they are in their cars and ready to leave work, DDA District workers will choose whether to drive a couple of blocks to Peach Market to pick up a steak, a bottle of wine or a loaf of bread or drive two to four miles to park their cars in the lots at Kroger, Meijer or Polly's which may be close to their own homes. Polly's is much smaller than Kroger or Meijer, but is still about 2 ½ times the size of Peach Market. Unlike the parking at Meijer or Kroger, parking at Polly's is easy. Some people use the store as their primary grocer, but a sizable percentage seem to use Polly's as a secondary store. In that regard, Peach Market will compete directly with Polly's for secondary purchases among those persons who live in the blue shaded areas below (residential neighborhoods that contain Polly's) but who also work downtown at one of the office centers. Their choice, quite simply, is whether to shop in the neighborhood where they live, or shop in the neighborhood where they work.



Assuming similar quality, it will be important for Peach Market to provide products that Polly's does not have, and to be convenient enough to lure these office workers away from their customary habits of shopping elsewhere for the handful of items they buy throughout the week. Having easy parking, like Polly's, will be important.



A painted crosswalk to the public parking lot across the street from Peach Market will help reinforce the perception of convenience but carving out some additional spaces in the lot belonging to the Assembly of God Church next door will have a strong impact, too. As of this writing, neither the crosswalk nor the Church's parking lot have been confirmed, although they are expected.

There are 130 parking spaces directly across the street from the future Peach Market. Every weekday they are filled with automobiles whose owners work someplace in the downtown. For those who park there daily, it will be very easy to buy a few grocery items from Peach Market before getting into their cars to drive home.



The same is true for those who park in the structure that is Kitty Corner from Peach Market at the intersection of MLK Blvd and E. Cortland. The parking lot provides free public parking during the evening hours, but it is a Permit Parking Lot during business hours. It provides parking for Consumer's Energy Employees from 8am-5p. Those who park there may find it is easy to walk out of work from the Consumer's Energy building straight to Peach Market, and then get to their cars inside the lot. That would eliminate one parking stop on their way home.



Estimating the number of office workers that will stop at Peach Market to pick up a few items before driving home can only be measured as a "best guess." The short-term goal is that around 1% of those who work downtown (1 in every 100 persons) will stop by and make a purchase each day. That equals 75 people, or an average of 5 persons per hour, with an estimated expenditure of \$18.75 per person (instead of \$15.71 for lower income residents). If these numbers can be achieved, Peach Market will generate more than a half million dollars in revenues from the portion of grocery items sold only to those who work downtown.

Americans, on average, make 1 ½ to 2 trips to a grocery store every week. Using the lower figure of 1 ½ trips as a base measurement equates to 11,500 trips to the grocery store per week by those who work downtown (7,500 X 1.5 = 11,250). Divided by each day of the week, that's 1,600 grocery store trips per day made at some store by those who work downtown. Out of 1,600 stops made per week by downtown workers, Peach Market projects that 49 of those stops will be at the new downtown market when the store opens. That equals one out of every 153 persons per day. At six months Peach Market projects that 106 of the 1,600 daily stops will be at Peach Market. Of the total 7,500 workers that means 1.4% of them will stop at the store.

	Downtown Sector See Map Below	Total Workers in the Sector	Shoppers per week by percentage	Total Shoppers per week	Total Shoppers per day	Each Shopper's Budget per week	Amount of Budget spent at Peach Market	Spent Weekly by Sector	
A		5,000	12%	600	86	\$104	\$18.75	\$11,250	
B		1,750	5%	88	13	\$104	\$18.75	\$1,641	Monthly Total
C		750	7%	53	8	\$104	\$18.75	\$984	\$60,125
Total		7,500	10%	740	106			\$13,875	Daily Shoppers 106



The “Total Shoppers per Day” figure of (106) that is shown above is the number projected by the sixth month of operations. Initially, 49 shoppers per day are projected with a gradual increase. The pro forma shown in the financial section reflects this growth.

NOTE: U.S. Grocery Shopper Trends reports that consumers spent an average of \$104 at the grocery store each week with 69% of that amount (\$71.76) spent at a primary store such as Kroger. The remaining 31% is divided among secondary stores such as Peach Market and Dollar General. Of the 31% remaining (\$32.24), Peach Market projects it will get 59% or \$18.75 of the weekly food dollar.

Combined Monthly Grocery Sales for Peach Market projected by the 6th Month

Residential Customers \$60,125
Business/Commuter Customers \$52,055

Total Grocery Sales Projected \$112,180 (monthly), \$25,887 (weekly), \$3,698 daily

Additional Sales, such as ‘Grab ‘n Go’ and bar service are detailed in the Financial Information Section.

VII. Reaching the Target Markets

Peach Market has set aside a standard advertising budget of 2% of total sales to promote various product lines on an ongoing basis. No funds have been budgeted for advertising the store's opening, but that could change. It may be more judicious to allow the store a soft opening to work out the kinks before adopting and exercising an advertising strategy. Over-arching themes in advertising will emphasize some of main factors consumers find important when choosing where to shop. These will hopefully include: excellent produce, cleanliness, convenience and fast and friendly service. The advertising message will be reinforced by actual operations, especially with respect to excellent produce, cleanliness and friendly service.

The specific goals and objectives of individual Peach Market product lines will become the foundation for different advertising campaigns. For example, the primary goal of the Grab 'n Go section of Peach Market is: **to be the solution that enables downtown pedestrians to eat something fresh, wholesome and fast at prices lower than nearby restaurants.** Store operations will reinforce the goal while the advertising message will promote it. The goals and objectives for each product line are fully detailed in the appendix to this business plan. Shown below is a short description of the goals for the most important product lines.

Fruits and Vegetables

The goal is to source locally when possible offering more organic produce and, most importantly, selling only cleaned, fresh produce at all times presented in a beautiful display. This goal is to extinguish any reluctance by office workers to buy produce at Peach versus supermarkets.

Meats

The primary marketing goal of the meat department is to engender trust among customers that the meat they buy at Peach Market is fresh, labeled properly, priced on quality and that all questions about meats can be answered forthrightly. Peach Market will emphasize Michigan meats, organic meats and grass-fed beef as possible.

Bakery

Unlike produce and meats where the goals are to be just as good or to offer alternatives to supermarkets, the marketing goal of bakery is to be better since most grocery stores fall short with delicious breads and tasty sweets. This will be achieved by offering better quality products even if they are more expensive. Crusty artisan breads, pies, cookies and muffins will eventually be baked on site.

Even with the goals in place and the messages created, it is necessary to determine the populations that would most benefit by the advertising and to utilize different media to reach them. For example, it would be a waste of money to advertise the Double Up Food Bucks program to all population groups through radio or TV when the intended targets are limited to those persons living within six blocks of the store who buy groceries with EBT cards. Similarly, it may do no good to promote more expensive, grass-fed beef to those residents whose household incomes hover at the poverty line.

Fortunately, messages can be delivered in many different ways today, and often with less cost. The smart phone is ubiquitous and social media has exploded, but the fastest growth in digital media is occurring in newer messaging platforms rather than social media per se. Newer platforms enable users to instantly send a message by voice, text, or face to face video, engage in group chat, make online payments, schedule doctor appointments, conduct banking activities, edit photos, watch videos and scores of other features all within one messaging platform. Staying abreast of frenetic changes in digital media will be a big challenge, but Peach Market will commit to it especially since it intends to follow recent trends in online ordering.

In addition to its digital footprint, including Facebook, Twitter and its online ordering website, Peach Market will promote itself in other, specific ways.

Face-to-Face Presentations--The president of the local chapter of the NAACP has offered to introduce Peach Market owners to ministers of the area's black Churches for the purpose of finding ways to reach the residents who attend these Churches who have been without a fresh food market for decades. Other venues for presentations will be sought.

Email Blast--Probably sent weekly promoting the week's special products or prices to customers who choose to accept an email.

Every Door Direct Mail--An inexpensive way to reach people in their homes. A U.S. Postal mail carrier can deliver a ½ page, card-stock flier to every home in his/her postal route for 10 cents per home, excluding printing cost. All residential homes can be reached for \$350.00

Other Methods—in-store signage, digital video displays, product tastings, customer loyalty ID numbers that provide discounts based on cumulative expenditures.

VIII. Operations

Peach Market will be open 7:00 AM, Monday through Saturday, and 8:00 AM on Sunday. Initially, the store will close at 8:00 PM, although this may be expanded to 9:00 PM or 10:00 PM if there is enough demand and if there are employees who can take responsibility for closing. The pro forma income and expense projections shown in the financial information documents assume the market will stay open from 7:00 AM to 10:00 PM every day, so labor costs are factored with that schedule and 105 hours of operations per week. The projections include an average of 6.5 staff members on duty at all times, plus a grocery manager (40 hours), the owner, Olivia Liang (50 hours) and her husband, Andrew Kokas (50 hours). When combined, the total persons involved in operating the store will be an average of 7.73 persons per hour. With 105 labor hours per week and the average of 7.73 persons per hour, that equals 812 labor hours per week. When divided by a 40-hour work week, it equals 20.3 full time job equivalents. Some of the baristas, prep cooks and cashiers will do their jobs part-time, so the total number of jobs created by Peach Market is likely to be closer to 30.

The Fresh Bar will be open for breakfast with muffins, bagels, fruits, and other palatable breakfast ideas. The Fresh Bar will reinvent itself for lunch, and again for the dinner hour.

It is possible the bar will be open all hours of operation, including mornings, in part to attract those customers coming off work from their third shifts in nearby factories. Having a beer at 7:00 AM for a third shift worker is similar to having a glass of beer at 5:00 PM for most workers. There are a few bars in the city open at 7:00 AM for these workers, but no bars have the selection of food that Peach Market can offer. The coffee bar will also be open morning through evenings.

Key Employees

The owner and her husband will be the most important employees of the business. Olivia Liang and Andrew Kokas both bring complementary management experience to each other and to the enterprises. They will be active in the businesses in various roles. Ms. Liang, who has her Master's Degree in business development and organizational behavior from St. Joseph University in Philadelphia, has been a business development consultant and employee of several American and British-based multi-national corporations with subsidiaries in China. The companies used her education and training to open branch offices and manufacturing facilities in her native Shanghai. Her most relevant background for Peach Market is her experience in starting new businesses from the ground up. This includes human resource recruitment and training, public relations (particularly with local government officials) and contract negotiations with key suppliers. However, Ms. Liang also has food service experience. She worked a year for her family's restaurant operations in Toledo. She's worked three years in metro Detroit as a barista, cashier, catering prep cook and as an alternating assistant of the sous chef and executive chef of Flavors in Ann Arbor—one of the Kokas family's canteen food service operations at the North Campus Research Center. Olivia also worked for two years at Arbor Farms Market in Ann Arbor in the Deli Department.

Andrew Kokas has focused most of his career in the media. A University of Michigan graduate, he has been a TV reporter and anchor for local and national broadcasts. He has also served as a TV producer, director and executive producer for several different broadcast companies, including two production companies he has owned. Part of his relevant experience for Peach Market is as the owner of Hill House Productions, which develops marketing plans, websites, TV and Radio commercials, collateral materials and promotions for small businesses in Jackson County (and elsewhere). This experience will be useful in executing the marketing and advertising plans of Peach Market. Beyond the media, however, Mr. Kokas has his most relevant experience from his direct work in food service operations dating as far back as his teenage years. He has been a busboy, dishwasher, waiter, bartender, line cook, prep cook, maître d, restaurant manager, and catering manager, all while working in his family's food service enterprises which began almost 100 years ago. Mr. Kokas is currently a minority shareholder (10%) of two different catering companies based in metropolitan Detroit which are both managed by his brother, James Kokas. Mr. Kokas also worked two years at Arbor Farms Market in Ann Arbor learning about grocery, prepared foods and especially produce.

The next most important employees are the grocery/store manager and the sous chef. The grocery manager position has not been filled, but three different candidates have been interviewed and are interested in the position. None have been store managers before, but all three have held (and currently hold) department management positions in larger food market operations. One of them has worked eleven years in food market operations. The other two have worked more than twenty years at major stores. A hiring decision will not be made until funding is assured. It is possible that those who are not hired would still be utilized as pre-opening consultants. The experience they bring are in different departments—grocery, produce and financial management (inventory management, ordering and pricing). The owners will also seek advice and counsel on their way to their final selection of a grocery manager. Tom Violante, the owner of Holiday Market, a similarly-styled but much larger operation in Royal Oak, MI will provide consultative help to assist in candidacy selection.

The sous chef position will work with the owners to plan and prepare menus, recipes, staffing requirements, timing and the subtleties in saving on food costs. Andrew Kokas will take the lead role in managing the kitchen staff as he has worked in that role before.

Training will be a significant and ongoing part of operations. This will be coordinated by Ms. Liang, but the individual skill sets that need to be acquired during training will be drawn from other sources, including qualified employment candidates hired on a consultancy basis. Peach Market will be fully engaged with South Central Michigan Works for employment support. Besides job postings and pre-interviews, Peach Market will take advantage of available grants for *on the job training* for new employees.

The cooks will source some raw products from the grocery, meat and produce inventories of Peach Market when retail products reach their “sell by” date. A significant distribution source for the kitchen at Peach Market will also be Sysco. The creation and sale of signature products will be a goal of Peach Market, but the company will also rely heavily on specialty food distributors for pre-prepared products sold in its refrigerated merchandisers. One example of such a company is Lipari Foods, which services many of the gourmet- leaning grocers throughout southeast Michigan.

Inventory

Store traffic patterns, customer tastes, ethnic preferences and actual sales will all factor into the ultimate calculations of inventory costs. Until these are fully known, industry benchmark numbers are being used to estimate how much inventory is needed and for which department. The table below shows the average percentage sales by each department in a typical grocery store. Peach Market is expected to sell a slightly higher percentage of prepared foods than what is shown below.

Distribution by Department	2014 Dept.%	Total %
Total Dry Grocery, Beer/Wine		34.66
Alcoholic Beverages	4.40	
Dry Grocery (Food)	24.26	
Dry Grocery (Not Food)	6.00	
General Merchandize	4.36	4.36
Health, Beauty and Cosmetics	3.04	3.04
Perishables		54.89
Meat/fish/poultry	14.98	
Service Deli	3.69	
Deli/Self Service	1.31	
Floral	0.17	
Produce	11.85	
Baked Goods	3.00	
Bakery	2.08	
DairyFrozen	9.08	
Foods Packaged	6.21	
Packaged Meats	2.52	
Pharmacy	3.05	3.05
Grand Total		100.00

Another factor influencing inventories are the gross profit margins on different products. The table below shows *Industry Standard* gross profit margins for 2019.

Total Store GP	25-35%	The composition of Peach Market customers and their predicted access to the store (walk-up) leads the owners to believe that prepared foods will be a strong product line category. Prepared foods will also be emphasized because there is a 40-65% gross profit margin for this product line.
Produce	30-35%	
Meat	30-35%	
Seafood	30-35%	
Dry Grocery	20-25%	
Frozen	20-40%	
Bakery	15-25%	
Dairy	20-25%	
Prepared Foods	40-65%	

To determine actual start-up inventory costs, the developers used a total store, industry-wide standard 35% gross profit margin and applied it to another industry standard of sales per square foot of selling area, estimated at \$12.61 per square foot per week for 2017. The selling area of Peach Market is 2,780 square feet.

\$12.61 sales per square foot per week X 2,780 square feet of selling area = \$35,055 per week (groceries only) or \$1,882,860 per year.

Industry Standards for inventory on hand is 24 days, so with a food cost (total) of 65% of sales, the cost of start-up inventory is calculated as follows:

\$1,882,860 sales per year (divided by) 365 days = \$4,994 sales per day.

\$4,994 (X) .65% cost of goods sold = \$3,246 inventory cost per day

\$3,246 inventory cost per day (X) 24 days of inventory = \$77,908 Cost of Start-up Inventories for Grocery and Prepared Foods, not liquor bar.

If healthy benchmarks are maintained at Peach Market, inventory should turn over annually based on the following productivity measures:

Inventory Turnover Annually

15.6	Total Store
12.2	Dry Grocery
36.2	Dairy
55.3	Produce
37.8	Meat
20.6	Seafood
21.0	Bakery
4.4	General Merchandise
4.9	Health and Beauty

Construction

Full details about each type of construction associated with building renovation are set forth in the *Financial Information Section* and labeled “start-up costs.”

Equipment

Equipment costs (shown in “start-up costs”) are mostly based on numbers gleaned from various websites of equipment companies (when available). When funding is approved, major equipment vendors will be invited to bid on all the necessary equipment as a potential total sale. The total prices of all equipment combined is expected to incentivize the distributors to provide a discount on a total purchase (at least somewhat) from the prices they post on line

5/26/2022 NOTE: Equipment costs have risen due mostly to supply chain issues. The new figures need to be incorporated into a new financial plan. Some equipment may be delayed until prices stabilize.

Some equipment will be preowned. It is possible some will be leased. The purpose of the leased equipment is to lower the total capital request of a bank. The owners prefer to buy all equipment and eliminate the higher lease financing costs but doing so would require a larger capital infusion that would go beyond the loan-to-value ratio that developers tried to achieve. Not factored in the estimates for equipment are individual pieces of equipment, particularly kitchen equipment, that has been acquired from the equipment and furnishings warehouse of OpusOne Catering. An array of cooking equipment, pots, pans, implements, dishes, glassware and tables, chairs and booths have been made available to Peach Market at no charge. Other, larger pieces of equipment, such as a rotisserie, warming oven and ice maker are being purchased “used” at a deep discount.

Operating Expenses

The anticipated operating expenses are detailed in the Income and Expense Pro forma associated with both Peach Market and Bridgepoint Development. These are shown in the *Financial Information Section*. The reader should take note that in the developers' prospective financial statements (attached), everything flows to Bridgepoint Development even though some of the operating expenses are assigned to Peach Market. For example, Peach Market is assigned an “occupancy charge” for the spaces they occupy within the building (rent). The rent charges assessed to that business show up as “income” to Bridgepoint Development, which then allocates the rental income to pay its long-term debt on the property. Similarly, it shows that Peach Market will pay Bridgepoint Development a rental fee for the equipment it will use.

Legal Environment

There are no legal issues of consequence.

Mr. Kokas and Ms. Liang entered into a Development Agreement with the City of Jackson to restore major portions of the blighted the building complex. This work was completed during Phase I construction, but the development agreement is still active.

The company has approached the Michigan Department of Agriculture to meet regulation requirements for the food market. MDARD is currently reviewing the grocery store plans. When MDARD approves the plans (expected), full construction can begin on the interior of the building.

Yizhuo Liang holds the Liquor License on the property. The Michigan Liquor Control Commission has approved the preliminary plans for operation of a Class C license and an SDM license on the premises, and Liquor Control Commission fees are paid and up to date.

All fees are up to date with the MLCC, Insurance companies, the City of Jackson property taxes, special street improvement assessments and parking assessments. All contractors and consultants who have been utilized for this project either for building improvement and/or business development are fully paid as of this date.

IX. Management



Olivia Liang

Olivia has 20 years experience solving problems for international companies based in Britain, China and the US. She earned her Masters degree in business from St. Joseph University in Philadelphia.

The project is spearheaded by Yizhuo Liang, an American citizen of Chinese descent who moved to Jackson County ten years ago. Ms. Liang (a.k.a. Olivia Kokas) holds a Master’s Degree in Business Development from St. Joseph University in Philadelphia. Ms. Liang has experience in new construction projects. She opened several branch companies for British and American multi-national corporations in downtown Shanghai and staffed those new businesses.

She is joined by her husband, Andrew Kokas, a former White House Correspondent and national Emmy Award winning television writer and reporter, who now owns a consulting company specializing in marketing and advertising. Mr. Kokas is a University of Michigan graduate and a eighteen-year resident of Jackson County. Ms. Liang and Mr. Kokas have both worked in the food service industry, too. Recently, Ms. Liang rotated between the kitchen and front-of-the-house at Opus One Ann Arbor, one of the Kokas family’s “canteens” located at the North Campus Research Complex of University of Michigan. Mr. Kokas has a life-long relationship with Kokas family food enterprises in various capacities, and worked weekends for two years at Arbor Farms Market in Ann Arbor to learn the grocery business.



Andrew Kokas

Andy is an entrepreneur, skilled in business development, marketing, advertising and video production. A former White House correspondent, Andy has 30 years of dedicated media experience. He has been nominated twice for an *Emmy Award* - a national Emmy - and won it once. He is a graduate of University of Michigan.



The Kokas family’s food service history dates back three generations. Their enterprises have ranged from “Coney Island-type” to office center canteens to off-site catering to the highest levels of fine dining. Yizhuo Liang and Andrew Kokas have the right background mix for this type of business and have the support network of a multi-million-dollar food service enterprise.



