

1. Executive Summary

Suzie's Gluten Free Kitchen has the recipe for success: local, dedicated and delicious. This new dedicated bakery specializing in gluten free products will be located at the Gateway to the Niagara Region, Grimsby, Ontario. It will be the first small bakery in Ontario to be Certified Gluten Free with the Canadian Celiac Association. Within the last few years there have been significant increases in demand for these types of products. This can be explained to a large degree by the fact that up until recently North Americans have had food allergies that have been undiagnosed. It has been only in the last few years that medical doctors have begun to diagnose food allergies. And gluten intolerances and sensitivities are also being recognized. What was once an unknown problem that affected so many people with no recourse has become manageable with dietary changes. This is very positive for both those people that are affected as well as bakeries such as Suzie's Gluten Free Kitchen that specialize in these products.

Suzie's Gluten Free Kitchen competes in a sub market of the baked goods, desserts and health food industries. Competition will range from large supermarket bakeries to smaller independent bakeries in the Niagara Region. This dedicated bakery will be able to set itself apart by offering high quality ingredients and exceptional flavour; consequently, it will not be forced to rely on low cost pricing. This will enable the bakery to maintain a modest profit margin in a growing industry despite the competition. Suzie's philosophies are delicious tasting products that are made with real food and keeping them reasonably priced for the consumer. As a sufferer of gluten intolerance and sensitivities herself, Suzie is tired of paying higher prices just because the market can bare it.

It is expected that the majority of revenue in the bakery's first year (6 months) will be derived from in-store retail purchases. Once the bakery has established a solid reputation within the community, its primary revenue will be from orders taken from well-established businesses, who want to offer gluten free option to service more customers in their markets. Suzie would like everyone to be able to enjoy a dessert no matter what their dietary restrictions are.

Sue Davies, Owner and Operator of Suzie's Gluten Free Kitchen, will manage all aspects of the business for the first 12 to 18 months. After that, in Year 3, bakers will be added to fill the demand she will have created for her products. Sales levels for the first two years are conservative since Sue will be by herself. Sales are forecasted to grow: over 100% Year 2; 200% Year 3; and 125% for both Year 4 and 5. This bakery will break even in its second year of operation.

Currently, there is only one dedicated gluten free bakery in the Niagara Region located in Niagara Falls. The gluten free market is still in early growth and is expected to achieve higher growth rates (31%) from 2011 to 2014. The time to get in this market is now and set the standard for new competition entering the market.

Suzie's Gluten Free Kitchen requires a loan of \$35,000 that provides a contingency for working capital and will be used towards the purchase of small and large kitchen equipment, signs, Certification and Licensing Fees and small renovations necessary to set up the bakery for business.

Suzie's Gluten Free Kitchen: "Local, Dedicated, Delicious." Your taste buds will thank you!



2. Business Profile

2.1 Mission Statement

Suzie's Gluten Free Kitchen is a 100% dedicated and will be a certified gluten free bakery that makes delicious tasting products for the gluten free consumer. People with Celiac Disease and Gluten Intolerances and Sensitivities can count on the highest quality and integrity of Suzie's products.

2.2 Keys to Success

- Obtaining licensing through Canadian Celiac Association's Certified Gluten Free Program
- Using high quality ingredients such as: teff, coconut and almond flours; olive and coconut oils; maple syrup and honey; and local seasonal ingredients when possible
- Relying on less processed ingredients with in-house processes like: grinding own flours and seeds; flaking quinoa; and soaking and dehydrating almonds etc.
- Local, Dedicated, Delicious! Your taste buds will thank you!

2.3 Description of the Business

Suzie's Gluten Free Kitchen (SGFK) will be taken out of the home-based kitchen and moved to a dedicated and certified gluten free facility. This specialty bakery concept began test marketing in May 2012 at the Grimsby Farmers' Market. The Farmers' Market was established in 2008 and it takes place on Main Street between Christie Street and Ontario Street. It runs every Thursday from 3pm to 7pm from the last week in May until the week before Thanksgiving in October. Currently, there are more than 30 local farm vendors showcasing local products from the Niagara Region. Test marketing and product research and development for SGFK continued into 2013, whereby new products and improved recipes were developed and tested against customer demand and satisfaction. Products were made and sold on a "by order basis". As a result, a current product list was developed that has met the approval of potential customers both retail and wholesale.

2.4 Ownership

Sue Davies, 100% Owner and Operator, registered her sole proprietorship on January 11, 2013. Sue will bake and manage all aspects of the business for the first 12 to 18 months while she establishes her name and existence within the local community of the Niagara Region.

2.5 Location and Facility

The new facility will be located in downtown Grimsby on 7 Ontario Street. The building is a 2,500 sq. ft. newly renovated and converted 2.5 story brick house. The location is in close proximity to where the Farmers' Market is held. This site is zoned for mixed commercial use and will be leased for a two year period with an option to renew for 5 years. This location will primarily be an onsite bakery with a secondary focus on a complimentary store that will be strictly dedicated to great tasting gluten free products. The main floor will have the store, prep and kitchen area. The second level could be rented out as office space to reduce overhead to someone who is willing to be gluten free or it could also be used to expand the bakery in the near future. There is access all the way around the bakery and there are 4 dedicated parking spots just off Ontario Street conveniently placed beside the building. Just adjacent to the bakery parking is a municipal parking lot.

The Grimsby Farmers' Market continues to grow each year and attracts 100's of people in and around the Niagara Region. The bakery is going to use the markets' growth in popularity as an opportunity to spread the word of its own existence.



The bakery is located 3 minutes from the QEW and is easy to reach for non-locals and there are two more access ways that locals would know, making this a prime location that is easy to reach. Ontario Street is just off Main Street and both streets have well-established businesses like restaurants, cafés and local shops. There are over 100's of businesses in Grimsby and the local housing development is on the rise.

2.6 Strategic Alliances

Sue has already managed to gain the interest of wholesale businesses, from experiences in her personal life, which are already interested in buying her gluten free products: Station 1 Cafe (new), Cibo Osteria, Our Gate to Your Plate (Grimsby); Powerhouse Restaurant (Stoney Creek); House by the Side of the Road (Beamsville); About Thyme Bistro (Vineland); Nadia's Market, Rockway Glen Golf Course and Estate Winery (St. Catharines); The Twisted Lemon (Cayuga); Nuts & Bulk (Hagersville); The Lord Nelson (Burlington) and SGFK's landlord owns his own bakery in Oakville. The owners of these well-established businesses are all very interested in buying her gluten free products as they do not produce any of their own.

Sue has used Social Media and created a page on Facebook for Suzie's Gluten Free Kitchen that has 352 likes: 93% are from people in Canada; 77% from 29 cities in Ontario and 15% from the Niagara Region. Sue has also created a twitter account and has the Canadian Celiac Association following her bakery. Sue has a website that she designed for the market. Sue knows a professional web-designer who will give her a professional updated website for a fraction of the cost.

SGFK is in the process of designing its own database to keep track of its final product costs. The database will have a list of standard ingredients and their associated costs. These costs can then be tied to SGFK's recipes in order to get an exact cost on each of the products made at the bakery. Consequently, if standard ingredient costs changes, SGFK can immediately see what effect this will have on their costs of their finished goods and in turn their gross margins. When Sue develops a new product or recipe, she can type it in the database and the cost will come up right away and she will be able to price it accordingly. Since Sue will be working on her own for the first 12-18 months, it is important to put systems in place that will save Sue her precious time.

Sue has some friends who have media connections that Sue is planning to invite to the Grand Opening Party held Sunday August 11, 2013. SGFK is also featured on the Facebook page of Our Gate to Your Plate.

Suzie's Gluten Free Kitchen is the only listing for Grimsby for Restaurants and Bakeries listed under Gluten Free Ontario's website.

Sue has made arrangements with a professional cake decorator to work on a contract and as needed basis to help fill special orders.

Suppliers for gluten free ingredients have already been secured and once Sue is in business she will be able to acquire these ingredients for up to half the price she is charged as a home-baker.



2.7 Short-Term Objectives

Become a certified gluten free bakery through the Canadian Celiac Association's Certification Program. An audit of the site has already been arranged for July 12, 2013. SGFK would be the only niche bakery in Ontario listed on the CCA's website upon completion and passing of the impending audit.

Before the official grand opening in August 13, 2013, make wholesale relationships concrete in terms of purchase orders. A "soft" opening of the bakery will happen July 15, 2013 to help make this goal achievable.

Increase the awareness of the bakery and its opening by advertising at the Grimsby Farmers' Market. Measure the success of the growing awareness on Facebook. Increase likes from 352 to over 1,000 by the end of 2013.

Achieve and/or surpass the sales forecasted for the first 2 years by gaining retail customer loyalty with the implementation of a Retail Customer Loyalty Program. Measure the success of this program by how many people use it. Have 100 retail customers redeem their first card by the end of year 2 (18 months after opening).

2.8 Long-Term Objectives

Since the forecasts are conservative, one of the goals is to surpass sales forecasts and increase profit margins.

SGFK would like to improve their service to wholesale customers and offer delivery services. If actual performance exceeds forecasts, this could be added sooner than Year 4 or 5.

Using SGFK's size as a "consumer" of ingredients to secure even better prices with vendors and passing those savings to customers making it even more difficult for competitors to enter the market.

SGFK would like to see her desserts in all "regular" establishments that don't have gluten free options, yet. Just because you have a dietary restriction, doesn't mean you can't enjoy a piece of pie.

In the next five years, after building brand awareness and solidifying this bakery's position in the gluten free market, Sue would like to develop SGFK as a business model to be able to franchise her ideas/recipes to other gluten free bakers that want to open their own gluten free kitchens. SGFK may have to consider incorporating this bakery in Grimsby.



3. Products and Services

2.1 Description

SGFK will make gluten free: baked goods such as pies, breads, cookies, cupcakes and related products fresh or frozen; pre-made frozen cookie dough for those who like the smell of home-baking without the hassle of preparation; and pre-measured gluten free mixes and frozen pie shells for the home-baker. Also a small selection of personally selected wholesale gluten free items will be available for resale. Any of these products can be sold to retail or wholesale customers. Sue will target all the products for retail customers and begin her focus with baked finished goods, fresh or frozen, to sell to wholesale customers.

2.2 Key Features

SGFK baked goods are 100% dedicated and will be certified gluten free by the Canadian Celiac Association. Gluten free consumers can count on the quality and integrity of her products without compromising taste. Suzie's baked goods are delicious and can compete with the taste and satisfaction of gluten baked goods. Suzie's products use higher quality ingredients which add positively to the flavour of her products. Suzie stays away from bean flours, soy, cornstarch and canola oil as these lower cost ingredients add after taste and yield a lesser quality product.

2.3 Production and Development

Sue will manage all aspects of production and product development of the products made and sold at the bakery on her own for the first 12-18 months of operation. All products are made onsite except those resale items for the store. Where possible, Sue will approach vendors to have deliveries made to her bakery of necessary supplies. For those ingredients that do not provide delivery, she will dedicate a morning to pick up what is needed, most likely Wednesday morning. It won't have to be every week since the majority of the ingredients have shelf lives of months and can remain in a cooler or pantry in proper storage containers. Other perishable ingredients like fruit and vegetables can be purchased in bulk during their seasons and preserved or frozen for future use. If necessary and supplies run out, purchasing of these ingredients can be done off season.

Every day fresh baking will be done. If it is not sold at the end of the day it will either be kept in a cooler or frozen to preserve freshness. Only those products that have been tested to endure the defrosting process will be frozen. Those products that do not freeze well will be made on a by order basis.

Orders will be taken in person and over the phone and will require a deposit. Orders will be filled same day or up to 48 hours depending on the items ordered. Arrangements have been made with a professional cake decorator to be contracted on an as need basis for special custom orders.

Preparation of own ingredients can also be done on Wednesday mornings and Wednesday afternoons can be dedicated to preparing for the Thursday Farmers' Market.



2.4 Future Products and Services

Sue is always looking for a better way to do things, whether it is how things are baked and the timing or improving the ingredients in her products. Reducing time and making her processes efficient to yield high quality delicious products. Customer demand for new products has led to products being in the process of development such as meat pies, pasta, biscuits and mix, English muffins, mock rye bread, muffins, scones, crepes, zucchini bread, new cookie varieties, bagels, pitas, and different icings for cakes and cupcakes. New products will be first tested on friends and family and once accepted approval, they will appear in the bakery and offered as samples to test for customer satisfaction and feedback.

Sue has plans to offer gluten free baking classes that will appeal to those customers who buy primarily pre-measured mixes and frozen pie crusts. There are currently a couple of gluten free bakeries offering classes/consultations.

2.5 Competitive Advantage

To further gain customer confidence and in turn customer loyalty with respect to the integrity of her products, SGFK is in the process of becoming Certified Gluten Free from the Canadian Celiac Association's Certification Program. When the certification process is complete SGFK will be the only dedicated niche bakery in Ontario with this certification and will be listed on the Canadian Celiac Association's website. This process should be completed by the official grand opening of the bakery on Tuesday August 13, 2013.

Gluten free products can taste delicious and Sue's passion for great tasting food drives her to create. Her knowledge of processed gluten free ingredients has led Sue to grind her own flours and process some of her ingredients herself. She also has plans to make her own quinoa flakes and process her own almond flour. The ingredients that will be used in SGFK will give a competitive advantage as it is real food. There are no chemically engineered egg replacers, artificial sweeteners or preservatives in any of her products. Although this business model can be copied easily, the recipes themselves cannot.

Suzie's Gluten Free Kitchen is committed to being a dedicated gluten free bakery and her certification with the Canadian Celiac Association will be taken seriously. An Education Plan will have to be put in place to educate Wholesale Customers offering Suzie's products on a single serving basis on the risks of contamination and how to minimize any of those risks.

Another advantage SGFK will have over her competitors is the hours of operation. The bakery will be open Sunday 11am to 4pm and Monday 10am to 7pm. It is noted from market research that the majority of bakeries are closed on these two days and SGFK will be closed on Wednesday's instead. Other competition could change their hours but it would cause some confusion for their current customers and may prove to be administratively cumbersome.



4. Industry Overview/Market Analysis

4.1 Overview

Despite the tiny minority of consumers living with Celiac Disease, market research estimates 15% of North American households are consuming gluten free foods. Many people are choosing a gluten free diet. According to the Canadian Celiac Association .75% of the population have Celiac Disease and they represent 5% of the people, who eat gluten free products, i.e.: the Gluten Free Consumer. Currently, these specialized consumers are finding their gluten free products mainly in grocery stores and specialty shops. Over the years, there has been an increase in main chain restaurants like Boston Pizza and Swiss Chalet offering gluten free options; therefore, enabling these specialty consumers to eat outside of their homes and have more choices. However, these options are often highly processed products that contain preservatives and other lower cost ingredients. Gluten free foods are higher priced than standard grocery items. The stereotype placed on these products is that they taste bad. Although tastes are improving for what is available in supermarkets and restaurants, nothing tastes better than something that is homemade.

According to Euromonitor, there are only 7 companies that control 30% of the gluten free packaged foods market. The rest of the market is scattered between companies with less than .1% market share each. There are a growing number of individuals with Celiac Disease or gluten intolerance who want more choices of better tasting gluten free foods in supermarkets and restaurants. These consumers are willing to pay a premium price for many indulgence products such as bakery foods and snacks. Gluten Free bakery products are the largest gluten free packaged food category. (Agri-Food Trade Service, July 2011).

The definition of specialty food can vary considerably, and as a result, it can be difficult to measure the size of the industry. The Canadian Food Inspection Agency (CFIA) defines special dietary food as a “good that has been specially processed or formulated to meet the particular requirements of a person in whom a physical or physiological condition exists as a result of a disease, disorder or injury; or for whom a particular effect, including but not limited to weight loss, is to be obtained by a controlled intake of foods” (Gooch et al. 30). The Value Chain Management Centre (VCMC) divides specialty diet foods into two categories which each cater to different consumer groups based on their needs/desires: “free from” and “low in” products. Gluten free products fall into the “free from” category. Within Canada, gluten free foods are believed to be the market leader in this category. Gluten free products are a growing trend and the market is expected to expand to \$2.6 billion in sales in 2012. Supermarkets are estimated to control 55.7% of the distribution of these products and other store-based retailing has approximately 6.1% share of this market.

In order to gain entry into this market it would be important for a business like a bakery to have recommendations for their products and with the internet and Social Media it is easier to gain that awareness. The Celiac Community may be a small one, but they are a vocal and motivated closely knit group with a strong network of health associations, such as the Canadian Celiac Association, and national support groups to assist those suffering from food intolerances, they can help in establishing products within the marketplace by recommending new products to their members. The Canadian Celiac association currently lists those companies who are Certified Gluten Free through their very own Certification Program.

According to the Datamonitor, those who are influenced by gluten free claims are healthier eaters, more ethical, experimental, and more influenced by natural and organic ingredients than the average global consumer. Consumers in the 25-34 and 50-64 age range in North America are also more likely to be influenced by gluten free marketing.

Five Key Trends at Canadian Trade Shows 2010-2011 with respect to what is important to consumers are: healthier everything; specialty products; convenience; allergen-free; and organic and natural products. These trends are very evident in the Niagara Region and are supported by the initiatives of business banding together to spread awareness. There are 13 Farmers’ Markets in the Niagara Region.



4.2 Cross-Contamination

Regular bakeries who sell gluten based baked goods are also offering gluten free options; however, there is risk of cross-contamination with their regular gluten products and the risk for some consumers is too great. This is why the market research looked at only dedicated bakeries that make gluten free products. Dedicated is always better for the gluten free consumer.

People who need to eat gluten free need to check both the ingredients in food and any cross-contamination with gluten-containing ingredients that might happen when the food is manufactured, packaged and prepared for eating.

When you think about avoiding cross-contamination, you need to realize that crumbs matter. Look around your kitchen to see where there are crumbs – on the counter top, in the microwave, on the cutting board or in the corners of your metal baking dishes? Anywhere you see crumbs is a potential place for cross-contamination.

At home the following practices will go a long way toward avoiding cross contamination:

- A celiac should have their own butter dish and a cutting board that is used for gluten free foods only.
- A celiac should have their own toaster. A toaster oven, where the rack can be removed and washed if others have used it may be a good alternative. If you do not have access to a separate toaster, try a toaster bag, a silicon bag that holds the bread while it is toasted. The bread toasts right through the bag.
- If it is not practical to have a section of the counter top set aside for preparing gluten free food only, always make sure that the counter space you are using to prepare gluten free food is freshly washed to ensure it is free from crumbs or flour dust.
- Do gluten free baking first, and have it well wrapped and stored before doing anything with regular flours. Flour dust (in the air) from regular flours could settle on the gluten free products, thus contaminating them.
- Note: Although this doesn't fall into the cross contamination area, it is worth noting that a Celiac should take precautions against breathing in flour dust when using other than gluten free flours. Flour dust that settles on the nasal passages may eventually get swallowed and end up being digested.
- When making sandwiches, do the gluten free ones first – otherwise be sure to wash your hands after touching regular bread and before touching gluten free supplies.
- Use clean utensils and avoid “double dipping” – knives or spoons are OK the first time, but once they have touched food with gluten, they can contaminate the food in the container if used again. If it is too difficult to train other family members in this regard, it would be wise for the celiac to have their own jar of jam, peanut butter, mustard, etc.
- Be especially alert and cautious when you have guests helping in the kitchen – they will not have your gluten awareness. Also, it is when you are otherwise distracted that you are more likely to make a gluten error.
- Make sure any pots, utensils, etc. that are used for other foods are thoroughly scrubbed before using for gluten free foods. In the case of something like muffin tins, paper liners may be a worthwhile consideration.
- It is best to have a separate set of utensils with porous surfaces, such as wooden spoons, for your gluten free baking. These utensils might retain some gluten particles after cleaning.
- If using lentils, be sure to meticulously pick them over before putting in the pot to cook. Even if you buy them packaged, it is not uncommon to find kernels of wheat or oats (or pebbles) in with the lentils.

Away from home, be aware of sources of cross contamination:

- Products in bulk bins can become contaminated by using the scoops in more than one bin. There is no assurance that the other customers will be as cautious as you. Also, flour dust in the air around these bins can cause a problem.



- At the deli counter, where gluten free meats are being cut using the same utensils without cleaning in between or where cut meats often overlap on the counter.
- Buffet lunches, where the chef tests the temperatures in all the dishes using one thermometer, or spoons are used for more than one dish.
- French fries cooked in oil where battered foods have been fried.
- Meat cooked on a grill which hasn't been cleaned after cooking regular food with gluten.
- Gluten-free pasta may be cooked in water used for regular pasta and rice may be cooked in broth containing gluten.
- Milling of gluten free grains on equipment that has been used for regular grains.
- In product production where a gluten free product is not produced on a dedicated line. Cereals and candy bars that have gluten free ingredients may be produced after a non GF item without having the equipment cleaned thoroughly in between.

(Guidelines set out by the Canadian Celiac Association, adapted from the CCA BC Chapter)

4.3 Types of Market Research

- Secondary research was conducted on the internet searches with respect to topics that deal with gluten free, celiac disease, gluten intolerance and sensitivities; bakeries and gluten free options for baked goods and related products; census information regarding the Niagara Region. A search was done for competitors and their information like the products they offer, the ingredients they use and pricing of their products and general statistics on bakery profits and gross margins.
- Primary research was conducted by visiting the competition; driving around Niagara Region looking into grocery stores and specialty stores to see what they offer; a test market was conducted at the Grimsby Farmers' Market in 2012; and further test marketing was conducted after the Farmers' Market ended in order to develop products and test consumer demand and satisfaction; and Social Media such as Facebook and Twitter were also used to test for feedback.

4.4 What is Celiac Disease and Gluten Intolerance and Sensitivities?

Celiac Disease (CD) is an inherited, autoimmune disorder in which proteins from the grains wheat, rye and barley (collectively called gluten) damage the small intestines. The only treatment for this disease is a strict, lifelong gluten free diet. The prevalence rate of CD is about 1 in 133 people worldwide or .75%.

It is possible to be intolerant to gluten and sensitivities without having CD or a wheat allergy. Individuals may have similar gastrointestinal symptoms as those with CD, but no damage to the intestinal tract nor will they develop complications associated with the disease. It is not known how many people have gluten sensitivity, but a growing number of individuals are being identified.



4.5 Gluten Free Market Trends and the Gluten Free Consumer (as per www.gluten-freeagency.com)

Many are choosing a gluten free diet. They find gluten free foods easier to digest. These include people with: gluten intolerance or sensitivities; Irritable Bowel Syndrome and individuals with Autism Spectrum Disorders. The celiac community is close knit. Associations and their local chapters share ideas and communicate within consumer blog sites. It's small but vocal and motivated minority. For marketers of gluten free products, they represent an enormous opportunity.

Gluten-Free Agency's trend data shows that the gluten-free target audience to be 44 million strong in North America. An additional 18 to 22 million eat gluten free to manage gluten sensitivity and an estimated 12 million consumers who are classified as gluten-intolerant and experience GI distress, but have not given up gluten completely and an additional 3 million purchase gluten free products for fad or non-medical reasons. The gluten free market is still in early growth and is expected to achieve higher growth rates (31%) from 2011 to 2014.

Shopping behaviours of Gluten Free Consumers: 55% spend 30% or more on their grocery budget for gluten free foods; 68% shop at three stores or more stores per month to find gluten free food; product selection is the most important factor, followed by low price, convenience, good service, close to where they live, knowledgeable staff, friendliness of staff, and close to where they work; 77% agreed it was hard to find good tasting gluten free foods and 57% have tried ten or more new gluten free products in the last year (Source 2008 Understanding Gluten-Free Shoppers' Survey).

The kinds of information that gluten free and or celiac patients find helpful are:

Helpful Gluten Free Information	Score out of 100
Product ingredient lists	91
Lists of new gluten free food	86
Product Samples	84
Celiac seal of approval	83
Tips on restaurants to eat in with gluten free dishes	81
Recipe ideas	74
Store Locations	72
<i>(www.glutenfreeagency.com)</i>	

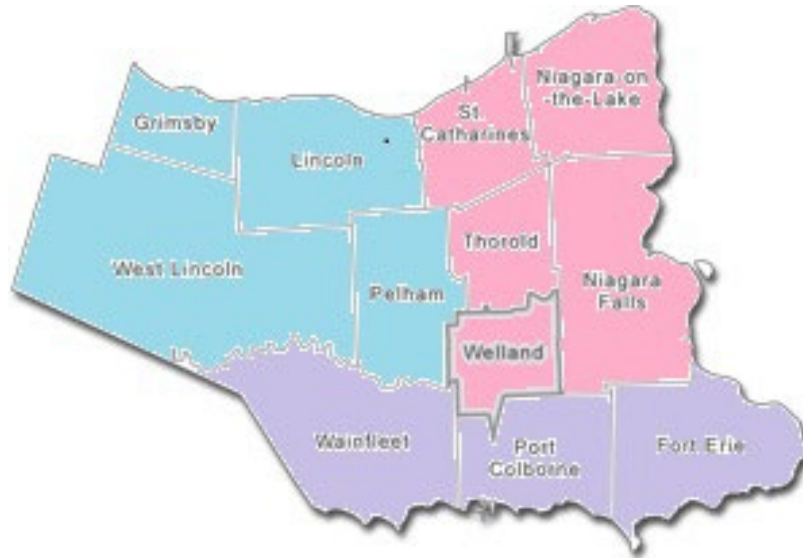
Popular websites for the Gluten Free Consumer are:

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| i. Celiac Disease and Gluten Free Diet | www.celiac.com |
| ii. Celiac Disease Foundation | www.celiac.org |
| iii. Celiac Sprue Association | www.csaceliacs.org |
| iv. Glutenfreechecklist.com | www.glutenfreechecklist.com |
| v. Gluten Free Ontario | www.glutenfreeontario.ca |
| vi. Gluten Intolerance Group | www.gluten.net |
| vii. Guides for the Gluten Free | www.celiacscene.ca |
| viii. National Foundation for Celiac Awareness | www.celiaccentral.org |
| ix. The Canadian Celiac Association | www.celiac.ca |
| x. The Gluten Free Diet | www.theglutenfreediet.ca |



4.6 Estimated Market in the Niagara Region (Potential Gluten Free Consumers)

Niagara Region:



Geographical Area	Approximate Travel Time from SGFK (minutes)	Total Population 2011 (Census Canada)	.75% of Population with Celiac Disease	Estimated Gluten Free Consumers	Estimate Gluten Free Consumers %
Area 1	0 - 30	76,859	576	11,520	15%
Area 2	30 - 45	379,499	2,846	56,920	15%
Area 3	45 - 75	54,976	412	8,240	15%

According to a July 2011 Agri Food Trade Services Market Indicator Report the gluten free consumer who suffers from Celiac Disease represents 5% of all gluten free consumers. According to a Datamonitor survey, globally 20% of gluten free consumers avoid certain foods due to an allergy or intolerance and a further 22% is claimed to do this occasionally.

To estimate gluten free consumers in the Niagara Region, the number of people potentially suffering from Celiac Disease was taken to represent 5% of gluten free consumers i.e.: Area 1: 576 people with Celiac disease represents 5% of consumers buying gluten free products ($576/.05$) or 11,520 possible gluten free consumers. This translates to an estimated market of 11,520 in Area 1.

According to Statistics Canada 2011 Census for the Niagara Region, approximately 90-92% of residents of these three areas use car to travel and approximately the same percentage of people have lived at the same address. Approximately 82% of the population is over 15 years old and median age 41 years old.



4.7 What options are available for the Gluten Free Consumer?

a) Many products/food are gluten free by nature

- i. This limits the consumer to a diet of fruits, vegetables, potatoes, meats, nuts, cheeses, eggs and unhealthy options like snack foods etc.

b) Make their own

- i. It is not easy to make and work with other gluten free flours. Recipes are available in cookbooks and on the internet but preparation is not as easy as traditional baking and sourcing new ingredients takes time. Learning to cook this way takes time

c) Purchase processed items from grocery stores and/or specialty stores

- i. These options are high processed and include preservatives and other ingredients

d) Purchase baked and locally made items from dedicated gluten free bakeries

- i. There are a limited number of these dedicated bakeries and only 22 in South West Ontario and only 3 in the Niagara Region with SGFK included

e) Purchase baked and locally made items from bakeries that offer gluten free options

- i. These establishments risk cross-contaminations with gluten and options are often limited and inconsistent quality

f) Purchase meals from dedicated gluten free restaurants and cafes

- i. They do not exist as concluded from the information compiled from the Gluten Free Ontario website

g) Purchase meals from restaurants and cafes that offer gluten free options

- i. These establishments risk cross-contamination with gluten and options are often limited

Below is a list of restaurants, cafes and bakeries in South West Ontario that have gluten free products. These establishments are either dedicated establishments or they offer gluten free options. Research concluded that there are currently no restaurants that are dedicated to gluten free products. Bakeries and specialty stores are the only establishments listed under the dedicated facilities category. This information was compiled from the Gluten Free Ontario Website (It is free to be listed on this site).



Number of Establishments Dedicated or Offering Gluten Free Products in South West Ontario Cities

City Name	Restaurants & Cafes Offer Gluten Free Options	Bakeries Offer Gluten Free Options	Dedicated Facilities
Ancaster	2	1	0
Brantford	4	0	0
Cambridge	4	1	0
Dundas	0	0	1
Elmira	1	0	0
Exeter	1	0	0
Fergus	1	0	0
Fonthill	2	0	0
Grimsby	0	0	1
Guelph	6	1	4
Hagersville	0	1	0
Hamilton	19	0	0
Jarvis	1	0	0
Kingsville	0	0	0
Kitchener	6	0	1
London	15	0	7
New Hamburg	2	0	0
Niagara Falls	5	1	1
Niagara on the Lake	1	0	0
Paris	0	0	1
Port Colborne	0	1	0
Port Dover	0	0	1
Port Stanley	1	0	0
Sarnia	0	0	2
Simcoe	0	2	0
St. Catharines	9	0	1
St. Jacobs	1	0	1
St. Thomas	2	1	0
Stoney Creek	1	0	0
Stratford	3	0	0
Waterloo	7	3	0
Welland	1	1	0
Windsor	1	1	1
Total	96	14	22
<i>(www.glutenfreeontario.ca)</i>			

Looking at these numbers more closely and taking into account those options as they appear in the Niagara Region, it is evident that there is limited number of options for the gluten free consumer in the Niagara Region other than buying products from grocery stores or making things themselves or just eating those products that are naturally gluten free.



(Niagara Region ONLY)	Restaurants & Cafes Offer Gluten Free Options	Bakeries Offer Gluten Free Options	Dedicated Facilities
Fonthill	2	0	0
Grimsby	0	0	1
Niagara Falls	5	1	1
Niagara on the Lake	1	0	0
St. Catharines	9	0	1
Welland	1	1	0
Total	18	2	3

(www.glutenfreeontario.ca)

		Distance (km) from SGFK	Approx. drive time (min)
Dedicated Facilities in Niagara Region			
Grimsby	Suzie's Gluten Free Kitchen	0	0
Niagara Falls	De Healthy Baker	55	45
St. Catharines	Nadia's Market	30	30
Dedicated Facilities within driving distance			
Dundas	Ya'd Never Know	47	45
Burlington	Kelly's Bake Shop	28	30
Burlington	Turtledoves Bakery	32	30

4.8 To whom do competitors sell their products?

- Retail Gluten Free Consumers
- Non Gluten Free business that want to offer gluten free options
- Other Gluten Free business that want to augment their current product offering

4.9 Market Research Conclusions

- Who is SGFK's customer target market?
 - Retail Gluten Free Consumer**
 - Niagara Region Area 1 (0-30 minutes from bakery)
 - Post-Secondary Education or higher
 - Ages 25-55, owns car
 - Wants to buy?
 - Fresh or frozen baked goods (convenience)
 - Pre-made frozen dough & pie shells (like the smell of home-baked but not the hassle)
 - Pre-measured mixes and selected wholesale gluten free products (more adventurous home-baker)
 - Where do they buy?
 - Directly from the bakery
 - Frequency of Purchases?
 - Weekly or biweekly schedule
 - Best media or method to reach them?
 - Social media like Facebook and Twitter
 - Word of mouth



- viii. Factors that influence their buying decision?
 - 1. Product ingredient lists (certified gluten free)
 - 2. Product samples
 - 3. Celiac seal of approval
 - 4. Taste
 - 5. Local ingredients locally made
 - 6. Less processed ingredients

Tertiary markets exist outside the profile of the Retail Gluten Free Consumer like those living with Celiac Disease or Gluten Intolerance and Sensitivities that are forced to eat gluten free and this will be in terms of the age range and other characteristics outlined above. Also, there is not one local bakery in Grimsby. There are cafes and restaurants, but there are people who eat “regular” food who may also be tempted to come try a sample at SGFK just because it is local and word of mouth spreads very quickly in small towns like these. The Grimsby Farmers’ Market runs for approximately 19 weeks and attracts 100’s of people in the Niagara Region.

b. Wholesale Gluten Free “Consumer”

- i. Niagara Region Areas 1 & 2 (0-45 minutes from the bakery)
- ii. Well established businesses who already offer food but want to offer gluten free options
- iii. Specific focus on Wineries (with restaurants); bed & breakfasts; and golf and country clubs (see Appendix for detail lists of Businesses in the Niagara Region – Bed & Breakfasts; Golf & Country Clubs & Wineries (Restaurants)
- iv. Wants to buy?
 - 1. Fresh or frozen gluten free baked goods to sell as single servings
- v. Frequency of Purchases?
 - 1. Weekly
- vi. Best media or method to reach them?
 - 1. Word of mouth (they contact SGFK)
 - 2. Call them or drop by in person
- vii. Factors influencing their buying decision?
 - 1. Quality of product (integrity of gluten free)
 - 2. Cost to them
 - 3. Local ingredients locally made
 - 4. Compliments their current selections



5. Marketing Strategy/Marketing and Promotion

5.1 Information on Competition

Item	Suzie's GFK	De Healthy Baker	Nadia's Market	Ya'd Never K *	Kelly's BS *	Turtledoves *
Location	Grimsby	Niagara Falls	St. Catharines	Dundas	Burlington	Burlington
Bagels/4		\$6.00	\$6.00			
Banana Bread Lg	\$9.00		\$8.50			
Bread Cinnamon Raisin	\$9.50					\$7.50
Bread Sandwich	\$8.00					\$6.50
Bread Cheese				\$8.00		
Brownie	\$3.00				\$3.13	
Brownies/8					\$25.00	
Cake/8" Round					\$55.00	\$38.00
Cake/8" w/ filling/decorated					\$66.00	
Cheesecake 9"	\$24.00					
Cheesecake 10"						\$45.00
Cookies/6	\$3.50	\$3.00	\$5.50			\$6.00
Cookies/12					\$3.00	
Cupcake	\$1.67	\$1.75	\$1.75	\$2.95	\$3.95	
Cupcakes/12	\$20.00				\$42.00	
Donuts/6					\$2.50	
French Baguette	\$5.00					\$4.00
Hamburger Buns/4	\$7.00					\$5.00
Loaf Bread	\$8.00	\$8.00	\$8.00			
Loaf Bread - Teff Flour	\$9.50					
Mini Cupcake/12					\$18.00	
Muffin Carrot	\$0.67			\$2.00		\$1.65
Muffins/6					\$4.50	
Pie 8" Lemon						\$20.00
Pie 10" Apple	\$20.00	n/a		\$15.00		
Pie 10" Lemon	\$17.00	n/a		\$15.00		
Pie 10" Pecan		n/a		\$17.00		
Pie 10" Pecan Maple Syrup	\$22.00					
Pizza 10"	\$7.00					
Scones/6					\$3.95	
Squares		\$2.50				\$1.65
Tart Lemon/ea.				\$2.95		\$1.65
Turnovers Apple						\$3.95
How Products Marketed	Free From	Free From	Free From	Free From	Free From	Free From/Low In



Item	Suzie's GFK	De Healthy Baker	Nadia's Market	Ya'd Never K*	Kelly's BS *	Turtledoves *
Lead Time on Orders	On Order Basis	Did Not Say	Did Not Say	Did Not Say	48 Hours	3-5 Business Days
Foot Traffic	Yes	No	No	Yes	Yes	No
Parking	Excellent	Excellent	Excellent	Good	Excellent	Excellent
Retail	Yes	Yes	Yes	Yes	Yes	Yes
Wholesale	Yes	Yes	Unsure	Yes	Own Restaurant	Unsure
Service	Excellent	Good	Good	Excellent	Excellent	Unsure
Hours of Operation						
Sunday	11am-4pm	Closed	Closed	Closed	11am-4pm	Closed
Monday	10am-7pm	Closed	9:30am-6pm	Closed	Closed	Closed
Tuesday	10am-7pm	9am-6pm	9:30am-6pm	9am-6pm	10am-6pm	10am-6pm
Wednesday	Closed	9am-6pm	9:30am-6pm	9am-6pm	10am-6pm	10am-6pm
Thursday	10am-7pm	9am-6pm	9:30am-6pm	9am-6pm	10am-6pm	10am-6pm
Friday	10am-7pm	9am-6pm	9:30am-6pm	9am-6pm	10am-6pm	10am-7pm
Saturday	9am-6pm	9am-6pm	9:30am-6pm	9am-5pm	9am-5pm	10am-4pm
Joined Facebook	25-Sep-12	3-Nov-12	13-Sep-12	6-Feb-10	8-Dec-12	30-Nov-10
Facebook Likes	352	64	121	701	4,785	277
Year Bakery Opened	2013	2009	2012	2009	2010	2010
Website	Yes	Yes	Yes	Yes	Yes	Yes
Brochure	Yes	Only Order Sheet	Unsure	Yes	Unsure	Unsure
Logos/Signage	Yes	Yes	Yes	Yes	Yes	Yes
Customer Loyalty Program	Yes	No	No	No	No	No
* Outside the target market - Niagara Region						

5.2 De Healthy Baker, Niagara Falls, ON (www.dehealthybaker.ca)

This is the ONLY dedicated gluten free bakery in the Niagara Region found in Areas 1 & 2. (There weren't any listed on the internet in Area 3). De Healthy Baker has been in business since 2009. Their website has an order form on it that looks more targeted towards a wholesale buyer. Also listed on their website were 21 other businesses/locations where a gluten free consumer could find De Healthy Baker's products (specialty stores, bakeries, restaurants, and two Universities).

De Healthy Baker offers a wide variety of breads, bagels, muffins, loaves, treats, cookies, soups, meals, sandwiches and cakes that cater to dietary restrictions such as: gluten free; dairy free; sugar free; egg free and vegan. This bakery does not make fruit pies, cinnamon rolls, pancakes or pie filling.

Included at the bottom of their invoice, "We bake exclusively gluten free products in our facility. Although we take precautions we assume no responsibility or liability. We do not make any guarantees or health claims."



5.3 Nadia's Market, St. Catharines, ON (www.nadiasmarket.com)

Nadia's Market offers gluten free baked products from other gluten free bakeries along with other retail items. She currently buys some of her baked goods from De Healthy Baker; Organic Works and Sweets from the Earth. SGFK called Nadia on a Monday to ask about pricing of the baked goods her store offered and found that they did not have much selection on Mondays because the bakeries are closed. SGFK had already spoken to Nadia in the past about supplying her store, but now she is even more interested after hearing she will be open on Mondays.

5.4 Ya'd Never Know, Dundas, ON (www.yadneverknow.com)

Ya'd Never Know Bakery is located in the city of Dundas. This city is much like Grimsby. This bakery is outside of the Niagara Region. They do not seem to market directly into the Niagara Region, the directions on how to get to their store are from Toronto and Brantford. This bakery would attract customers by car and foot and has both retail and wholesale customers. They supply a University Hospital among other wholesale businesses. Ya'd Never Know started out in Dundas in 2000 as the Valley Gourmet, a catering business. In 2007 a small shop was set-up in the catering kitchens. By customer demand, in 2009, they opened a gluten free bakery and prepared foods store. They offer a variety of breads, cookies, quick breads, scones, fruit pies, muffins, cupcakes, other baked goods, savoury pies, and pizzas, salads and dips and they cater to dairy free for cakes.

5.5 Kelly's Bake Shoppe, Burlington, ON (www.kellysbakeshoppe.com)

Kelly's Bake Shoppe is located in Burlington and is outside of the Niagara Region. Kelly's Bake Shoppe was a popular name that came up in search results more than any other bakery. It is quite popular on Facebook and on the internet. This bakery's primary focus is cupcakes, decorated cakes and desserts. This bakery has won the 2013 Readers Choice award for Best Bakery, Best Cupcakes and Best Desserts for all of Burlington. It won first in a competition in Toronto for the best Vegan brownie. Everything they sell is gluten free, vegan, and does not contain any dairy, eggs, butter, casein, lard or honey and it is all preservative free and colour free. This bakery may not directly market to the Niagara Region but it does have \$15.00 flat rate delivery to Stoney Creek and Grimsby for orders over \$40.00. Kelly's Bake Shop began in 2010 under the roof of their sister store Kindfood. Kindfood is an organic restaurant that serves organic (gluten and vegan food as well). It's also won 16 awards in Burlington, 3 of which were for the best service. In 2012 Kelly's Bake Shoppe opened its own store just around the corner from Kindfood.

5.6 Turtledoves Bakery, Burlington, ON (www.turtledovesbakery.ca)

Turtledoves Bakery is located in Burlington and is outside the Niagara Region and doesn't seem to consider this area as somewhere they market to. The directions they provide on their website are focused on Hamilton, Brantford and Toronto areas and they do not offer delivery into this area. They offer breads, cakes, cheesecakes, cookies, muffins, pies, tarts and squares and they have a savoury menu as well which includes soups, mac & cheese, and lasagna. Turtledoves also caters to allergies like dairy and eggs, and peanuts. They try to stay away from using, soy and corn, and artificial sweeteners.



5.7 Test Marketing – Grimsby Farmers’ Market (May 2012 – October 2012)

The Grimsby Farmers’ Market ran for a total of 19 weeks each Thursday from 3pm to 7pm.

- Made an average of \$140/week; least was \$90.00; highest was \$200.00
- Set prices at 250% markup and sold out each time; could have set prices higher
- Saw gluten items comparable to SGFK being sold for 150% to 200% higher than SGFK prices
- Barb’s Gluten Free Pitas was at the market and has since sold her intellectual property due to health reasons
- Began Facebook page approximately 16 weeks into the Market period and those last 3 weeks sold 25%-40% more
- Continued R&D after the Market from October 2012 and into 2013; tested products on family, friends and potential customers

5.8 Marketing Strategy Conclusions

- There is “room” for Suzie’s Gluten Free Kitchen in the marketplace
- Can compete with De Healthy Baker and already have a connection with Nadia’s Market. There is opportunity to take over full supply to this wholesaler
- Established local interest in the bakery and will just need to grow that through promotional strategies
- Becoming Certified Gluten Free will be a competitive advantage. It won’t stop existing or entering competitors for doing the same, it will slow them down and no one can EVER be the FIRST.
- Store hours will be a competitive advantage until existing or entering competition match SGFK’s hours of operation. Will have to capitalize on that advantage. Consequently, the bakery will have a soft opening in July 2013.
- Did taste many of the competitors’ products and can compete with taste (received outside opinions)
- If vendors did not reduce costs of ingredients, still could compete in this market with the current retail price lists. Shouldn’t be any problem in formalizing discounts, so prices should be able to be reduced

5.8 Costs and Pricing

According to “How to Open a Bakery Guide”, bakery owners should make at least 30% profit margin to cover operational costs and earn income. A specialty bakery that uses more labour-intensive techniques and high quality ingredients to produce goods could make a 50% profit margin or more with a price markup of 200% or more.

The initial product list that SGFK will offer is below. The costing of these items only includes the ingredients used to make them. There is still the packaging and labour costs to consider when calculating gross margins.

(Refer to: 5.1 Information on Competition) SGFK’s prices are in line with other dedicated gluten free bakeries. Some items are slightly higher and some exceptionally lower. Suzie uses higher quality ingredients than her competition; consequently, the prices could be set even higher, but that is not one of SGFK’s philosophies.

When SGFK has secured its discounted prices with vendors, before the bakery opens, it will rework this spreadsheet to see the effect the cost adjustment had on each item and adjust prices accordingly to maintain the same gross margins.

SGFK’s Wholesale and Retail Price List is on the Next Page



Item	Unit Cost	Wholesale Unit Price	Wholesale Markup	Retail Unit Price	Retail Markup
Apple Pecan Bread lg	\$3.67	\$9.00	245%	\$10.00	272%
Apple pecan Bread sm	\$1.84	\$5.00	272%	\$6.00	327%
Apple Pie (10")	\$5.62	\$18.00	320%	\$20.00	356%
Banana Bread lg Honey	\$3.93	\$10.00	254%	\$11.00	280%
Banana Bread Mix	\$1.52	\$4.00	263%	\$5.00	329%
Banana Bread sm Honey	\$1.97	\$5.00	254%	\$6.00	305%
Banana Bread Sugar lg	\$3.29	\$8.00	243%	\$9.00	274%
Banana Bread Sugar sm	\$1.65	\$4.00	243%	\$5.00	304%
Brownie mix	\$2.43	\$6.00	247%	\$7.00	288%
Brownies (Individual)	\$0.16	\$2.00	1268%	\$3.00	1901%
Carrot Cupcakes (basic)	\$0.18	\$0.50	275%	\$0.67	366%
Carrot Cake mini (honey)	\$0.51	\$2.00	394%	\$2.50	493%
Cherry Cheesecake (9")	\$13.90	\$20.00	144%	\$24.00	173%
Cherry Pie Filling (500ml)	\$4.24	\$7.00	165%	\$8.00	188%
Chocolate Chip Cookie Mix	\$2.38	\$4.00	168%	\$5.00	210%
Chocolate Chip Cookie Dough	\$0.15	\$0.33	223%	\$0.38	250%
Chocolate Chip Cookies	\$0.15	\$0.42	278%	\$0.58	389%
Chocolate Cupcakes	\$0.33	\$0.71	214%	\$0.79	239%
Chocolate Cupcakes decorated	\$0.50	\$1.54	310%	\$1.75	351%
Choco Pecan Crisps	\$0.10	\$0.17	170%	\$0.33	340%
Cinnamon Raisin Bread	\$2.80	\$8.50	304%	\$9.50	340%
Cinnamon Rolls	\$0.28	\$0.89	319%	\$1.00	359%
Dutch Pancake mix	\$1.23	\$4.00	325%	\$5.00	407%
French Baguette	\$1.13	\$4.00	354%	\$5.00	442%
French Bread	\$1.13	\$4.00	354%	\$5.00	442%
French Bread mix	\$1.66	\$4.00	241%	\$5.00	301%
Graham Crackers	\$0.11	\$0.21	196%	\$0.29	275%
Hamburger buns	\$0.75	\$1.50	200%	\$1.75	233%
Lemon Pie (10")	\$5.33	\$15.00	281%	\$17.00	319%
Oatmeal Cookie Dough Frozen	\$0.12	\$0.33	286%	\$0.38	321%
Oatmeal Cookies	\$0.12	\$0.42	357%	\$0.58	500%
Pecan Pie (10" Maple Syrup)	\$7.55	\$20.00	265%	\$22.00	291%
Pie Crust (2 10")	\$1.36	\$6.00	441%	\$7.00	515%
Pie Crust Mix (2 10")	\$1.51	\$4.00	265%	\$5.00	331%
Pizza (Personal 4" Veggie Crust)	\$0.50	\$4.00	802%	\$5.00	1003%
Pizza (8" Veggie crust for Cibo)	\$1.33	\$6.00	451%	\$7.00	526%
Pumpkin Pie (Maple Syrup - 10")	\$5.64	\$16.00	284%	\$18.00	319%
Sandwich bread	\$3.04	\$7.00	230%	\$8.00	263%
Sandwich bread mix	\$2.22	\$5.00	225%	\$6.00	270%
Shortbread Cookies	\$0.14	\$0.42	308%	\$0.58	431%
Shortbread Cookies Mix	\$1.36	\$4.00	294%	\$5.00	368%
Shortcake Mix	\$1.51	\$4.00	265%	\$5.00	331%
Strawberry Pie (10")	\$5.90	\$17.00	288%	\$19.00	322%
Strawberry Pie Filling (500ml)	\$2.61	\$7.00	268%	\$8.00	307%
Sugar Cookies Deluxe	\$0.15	\$0.83	545%	\$1.00	654%
Sugar Cookies Deluxe mix	\$2.40	\$5.00	208%	\$6.00	250%
Teff Bread	\$3.74	\$8.50	227%	\$9.50	254%
Teff Bread Mix	\$4.54	\$6.50	143%	\$7.50	165%



Item	Unit Cost	Wholesale Unit Price	Wholesale Markup	Retail Unit Price	Retail Markup
Vanilla Cupcakes	\$0.31	\$0.67	215%	\$0.75	242%
Vanilla Cupcakes decorated	\$0.48	\$1.50	314%	\$1.67	349%
	\$109.43	\$273.93	250%	\$318.50	291%
		Average Markup		Average Markup	

5.9 Promotion Strategy

Lower cost marketing strategies including word of mouth and the following:

- Deliver Postcards to Niagara Area 1 (hand deliver and pass to family and friends)
- Social Media – Facebook & Twitter
- Customer Loyalty Program – Cards every 10 purchases over \$20.00 earns you \$10.00 off on 11th purchase over \$20 (at \$20 each time that is a 5% savings) or 5% cost to SGFK
- Weekly draws – hand out cards at market – fill out info and drop them off in the bowl at the bakery and win something nice (higher priced item like pie or cheesecake)
- Brochures need to be redesigned
- Website needs to be redesigned
- Invite only Party the Sunday before the Grand Opening (invite local media)
- Grand Opening

5.10 Distribution & Payment

All customers will have to pick up their orders directly from the bakery. Payment is due at that time and will be taken by cash, debit and major credit cards.

Vendors will be paid by cheque, debit or credit card. Terms could be set up with existing vendors. Need to check if any discounts are lost.

6. Management and Operations

Sue Davies will manage all aspects of the bakery for the first 12-18 months. Sue has access to family and friends that could help with the bakery during busy times until she hires more help.



7. Implementation

List of things to do:

Description	Date	Notes
1 Contact town - any permits necessary or bylaws	6-May-13	already done
2 Set up Business Bank Account	17-May-13	already done
3 Secure loan	21-May-13	need money so can purchase equipment for June delivery
4 Formalize Lease and take possession	1-Jun-13	
5 Purchase equipment	1-Jun-13	
6 Take pictures of products	1-Jun-13	already have a lot done
7 Course in Toronto – Marketing Gluten Free	7-Jun-13	Invitation only (CCA)
8 Finish minor renovations	15-Jun-13	
9 Order sign	15-Jun-13	
10 Hook up and set up equipment	22-Jun-13	
11 Contact vendors for new pricing/update database	30-Jun-13	
12 Design and print marketing materials	30-Jun-13	See Promotion Strategy for details
13 Invite only party (Sunday August 11, 2013)	30-Jun-13	See Promotion Strategy for details
14 Obtain paperwork from vendors for Gluten Free	30-Jun-13	
15 Write Gluten Free Manual	30-Jun-13	
16 Gluten Certification Audit	12-Jul-13	
17 Soft Opening of Bakery	15-Jul-13	
18 Brochure Redesign	31-Jul-13	
19 Website Redesign	31-Jul-13	
20 Formalize Wholesale Customer Contacts	1-Aug-13	



8. Financial Plan

7.1 Start-Up Costs

Items	Cost	Estimate?	Paid?	Category	Details
Cash Register	\$300	yes	no	Office	doesn't tie into accounting system (Costco?)
Chalk Board/Menu Sign	\$500	yes	no	Office	
Checkout Counter	\$750	yes	no	Office	
Cooler - Tru 2 door s/s	\$1,500	no	no	Large	2395 new
Dishwasher - Moyer Diebel under-counter	\$2,000	no	no	Large	4995 new
Freezer - Tru 2 glass door	\$2,000	no	no	Large	4470 new
GFCP - Gluten Free Certification Program	\$3,000	no	no	Expense	500 application; 1500 audit; 1000 license fee
Hand Washing Sink - faucet & hands-free	\$550	no	no	Large	
Ingredient Storage Containers	\$1,000	yes	no	Small	
Inventory Baking Supplies	\$1,000	yes	no	Inventory	
Nutrition Labelling Software & Equipment	\$1,000	yes	no	Office	Health Canada
Open/Closed/Hours Sign	\$200	yes	no	Office	
Oven- 4' s/s hood w/ return air baffle/filters	\$820	no	no	Large	
Oven Exhaust fan high speed 1100 CFM	\$950	no	no	Large	Costco ?
Ovens/Stove - gas used	\$3,000	no	no	Large	double oven gas used; installed and inspected
Point of Sale Processing Equipment	\$1,000	yes	no	Office	
Renovations	\$1,000	yes	no	Expense	
SGFK Sign	\$1,500	yes	no	Office	
Sinks - 2 compartment 21x20x2-43" overall	\$750	no	no	Large	Moneris
SKE - 2-20 runner baker's rack alum	\$400	no	no	Small	SKE - Small Kitchen Equipment
SKE - needed to purchases	\$1,000	yes	no	Small	SKE - Small Kitchen Equipment
Stainless Steel Counters	\$1,000	yes	no	Large	
Store Shelving	\$1,280	yes	no	Office	
Hobart Mixer	\$3,000	no	yes	Large	
Lease (First & Last)	\$2,500	no	yes	Prepaid	
Oven	\$1,524	no	yes	Large	
Smaller Kitchen Equipment (SKE)	\$4,000	no	yes	Small	
Product Development & R&D	\$2,500	no	yes	R&D bakery	testing recipes and products to develop product list etc.
Website redesign	\$2,000	no	yes	Asset	
Working Capital/Contingency	\$8,500				
	\$50,524	Total			
	\$15,524	Total Personal Investment			
	\$35,000	Amount of Loan			



7.2 Amount and Use of Loan

The amount of the loan SGFK is seeking for start-up is \$35,000 to be paid monthly over 5 years. Sue Davies has already made a personal investment of \$15,524.00. The loan will be used to pay for: licensing and certification through the Canadian Celiac Association's Certification Program; large and small equipment for the bakery; signs; cash register and storage shelves as per the list above. There is a working capital/contingency of \$8,500.

7.3 Payroll Taxes

In the first two years there are not any employees; consequently, there are no payroll deductions such as EI, CPP or Income Taxes to be paid out to the Canada Revenue Agency (CRA). As of Year 3 SGFK will have to register with Workplace Safety Insurance Board (WSIB) and begin remitting monies for WSIB as well as EI, CPP and Income Taxes to the CRA.

7.4 HST (Harmonized Sales Tax)

As per GST/HST Memorandum Series 4.3 Basic Groceries, most of the baked products sold by SGFK will be zero rated and no tax will be collected on the sales. These items include: individual items sold in quantities of six or more; items that were not intended for single serving that are considered basic groceries such as bread, pies and cakes etc. All items such as dry mixes and prepared frozen dough or pie crusts are also zero rated. An exemption of this classification would occur if special platters were arranged and sold to customers. Platters fall into the catering service classification and these items would then be taxable at a rate of 13%.

Individual servings of items that are sold in quantities of less than six and total less than \$4.00 (total sales) are taxable at a rate of 5% as per GI-064 Point of Sales Prepared Food & Beverages. If the value of the sale is more than \$4.00 it is taxable at a rate of 13%. The HST collected on these sales should be included on line 103 of the remittance and paid accordingly to CRA's remittance period.

In the future if cooking classes or instruction classes are held at the bakery, revenue from these sources will be taxable at the full 13%.

7.5 Record Keeping and Accounting Related Items

For the first year, bookkeeping will be done manually through the use of spreadsheets and transferred routinely into Simply Accounting. Daily sales will be tracked on the cash register and deposits made at the bank through their night deposit. A separate bank account will be set up for SGFK to make bookkeeping separate from personal financial transactions. This bank account will be used to make purchases and a personal credit card will be dedicated to all of SGFK's purchases, again separating business and personal transactions; consequently making bookkeeping easier.



(Note: The Forecasted Financial Statements do NOT take into consideration any wages being paid to the owner. Each year's profit margin has been considered to stay in the company. There are personal tax considerations that have not been addressed in these statements)

9. Projected Cash Flow

5 Year Projected Cash Flow

	Year 1	Year 2	Year 3	Year 4	Year 5
Venture Niagara Loan	\$35,000	\$0	\$0	\$0	\$0
Personal Investment	\$16,824				
	-				
Start Up Costs	\$43,324	\$0	\$0	\$0	\$0
Beginning Bank Balance	\$8,500	\$3,256	\$3,762	\$40,821	\$89,227
Loan Repayment	-\$2,917	-\$7,000	-\$7,000	-\$7,000	-\$7,000
Net Profit	-\$3,528	\$5,107	\$41,658	\$53,007	\$80,547
Add back Depreciation	\$1,200	\$2,400	\$2,400	\$2,400	\$2,400
Ending Bank Balance	\$3,256	\$3,762	\$40,821	\$89,227	\$165,174



10. Appendices

9.1 Breakeven Analysis

		Based on borrowing \$35,000 @7% for 5 years			Breakeven based on 250% Markup		
		Daily *	Monthly	Yearly			
Revenue	Sales	\$338	\$6,766	\$81,191			
Variable Expenses	Cost of Goods Sold	\$135	\$2,706	\$32,476			
	Packaging Expense (2.5% of sales)	\$8	\$169	\$2,030			
	Credit & Debit Card Expense (2% of sales)	\$7	\$135	\$1,624			
	Total Variable Costs	\$151	\$3,011	\$36,130			
	Gross Margin	\$188	\$3,755	\$45,061			
Fixed Expenses	Advertising	\$13	\$250	\$3,000			
	Depreciation	\$10	\$200	\$2,400			
	Employee Expenses (Wages etc.)	\$0	\$0	\$0			
	Gas	\$10	\$200	\$2,400			
	Gluten Free Certification Program Expenses	\$13	\$250	\$3,000			
	Hydro	\$10	\$200	\$2,400			
	Internet	\$5	\$100	\$1,200			
	Lease Expense	\$63	\$1,250	\$15,000			
	Legal & Accounting Expense	\$5	\$100	\$1,200			
	Loan Interest	\$9	\$185	\$2,225			
	Office Supplies	\$5	\$100	\$1,200			
	Property Maintenance	\$5	\$100	\$1,200			
	Property Tax	\$26	\$511	\$6,136			
	Property/Business Insurance	\$4	\$83	\$1,000			
	Telephone	\$5	\$100	\$1,200			
	Travel Expense	\$5	\$100	\$1,200			
	Water	\$1	\$25	\$300			
	Total Fixed Costs	\$188	\$3,755	\$45,061			
	Breakeven	\$0	\$0	\$0			

Breakeven was calculated to determine a value of the sales it would take to make this venture profitable. Then sensitivity analysis was done to make sure that it was feasible for the number of people to execute the plan and that the bakery would be a big enough facility to meet this level of sales volume. Everything was considered in relationship to pies.



* Daily assumes 20 business days per month although there are four months per year with 25 days

Sensitivity Analysis **	Open 5 days	Open 6 days	Open 5	Open 6
	Daily	Daily	Daily	Daily
Daily Sales	\$338	\$271	\$338	\$271
Average Sale/Customer	\$20	\$20	\$25	\$25
Number Customers needed per day	16.91	13.53	13.53	10.83
If only sold Banana Bread lg Honey				
Sales Price Per Loaf	\$10	\$10		
Need to Make and Sell to Breakeven	34	27	254% markup	
if only sold Brownie Mix				
Sales Price Per Unit	\$6	\$6		
Need to Make and Sell to Breakeven	56	45	247% markup	
Based on Average Sales Price				
Average Sales Price of 50 Items	\$5.44	\$5.44		
Need to Make and Sell to Breakeven	62	50	248% markup	

** Picked items that were close to the 250% markup that was used in above Income Statement
Costs were based on the level for which a home baker can purchase the ingredient



9.2 5 Year Forecast – Income Statement

(Note: Financial Forecasts can be redone once the vendor prices are secured)

Based on borrowing \$35,000 @7% for 5 years

Based on Average Markup of 267% & GM 58.05%

		Year 1 ***	Year 2	Year 3	Year 4	Year 5
Revenue	Sales	\$30,900	\$85,000	\$200,800	\$275,000	\$375,000
Variable	Cost of Goods Sold	\$11,572	\$31,833	\$75,200	\$102,988	\$140,438
Expenses	Packaging Expense (2.5% of sales)	\$773	\$2,125	\$5,020	\$6,875	\$9,375
	Credit & Debit Card Expense (2% of sales)	\$618	\$1,700	\$4,016	\$5,500	\$7,500
	Total Variable Costs	\$12,963	\$35,658	\$84,236	\$115,363	\$157,313
	Gross Margin	\$17,937	\$49,343	\$116,564	\$159,638	\$217,688
Fixed	Advertising & Promotion	\$1,500	\$3,000	\$3,000	\$3,000	\$3,000
Expenses	Depreciation	\$1,200	\$2,400	\$2,400	\$2,400	\$2,400
	Employee Expenses (Wages etc.)	\$0	\$0	\$31,000	\$62,000	\$93,000
	Gas	\$1,200	\$2,400	\$2,400	\$2,400	\$2,400
	Gluten Free Certification Program Expenses	\$3,000	\$2,500	\$2,500	\$3,500	\$3,500
	Hydro	\$1,200	\$2,400	\$2,400	\$2,400	\$2,400
	Internet	\$600	\$1,200	\$1,200	\$1,200	\$1,200
	Lease Expense	\$7,500	\$15,000	\$15,160	\$15,375	\$15,375
	Legal & Accounting Expense	\$600	\$1,200	\$1,200	\$1,200	\$1,200
	Loan Interest	\$1,540	\$1,900	\$1,410	\$920	\$430
	Office Supplies	\$600	\$1,200	\$1,200	\$1,200	\$1,200
	Property Maintenance	\$600	\$1,200	\$1,200	\$1,200	\$1,200
	Property Tax	\$3,075	\$6,136	\$6,136	\$6,136	\$6,136
	Property/Business Insurance	\$500	\$1,000	\$1,000	\$1,000	\$1,000
	Telephone	\$600	\$1,200	\$1,200	\$1,200	\$1,200
	Travel Expense	\$600	\$1,200	\$1,200	\$1,200	\$1,200
	Water	\$150	\$300	\$300	\$300	\$300
	Total Fixed Costs	\$24,465	\$44,236	\$74,906	\$106,631	\$137,141
	Net Profit	-\$6,528	\$5,107	\$41,658	\$53,007	\$80,547
	Net Profit % of Sales	-21.12%	6.01%	20.75%	19.28%	21.48%

*** Year 1 begins July 15, 2013 until December 31, 2013. All years following are full Calendar Years

Wholesale Customers @ 250% Markup and Retail Customers @ 300% Markup (2 Parts Wholesale 1 Part Retail = 267%)

Sensitivity Analysis



Based on Average spending of \$20.00	Year 1 ***	Year 2	Year 3	Year 4	Year 5
Yearly Sales (open 6 days a week)	\$30,900	\$85,000	\$200,800	\$275,000	\$375,000
Daily Sales (52 * 6 = 312 days)	\$214.58	\$272	\$644	\$881	\$1,202
Average \$ spent/person	\$20	\$20	\$20	\$20	\$20
# of people/day	10.73	13.62	32.18	44.07	60.10
How many \$15 pies/day	14.31	18.16	42.91	58.76	80.13

Based on Average spending of \$25.00	Year 1 ***	Year 2	Year 3	Year 4	Year 5
Yearly Sales (open 6 days a week)	\$30,900	\$85,000	\$200,800	\$275,000	\$375,000
Daily Sales (52 * 6 = 312 days)	\$214.58	\$272	\$644	\$881	\$1,202
Average \$ spent/person	\$25	\$25	\$25	\$25	\$25
# of people/day	8.58	10.90	25.74	35.26	48.08
How many \$15 pies/day	14.31	18.16	42.91	58.76	80.13

Weekly Sales (52 weeks/year)	\$1,188	\$1,635	\$3,862	\$5,288	\$7,212
Growth % (based on year before)		111.09%	236.24%	136.95%	136.36%

Note: Wholesales Customers will spend more on average

Hire an additional Baker (approx. 10% Overhead cost - CPP, EI, WSIB, Vac Pay)

Hours per week	40	
Hourly Cost	\$14	
(Easily produce \$100,000/sales per year)	\$100,000	dedicated to baking; unlike the owner
Yearly Baker Cost	\$31,000	
GM	<u>\$58,050</u>	
Net Profit Added from one Baker	<u>\$27,050</u>	

Add 1 Baker each year starting Year 3 until 3 Bakers in Year 5
Would like to add the Baker in Year 2 but keeping estimates reasonable



9.3 5 Year Forecast – Balance Sheet

	ASSETS	Year 1	Year 2	Year 3	Year 4	Year 5
RBC Bank		3,256	3,762	40,821	89,227	165,174
Prepaid Expense		2,500	2,500	2,500	2,500	2,500
Inventory		1,000	1,000	1,000	1,000	1,000
R&D Product Development		2,500	2,500	2,500	2,500	2,500
Large Bakery Equipment		17,094	17,094	17,094	17,094	17,094
Small Kitchen Equipment		6,400	6,400	6,400	6,400	6,400
Office Equipment & Website		8,530	8,530	8,530	8,530	8,530
Leaseholds		1,000	1,000	1,000	1,000	1,000
Depreciation		-1,200	-3,600	-6,000	-8,400	-10,800
Total Assets		41,080	39,186	73,845	119,851	193,398
LIABILITIES						
Loan Payable (April 2018)		32,083	25,083	18,083	11,083	4,083
EQUITY						
Equity		15,524	15,524	15,524	15,524	15,524
Current Year Earnings		-6,528	5,107	41,658	53,007	80,547
Retained Earnings		0	-6,528	-1,421	40,237	93,244
Total Liabilities & Equity		41,080	39,186	73,845	119,851	193,398

