

## Quiz

### Part 2 : The study case

#### The context (reminder)

You decided to team with a renowned Chef to open a very high end pastry shop. At first, you will test the concept in Paris, and then later on plan to expand to other big cities in Europ and throughout the world.

#### Revenue Model core hypothesis

- **The addressable market**

The addressable market for such a business, a shopping place, is estimated to be within a 400 meters radius around the shop. It corresponds to the acceptable walking distance to come to such a place, which represents a potential of about 10 700 customers, if we take into account the average demographic density in Paris of 21377 habitants / km<sup>2</sup>

The addressable part within this potential consists of people with a yearly revenue above 57700€, which represents 25% (*source : INSEE 2016*). This leads us to an estimate of the addressable market of **5344 people**.

- **Marketing strategies**

The simplest way to reach the target customers, as for a shop, is street marketing, distributing flyers, around the shop, with an objective of 5000 flyers distributed per month.

The Return Rate on this flyer distribution (measured as the number of first time visitors), reported to the total number of flyers distributed, is estimated at 4% over 3 month, after distribution (that is 4/3% per month, for 3 month).

The shop owners believe the quality of the cakes produced, will be such than 40% of first time visitors will turn into regular customers.

- **Purchase pattern**

The purchase pattern of a regular customer can be described as follows:

- 3 visits per month
- An average spending of 10€ per visit

And the churn rate (loss rate of regular customers who, on the long run, may get bored for some of them with the production of the shop) is estimated at 10% after 12 month of regular visits.

- Expense plan for production

Investments	Operational expenses	People (gross salary)
<ul style="list-style-type: none"> <li>• Kitchen and cooking equipment: 50 000€</li> </ul>	<ul style="list-style-type: none"> <li>• Ingredients: 30% of sales</li> </ul>	<ul style="list-style-type: none"> <li>• Chef : 3 000€ per month</li> <li>• Assistant : 2 000€ per month</li> </ul>

NB : we must add 50% of social taxes on gross salary

- Expense plan for the shop

Investments	Operational Expenses	People (Gross salary)
<ul style="list-style-type: none"> <li>• Shop decoration 10 000€</li> <li>• Shop furniture 30 000€</li> </ul>	<ul style="list-style-type: none"> <li>• none</li> </ul>	<ul style="list-style-type: none"> <li>• Sales 1 500€ per month</li> <li>• Cashier 1 500€ per month</li> </ul>

NB : we must add 50% of social taxes on gross salary

We assume that a sales profile can handle a maximum of 100 customers per day. Indeed, based on an average of 5 minutes per client, over 8 hours of daily opening, we get a maximum of 96 clients per day, that we rounded up to 100 client per day, as the saturation level for one sales position in the shop.

- Expense plan for Administration (GA)

Investments	Operational Expenses	People (Gross salary)
<ul style="list-style-type: none"> <li>• Shop license 70 000€</li> <li>• Incorporation cost 2 000€</li> </ul>	<ul style="list-style-type: none"> <li>• Shop Rental 5000€ / month</li> <li>• Misc administrative expenses (alarm, electricity, etc.) Per month : 1500€ max (1500€, 5% of sales)</li> </ul>	<ul style="list-style-type: none"> <li>• Administrative assistant 1 500€ per month</li> </ul>

NB : we must add 50% of social taxes on gross salary

The revenue model represents the foundation on which the financial projections are being built. Its structure is detailed in the first tab of the excel file, that you will use for this quiz : « **P2\_Pastry financial\_template.xls** ». You must download this file to perform the calculation and answer the quiz.

In this exercise on Financial Projection you will model, from the excel template, the expense structure of our High-End Pastry Shop.