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THREE EIGHTEEN BUSINESS PLAN

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Abstract

Specialty bakeries have drawn attention recently for innovative flavors and elaborate designs. The more developed confectionery wholesaling markets have also profited and will thrive in the coming years as the population of children grows in the United States. As health consciousness increases, customers will begin to view fresh and natural foods as a necessity rather than a side note. Three Eighteen aims to provide high quality desserts made from natural ingredients and to create unique variations of traditional recipes with helpful and friendly service. This thesis examines the specialty bakery and confectionery wholesaling markets, Three Eighteen's target market, and the logistics of starting and maintaining a small coffee and dessert café. Based on the findings, the current market is ideal for opening a new specialty bakery with a healthy twist.

Three Eighteen

Business Plan

Executive Summary

The Company

Three Eighteen is a retail store located in Shadyside Pittsburgh that provides the greater Pittsburgh area with high-end natural desserts and coffee. It is co-owned by sisters Shannon and Kasey Holloway. Specialty bakeries have been thriving in the past few years and with the increase in health consciousness and growing population of children in the United States, this is the perfect timing for Three Eighteen to establish and maintain a customer base.

Mission Statement

Our goal is to provide high quality ice cream, chocolates, and pastries made from natural ingredients and to develop unique variations of traditional recipes. We aim to create an inviting environment to relax and indulge by satisfying customers' specific requests with friendly and helpful responses.

Products and Services

The company serves coffee and ice cream and makes homemade desserts such as cookies, brownies, cupcakes, and pies. Each item is made individually by hand and with only the best ingredients. The coffee is fair trade with organic options, the desserts are naturally flavored and the ice cream options include dairy-free and sugar-free

Marketing and Sales Strategy

Three Eighteen is colorful and fun for children but carries a large variety of products with healthier ingredients to satisfy parents. By appealing to both children and adults, the store can

attract families from the surrounding areas until a larger customer base is established. A large majority of the marketing takes place through community involvement and street fairs to attract walking traffic.

The Competition

The competition consists of both confectionery wholesaling companies and the many local dessert and coffee shops. None of these small stores have a monopoly on the area but Prantl's Bakery draws the largest crowds. In order to avoid direct competition, Three Eighteen does not sell Prantl's signature dessert, the almond torte.

Target Market

The target market is upper middle class families in Shadyside, Pittsburgh and the surrounding areas. Shadyside is known to have higher-end shopping that is highly visited by the local foot traffic and is also a destination shopping area in Pittsburgh.

Management

Shannon and Kasey Holloway are co-owners and directly manage all operations of the store. Shannon Holloway developed the company and advises in the business aspects while Kasey Holloway brings nutritional expertise and a creative insight. Once profits increase, another baker will be hired to lessen the burden and allow time to be spent on expansion. The minimal number of employees to effectively run the store will be hired to maximize control and ease of coordination.

Operations

The Shadyside store functions as both the production area and retail location. The kitchen is partially visible from the front of the store to reassure customers of the quality and freshness. All of the equipment will be purchased rather than leased and inventory will be kept as low as possible to reduce waste and increase quality of ingredients. Once expansion is necessary, a factory nearby will be added for large orders and daily deliveries to replenish inventory.

Financials

Shannon and Kasey Holloway will contribute a combined initial capital of \$20,000. A \$124,000 loan with 7% interest will be repaid over ten years. Three Eighteen expects a 30% increase in revenue each year for the first three years. The sales each month will vary with increased revenue around Valentines Day, Christmas, and the summer months. Not only is there a higher demand for ice cream in the summer, the warm weather also increases foot traffic.

The Future

Three Eighteen hopes to earn a profit almost immediately and to carefully expand after three years. Larger orders and shipments will require a factory for production but the retail store will still exist, bringing in a large source of revenue. Regardless of expansion, the store will maintain a welcoming atmosphere and neighborhood feel. Eventually Three Eighteen will pursue the possibility of supplying to larger stores such as Whole Foods and Trader Joes. Online ordering may produce a wider market but the major customer base will stay within the east coast.

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Literature Reviewed

The Successful Business Plan Secrets and Strategies by Rhonda Abrams provided the basic structure of this plan by asking the necessary questions to build a new business. This book lays out the different areas that need addressed in creating a business plan but lacks detailed information on financials and supporting documents.¹ The Small Business Association provides more specifics on financial information to include when creating a business plan. Within the Business Plan Templates financial data section, the relevant information that SBA suggests including is:

- Loan information
- Capital equipment and supply list
- Balance sheet
- Income statements
- Three-year summary
- Detail by month, first year
- Detail by quarters, second and third year
- Assumptions upon which projections were based
- Pro-forma cash flow

For the supporting documents, the SBA recommends providing tax returns for the last three years and resumes of principals, copy of lease agreement, any legal documents, and letters of intention from suppliers.²

Starting A Business

There are many decisions that must be made before opening a new business. The structure, name, and location must be strategically planned and implemented, taking into consideration both the demands of customers as well as the business's ability to satisfy those needs.

The business can take on various legal structures, which each have advantages and disadvantages for personal, tax, and legal reasons. There are four kinds of structures: sole proprietorship, partnerships (general or limited), limited liabilities, and corporations. According to the Pennsylvania Department of Revenue, most small businesses operate as sole proprietorships because the structure is simple and gives the sole responsibility to the owner. Partnerships are similar to sole proprietorships but involve two or more people. This system allows a business to draw from all partners' financial assets and managerial strengths. However, the disadvantages include termination of the business upon a partner's death and the ability for one partner to commit the entire company to any obligation. Without a written general partnership agreement, profits and losses are assumed to be equally distributed. A limited liability partnership includes one or more general partner and one or more limited partner. The limited partner is not involved in daily decisions and is exposed to limited liabilities. Limited liability companies give the owners limited responsibility for the debts and decisions of the LLC. A corporation is the most complex form mainly because of the amount of paperwork necessary. The advantages include the limitation of liability to the amounts owners have contributed to shares of stock and the corporation is mainly unaffected by the death of or transfer of stock by any of the owners. Disadvantages include double taxation, close regulations, and extensive record keeping.³

There are a few different strategies for naming a business, each can be effective when followed by a strong marketing strategy. Some experts think an abstract name creates a blank slate for customers to imagine a personalized version of the company. Another strategy is to have the name describe exactly what the business provides to avoid any confusion, while using made-up words instead of real words is sometimes thought to be more memorable. Many businesses consult an expert for both creative as well as legal trademark advice. However, naming firms can charge anywhere from \$50 to \$80,000 to develop a name and graphic design. For this reason, small businesses do not have enough capital to hire a high quality naming firm. A common naming mistake is to include a geographic or generic name. If the company decides to expand nationally or into other products, the name is now obsolete. Once the names are narrowed down to four or five choices, a trademark search is the next step. A trademark attorney or a trademark search firm can be beneficial in order to avoid future conflict. The final step of naming is to begin building a strong marketing campaign to have customers associate the name with the business.⁴

When choosing the location for a new business, many questions need to be answered. Before choosing a city, the taxes, average rent, and general living expenses should be analyzed. Although larger cities, such as New York, draw more customers, the expenses are also drastically higher than other locations. The part of town chosen should be within close proximity to neighborhoods and other businesses as well as suit the type of business. A young trendy store should not be placed in an area known for its traditional views and older population. The store should be accessible by public transportation, walking, or have available parking for customers. The physical space needs to be large enough for the type of business and able to store inventory if necessary. One of the most important and forgotten details is zoning.

Many cities have strict zoning requirements that will determine whether the business is allowed to exist.⁵ The owner needs to determine priorities and carefully examine the options before making any binding decisions.

Company Description

Three-Eighteen is a dessert café providing homemade ice cream, chocolates, pastries and coffee made from natural ingredients. It is located on Walnut Street in Shadyside, Pittsburgh alongside other high-end retail shops.

The Company's Mission

Our goal is to provide high quality ice cream, chocolates, and pastries made from natural ingredients and to create unique variations of traditional recipes. We aim to create an inviting environment to relax and indulge by satisfying customers' specific requests with friendly and helpful responses.

Products

The business serves a variety of sweets focusing on natural ingredients that taste fresh and flavorful. As a regional business, Three Eighteen aims to create a bond with the community by fulfilling the customers' specific requests and utilizing locally grown produce. The basic products of the shop include homemade ice cream, chocolates, small pastries, and coffee. The majority of the products are produced in the back kitchen with the exception of the ice cream which is provided by a third party vendor. There are a variety of options of lactose free, soy and low calorie substitutes for the traditional recipes. The coffee is fair trade with organic

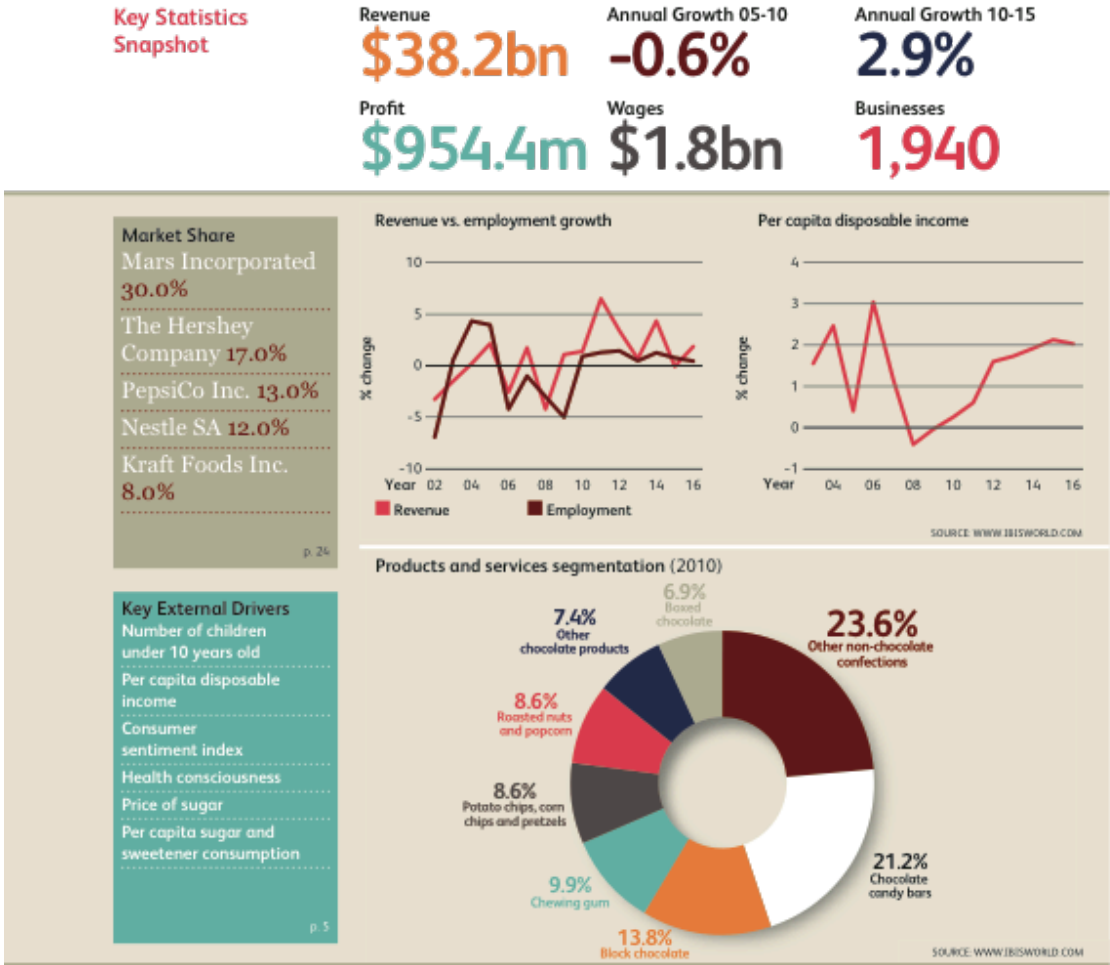
options and all products are made without artificial sweeteners and preservatives. Although many specialty bakeries are arising, the focus on natural ingredients creates higher quality, more flavorful products distinguishable from other dessert stores.

Legal Status and Ownership

Three Eighteen is a partnership owned by sisters Shannon and Kasey Holloway. It is financed by a \$20,000 initial capital injection from the personal savings of Shannon Holloway and a \$124,000 loan with both Shannon and Kasey Holloway as the guarantors.

Industry Analysis and Trends

Graph A: Key Statistics ⁶



Specialty Bakeries Thriving

With the increased attention toward specialty bakeries for both custom cakes and gourmet cupcakes, there is a demand for personalized and unique desserts. New television shows continue to air such as “Cake Boss”, “DC Cupcakes”, “Kid in a Candy Store” and “Cupcake Wars”. These shows have drawn national attention to the various talented pastry chefs across the country. Many small business owners have capitalized on the growing cupcake trend with specialty cupcake stores in every town. Candace Nelson opened Sprinkles in Beverly Hills in 2005, which is claimed as the first cupcake bakery.⁷ The trend for cupcakes has been growing ever since, however some believe a “cupcake crash” is in the near future due to the high price of consumption and peaking business cycle.⁸

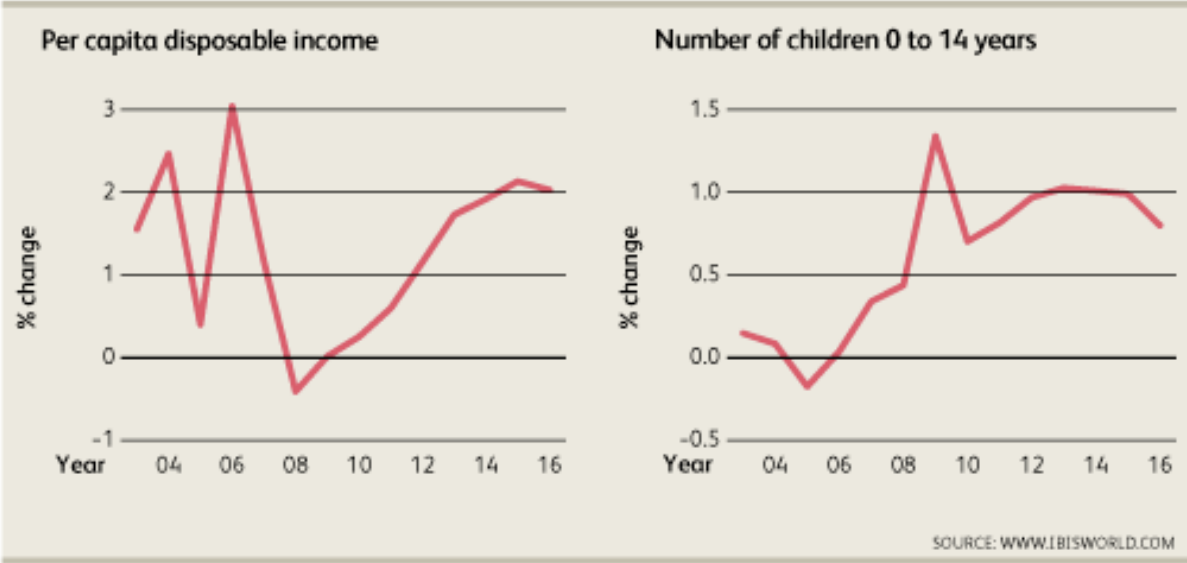
Shaunda Lohse, the owner of Sugar on Top in State College, which has “couture cupcakes and gourmet delights”, was chosen to compete on “Cupcake Wars”. Her store serves, not only cupcakes, but also truffles, chocolate covered pretzel rods, and brownies.⁹ She recently paired up with a woman selling eclectic teas and coffee to create a diverse product set, separating her from other shops that may run into conflicts as the cupcake crash approaches. Stores will need to adapt and expand out of the cupcake market in the near future if they want to survive the changing trends. Three Eighteen will thrive in the current market by providing a larger assortment of products for both new customers as well as the old devoted cupcake purchasers.

Growing Population of Children

According to an IBISWorld report, titled, "Sweet Future: Growing Population of Children Will Increase Revenue", the projected increase in the population of children in the United States will

cause the confectionery wholesaling industry to also increase revenue. (See Graph B below) Beginning in 2006, the number of children has steadily grown and is expected to continue the upward trend through 2016.⁶ By creating a child friendly environment, both children and their parents will be excited to visit Three Eighteen both as a special treat and as a regular stop for dessert. The area of Shadyside is a large walking community and Walnut Street, in particular, is congested with pedestrian traffic, ideal for a small business. While the majority of people in the area must drive to a large grocery store for wholesale confections, Three Eighteen would provide a store for families to pick up dessert within walking distance.

Graph B: Disposable Income and Number of Children in the U.S.⁶



Health Consciousness

NPD's report "A Look Into the Future of Eating" predicts that organic and light or low-calorie foods and beverages will be among the fastest growing food trends in the next decade. This prediction is based on historical data from 30 years of tracking American's eating habits.¹⁰ The emphasis on eating healthy has deterred many people from consuming as much high fat and sugary items. However, producers have creatively and effectively advertised the health benefits of eating dark chocolate. New growth segments have arisen for organic and fair-trade chocolate as well as other organic products. The addition of healthy ingredients to traditional recipes is expected to continue during the next five years.¹¹ As the population of baby boomers ages, they are beginning to show more concern for eating well and improving their lifespan. Three Eighteen will work with natural and fresh ingredients to create low-calorie, soy, and lactose-free options. Hopefully after gaining popularity, wholesaling to Whole Foods or other health conscious stores will become an option to drastically increase revenue.

Barriers to Entry

A major barrier to entry is the trend away from small businesses and toward large corporations. Small businesses must fight to make a profit in today's competitive market. Large wholesaling companies are able to produce large quantities of products while spending less overhead and have more capital to invest in projects which leads to further expansion. The SBA has made government loans more available, however, maintaining a strategic position becomes increasingly difficult. With more employees, operations can run more smoothly with less work distributed to each employee. It has become increasingly difficult for a small business to make enough profits to survive without expanding either online or to different locations.

Saturation of the market is always a necessary factor to consider. Especially with the current specialty bakery trend, the confectionery market is drawing out new businesses in every town. Each business must differentiate itself to have a chance in the increasingly competitive environment. Even the traditional bakeries need to develop with the changing demands and improve their products and business environment to survive. For example, Prantl's of Shadyside, a well-established bakery, now delivers their signature burnt almond torte across the country.¹²

Long-Term Opportunities

Opportunity within the industry lies within regional development and ability to last through the trends. A national customer base is unlikely, however, shipments and catering can lead to higher quantity productions and hopefully larger name recognition across the east coast. Most importantly, turning the confectionery industry into a more health conscious sector will allow for vast growth in future years.

Regional Development

Regional development is the best source of growth in revenue for small confectionary businesses. The large wholesaling companies lack a customer connection and cannot provide the same amount of customization as a smaller business. Community involvement is beneficial for the business's reputation and profit, especially in a close-knit walking community like Shadyside. In a society with deteriorating social interaction, a local confectionary store is a needed breath of fresh air.

Target market

Three Eighteen aims to fulfill the needs of children, their parents, and the young at heart. Both Shadyside and the surrounding neighborhoods range from upper middle to upper class with families and young professionals. A few private schools are located in Shadyside and numerous public schools are in the surrounding areas.

Market Size and Trends

Shadyside is a neighborhood in the East End of Pittsburgh, Pennsylvania. It is home to many upscale stores such as Moda, Coach, Williams-Sonoma, and United Colors of Benetton.¹² The cost of living is higher than other areas of Pittsburgh, but still low in comparison to the majority of Northeastern cities. The main businesses are all within walking distance and located on:

- Walnut Street,
- Ellsworth Avenue
- South Highland at Centre Avenue

Since the 1920s, residential Shadyside has been home to a mix of affluent families, young professionals, artists, musicians and students. The private schools within Shadyside are:

- Shadyside Academy
- Winchester Thurston School
- Ellis PreK-12 all girls School

Graph C: Surrounding Areas with Median Income Between \$50K-\$75K ¹⁴

| Neighborhood | Distance | Percent Employed | Children under 15 | Population |
|---------------------|----------|------------------|-------------------|------------|
| Point Breeze | 2.5 mi | 69.2% | 18.6% | 5,665 |
| Regent Square | 3.5 mi | 69.7% | 16.1% | 1,131 |
| Shadyside | 0 mi | 61.2% | 6.9% | 13,754 |
| Squirrel Hill North | .9 mi | 52% | 7.9% | 10,408 |
| Swisshelm Park | 4.1 mi | 58.5% | 15.0% | 1,378 |

Target Customers

Three Eighteen is an inviting atmosphere for children and their parents. Although healthier and more upscale than most candy stores, the products are still child friendly and delicious. The target customer is:

- Upper-middle class residents of the surrounding areas
- Children between 0 and 14 years and Parents
- Dessert-loving
- Mildly health conscious

Market Readiness

With the recent increase in the number of children in the U.S., there is a need for desserts that appeal to both the children and adults of families. The gourmet specialty bakeries provide options for high-class adults while corner ice cream shops are perfect for children. Three Eighteen combines elements of both to create an ideal shop for upper-middle class families. Also with the increase in health consciousness, a natural and healthy ingredient based dessert shop will thrive. Many people love indulging in sweets but are unable due to diet constraints and would be loyal customers to a store that catered to their specific needs.

Strategic Opportunities

Each store in Shadyside has a different specialty, but there is a need for a diverse store that provides a wider variety of products while maintaining the quality of each. It may take some time for customers to change their habits but they will eventually be persuaded by the friendly environment and quality food at Three Eighteen.

Competition

Breaking into the confectionary market is challenging and maintaining a position can be even harder. The competition stems from both small local businesses as well as large, well-established wholesaling companies.

Local Competitors

Shadyside has a few small ice cream stores, one bakery, and one chocolate store. In the main strip of downtown Shadyside there is:

- Prantl's - a well-known bakery with history in the area
- The Chocolate Moose – a small chocolate store with multiple locations
- Karmic Yogurt – a new gourmet tart frozen yogurt store
- Mercurio's Mulberry Creamery – a small gelato shop
- Oh Yeah! Ice Cream and Coffee Co. – an ice cream and waffle shop

The variety of competitors shows that people in the Shadyside area are receptive to small stores specializing in desserts. Three Eighteen provides a slightly different twist to the existing stores and creates a higher quality better tasting product. To improve upon the environment of a typical Shadyside store, Three Eighteen has a small seating area for people to enjoy their food and each other's company. The kitchen can be seen from the front, which creates a connection between the customers, the owners, and the product.

The new yogurt shop in Shadyside has low calorie unsweetened frozen yogurt, but nothing else. This store is not seen as competition for the various dessert items available at Three Eighteen. The bakery and ice cream stores have delicious specialized products but with unhealthy, artificial ingredients. Although people currently indulge in these unhealthy treats, with the

increasing trend of health consciousness, Three Eighteen will break into the competitive market quickly. Many people are very loyal to Prantl’s especially for its signature almond torte so instead of competing for their customers, Three Eighteen must specialize in a different set of products.

Other Competition

Wholesale distribution of confections is a major source of competition. These products are conveniently located in almost all grocery stores. The products are of a lesser quality but also less expensive.

Graph D: Wholesale Market Share ⁶

| Company | % Market Share of Wholesaling | Products |
|---------------------|-------------------------------|---|
| Mars Incorporated | 30% | Mars Bars, Snickers, Dove Chocolate, M&M’s, Milky Way ¹⁵ |
| The Hershey Company | 17% | Hershey Chocolate Bars, Reese’s and Twizzlers ¹⁶ |
| Nestle SA | 12% | Butterfinger, Crunch, Smarties, Wonka ¹⁷ |
| Kraft Foods Inc | 8% | Oreos, Nabisco cookies, Chips Ahoy! and Cadbury ¹⁸ |

Advantages Over Competition

Due to the large amount of competition, Three Eighteen must set itself apart through its products and atmosphere. The main advantages include:

- Local and friendly service
- All natural ingredients

- Diversity of products
- Appeal to multiple ages
- Customer-oriented
- Vast potential for growth

Competitive Positions

Three Eighteen ranks the strength of its competitors as:

1. Oh yeah! Ice Cream and Coffee Co.
2. Karmic Yogurt
3. Prantl's
4. Confectionery wholesaling companies

Oh yeah! Ice Cream and Coffee Co. is seen as the strongest competitor because the products and environment are the most similar. Oh yeah! serves basic ice cream flavors with many “mix-ins” available. The customer chooses a personalized combination, which can end in bland or unappetizing combinations. The other menu items include coffee and waffles with toppings. The retail store is dark and relaxing for adults but lacks fun and excitement for children. Three Eighteen differs from this store because it provides a menu of ice cream combinations that are carefully crafted to ensure consistent quality. A variety of pastries and chocolates are also served and the store is colorful, fun and kid-friendly.

Barriers to Entry

Confectionery Wholesaling is a large barrier to entry for Three Eighteen. The convenience and low price of these products make it difficult for a small business to compete. The important aspect that drastically outperforms wholesaling is Three Eighteen's ability to connect with customers. Each product can be specialized and checked for quality. Although confectionery wholesaling will always pose as a barrier to entry, hopefully Three Eighteen will prove its quality and worth.

Other than the large wholesaling environment, the local competition and near saturated market becomes a barrier to entry. The Shadyside area already has a few stores in close proximity that provide many of the same products as Three Eighteen. Prantl's Bakery has been in the area for over 100 years and has gathered a very loyal customer base especially for its signature almond torte.¹² By creating different products than this classic bakery, Three Eighteen distances itself from Prantl's and allows customers to visit both stores instead of having to choose just one.

The other ice cream and candy stores in the area have less history and thus less loyalty or attention from customers. Three Eighteen produces great tasting natural products that will hopefully stand out from the other stores and draw customers away from their usual purchases.

Strategic Opportunities

The market for confectionary goods is growing with the number of children. The cupcake trend is heading toward a downward turn and the new big trend must be discovered. A need for an organic and natural dessert store is present and growing with the health conscious population. Three Eighteen will enter the market at the perfect timing to catch the end of the cupcake trend and transition into a new era of desserts.

Strategic Position and Risk Assessment

Three Eighteen's objective is to be the premier dessert shop in the Shadyside area. To achieve this goal, a strategic position has been developed that emphasizes:

- Friendly customized service
- Fresh all natural ingredients
- Fun atmosphere

Three Eighteen's Strategic Position is based on evaluating the following factors:

1. Industry Trends
2. Our Target Market
3. The Competitive Environment
4. Strengths
5. Risks

Industry Trends

The wholesale confectionary industry is growing as well as small trendy bakeries. With the growing number of children, the demand for fun, easy to eat candies and desserts is increasing. The difficulty of maintaining a small retail store is requiring many businesses to expand into multiple stores with shipping, special event catering, and online ordering.

Target Market

The target is upper middle class and upper class families with children between the ages of 0 and 14 years. This market is strong and growing in the United States. These customers often request special orders which can be easily accommodated with Three Eighteen's customer-oriented business environment.

Competitive Environment

There are many dessert stores in the Shadyside area, but none that provide a variety of dietary options while maintaining the carefree and child-like environment of Three Eighteen. The initial daily revenue may start small but the current market is ideal for building a strong customer base.

Strengths

Three Eighteen is a local shop with friendly service and accommodating products. People with special dietary needs or requests often have trouble finding satisfying food. Any child with a sweet tooth will enjoy Three Eighteen just as much as a vegan looking for a healthy alternative. Diversity is the key to Three Eighteen that will set it apart from all other dessert shops in the area.

Risks

The main risk is the saturation of the market. There are many stores selling similar products in every area of the country. The only way to establish a new store is to improve upon the product or create a slightly new twist. Picking an area with many small ice cream stores and a bakery will hopefully lessen the loyalty of customers to one particular store and add a new desired element to Shadyside.

Another risk is the stability of the health conscious trend. Although people are becoming more health conscious and the media is revealing the harmful effects of certain ingredients, there is no telling if this is a trend or a lasting lifestyle. For many people it will last a lifetime and the teachings will be passed down to further generations. However, many still view the disadvantages such as cost and sometimes taste as outweighing the benefits of healthy eating. If this lifestyle does not catch on quickly, Three Eighteen may not be able to beat out the competition.

Strategic Position

Evaluating those factors has led to the conclusion that the major threat is the saturation of the market. Three Eighteen will attempt to overcome this risk by creating a healthy and diverse twist to the classic product.

Even with the plethora of ice cream stores, bakeries, and candy stores in Pittsburgh, customers still have an unfulfilled need. Many people have dietary restrictions either diagnosed or by choice. These people need a place that caters to their needs and Three Eighteen can accomplish this task while also providing to the rest of the population looking for a sweet dessert.

Families are constantly searching for child-friendly environments to spend an afternoon or for a quick treat. Parents enjoy relaxing in the store while their children are entertained by the colorful designs and delicious foods. By creating a store that appeals to multiple age groups, families can spend time together without having to sacrifice anyone's happiness.

To achieve this strategic position, Three Eighteen emphasizes friendly service and healthy and innovative products. It is understood that the experience and food must be of the highest quality in order to compete with the numerous local stores.

Marketing Plan & Sales Strategy

Three Eighteen distinguishes itself from its competitors by providing a friendly customer oriented shop with natural and special dietary need alternatives. Other stores cater to one type of customer while Three Eighteen realizes that people have different tastes and attempts to please a variety of customers.

Child and Parent Friendly

One of the most important goals of Three Eighteen is to create a family environment that is enjoyable for both children and parents. The colorful design of the store appeals to a child's imagination and the array of small fun treats satisfy his or her sweet tooth. More sophisticated desserts draw in some of the adults who are in need of a break from child-friendly finger foods. Parents are also pleased that Three Eighteen provides healthier products that their children will love eating.

Customer-oriented Service

Many stores make a limited number of items that they know best, but Three Eighteen spends more time devoted to mastering many products. The co-owners are flexible and open to customer requests. Any special request will be attempted and recreated until fully mastered, no matter how much effort this may take. Catering and large orders will all be taken and finished in a reasonable time frame. After a full time baker is hired, higher quantities and more intricate orders can be completed without too much of a struggle.

Quality Products and Ingredients

- No preservatives
- No corn syrup
- Whole wheat flour
- Honey replacing larger quantities of sugar
- Egg whites replacing yolks
- Natural food coloring
- Organic ingredients
- Soy, lactose free, and sugar free alternatives

Welcoming Atmosphere

The small family business environment welcomes customers and keeps them coming back. Not only is the product worthwhile, the store's décor is eye-catching and the staff is accommodating. Children are enthralled by the sights and smells and adults feel like kids again.

Technology Plan

Software

- The inventory management system is a technical decision making service for Three Eighteen so that the ingredients will never run out or spoil. It is important as a food service to have frequent deliveries of small quantities of goods so the freshness is maintained in each product.

Hardware

- Computerized cash register
- Desktop computer in back office
- Printer for shipment labels and store labels

Telecommunication

- Telephone system
- Fax machine for order placements
- Internet access

Bakery Equipment

- Industrial oven
- Industrial Mixer
- Refrigerator
- Two freezers
- Espresso Machine
- Dual Brewer
- Baking scale

Operations

Retail Operations

The retail store is located on Walnut Street in Shadyside, Pittsburgh. The front part of the store has booths around the outside and tables in the middle for people to stay and enjoy the food. The entire store is colorfully decorated with candy and bakery themed items. An old-fashioned ice cream bar with high stools is toward the back with all of the necessary ingredients on display behind the glass freezer of ice cream. The kitchen is partially visible to customers from the front and includes an oven, industrial mixing bowls, a refrigerator and freezer for inventory. Pastries and chocolates are placed in glass temperature monitored display cases for customers to hand select.

Competitive Advantages

With a limited number of employees and the majority of responsibility on the two owners, a large amount of money will be saved. The salaries that would be given to employees will be reinvested into the company for further expansion. Quality can be kept high because the

owners, who are highly invested in the company, will make all decisions and manage all tasks. The small family business environment will heighten the welcoming experience with the two sisters owning and running the retail store every day. The full time baker will be carefully selected in order to ensure dedication and personality fit.

Problems Addressed

With the high quality and high price products at Three Eighteen, inventory must be held low to maintain freshness. The ice cream can be ordered weekly but the ingredients for baked items need to be as fresh as possible and should be ordered twice a week. The large diversity of products can cause a problem in quality consistency. The baker will spend as much time as necessary to make sure that each item meets the high standards of Three Eighteen. The current cupcake trend allows bakeries to focus on mastering one item but leaves the customer restricted in choices. More time and effort will need to be placed on creating recipes and baking a large variety of goods but will ultimately satisfy a greater customer base.

Management and Organization

Key Employees

Shannon Holloway, Owner. Prior to opening Three Eighteen, Shannon Holloway studied Finance at The Pennsylvania State University and went on to work as a credit analyst at PNC Bank in Chicago. Shannon created the idea and framework for Three Eighteen as well as provided the initial start-up capital.

Kasey Holloway, Co-Owner. Kasey Holloway attended The Pennsylvania State University for undergraduate studies in Biology and New York University for graduate studies in Public Health and Nutrition. In May of 2010, she began working for the Public Health Department in New York City. Kasey began as the leader on a project rewarding people for using food stamps to buy fruits and vegetables at local farmers markets.

Management Structure

The two employees, Shannon and Kasey Holloway, will monitor every decision in order to carefully maintain Three Eighteen's business model. Being that Shannon Holloway provided the initial capital, she will be responsible for most financial decisions. Both Kasey and Shannon Holloway will be placed on the business loan and will not earn a salary for the first three years in order to make proper loan payments. Kasey Holloway will have majority control of recipes and monitor the ingredients to make sure Three Eighteen fulfills its mission to provide healthy and all natural products.

Community Involvement and Social Responsibility

Three Eighteen is committed to making a positive contribution to the community and to being a good corporate model for others to follow. In order to give back to the community, Three Eighteen will buy ingredients locally and organize charity events to help the less fortunate children and families in the area.

Company Philosophy

Three Eighteen's emphasis on natural and organic ingredients creates a perfect basis for local buying. Although not always the least expensive, local farmers and small businesses need help to stay afloat among the large corporations of today's economy. Farmers markets and local vendors offer a large variety of produce that is fresher than non-domestic produce. Not only does it show support for the local businesses, the fresh ingredients also enhance Three Eighteen's products.

Community Involvement

With a store that targets children and their parents, it is important to reach out and show support for the customers and their community. Three Eighteen will organize an annual block party with the neighboring stores to help St. Jude Children's Research Hospital. St. Jude Children's Research Hospital has on average 5,700 active patients annually and is the nation's top children's cancer hospital.¹⁹ Three Eighteen will also donate extra food throughout the year to various homes for underprivileged children around Pittsburgh such as Holy Family Institute which provides services for orphaned and underprivileged children.²⁰ These activities will help Three Eighteen feel connected to the community and build a stronger company bond.

Development, Milestones, & Exit Plan

Long-Term Goals

Three Eighteen plans to expand steadily over the next five years, becoming a primary dessert shop within the Shadyside area. By 2021, Three Eighteen will pay off the business loan, begin

returning a profit and hopefully expand its operations to frequent large shipments and catering events.

Strategy for Achieving Goals

Although Three Eighteen is a regional store and will only consist of a retail store for the first few years, it will need to expand to compete in the current market. In order to maintain quality throughout expansion, Three Eighteen will need to add staff members and eventually add more space. A separate factory for producing larger quantities will be built in a suburb of Pittsburgh to reduce costs and products will be delivered on a daily basis. This separate facility will also allow for large shipments to be sent directly from the factory without having to pass through the retail store. This business will drastically increase revenue and the customer base.

Greater Expansion

There is a possibility of providing products to other small businesses or even to large corporations such as Giant Eagle, Whole Foods, or Trader Joes. Whole Foods would attract health conscious customers that would be interested in the natural ingredients and lactose free options of Three Eighteen. Although small businesses often fail in the first few years, the opportunities for growth are both plentiful and plausible.

Risks Associated with Expansion

With expansion comes a decreased ability for the owner to monitor operations. As a small retail store, the owner can make every decision and oversee every detail. However, this is impossible after expanding to a separate factory. The only way to overcome this risk is to be extremely

Careful during hiring and instill the company policies and mission into each and every employee.

The other risk is losing the small family business environment. Once a store begins wholesaling, the “mom and pop store” becomes just another part of corporate America. The friendly service and customer oriented business model must be consistent throughout the years or else the customers will no longer feel like they belong to the Three Eighteen family.

Financials

- A. Assumptions
- B. Equipment and supply list
- C. Balance sheet
- D. Three Year Projection
- E. Annual projection
- F. Second and Third Year Projection
- G. Pro-forma Cash Flow

Assumptions

Personnel

The two co-owners will solely run Three Eighteen for the first year. The second year, a full-time baker will join the team to help with increased sales and will earn a salary of \$30,000 a year. After two years, the baker’s salary will be negotiated and possibly raised depending on performance. The two owners have agreed to forego a salary for the first three years and then receive a minimal salary until the business loan is fully paid off. Until this goal is accomplished, all profits will be reinvested into the company and loan payments.

Financing

Shannon Holloway will invest the initial \$20,000 capital and a \$124,000 business loan will place both Shannon and Kasey Holloway as the guarantors. The \$124,000 loan has a 7% interest rate and will be paid back fully after ten years. This repayment plan creates a monthly cash outflow of \$1,105.67.

Rent and Equipment

Rent for the retail store in Pittsburgh will be \$6000 a month not including utilities for an approximately 300 square foot space. All equipment will be purchased within the first month rather than renting and it will fully depreciate over twenty years.

Sales

Sales will vary throughout the year, increasing around holidays and the summer months, but will consistently be double the cost of goods. Three Eighteen expects a 30% increase in sales each year for the first three years as its popularity grows. In further years, sales will increase exponentially as the company expands online and to wholesale markets.

Shipping and marketing

Three Eighteen expects \$100 shipping expenses per month for the first year. Over the next two years, the increasing number of orders will cause a 50% increase in shipping expenses each year.

Financials

| Equipment | Quantity | Total Price |
|-------------------|-----------------|--------------------|
| Coffee | | |
| Espresso Machine | 1 | 600 |
| Dual Brewer | 1 | 1,000 |
| Frothing cups | 2 | 20 |
| Water heater | 1 | 50 |
| Desserts | | |
| Oven | 1 | 3,500 |
| Industrial Mixer | 1 | 7,000 |
| Ice cream freezer | 2 | 2,000 |
| Double broiler | 1 | 100 |
| Scale | 1 | 400 |
| Bakery table | 2 | 200 |
| Furnishing | | |
| Display case | 1 | 5,000 |
| Table | 4 | 200 |
| Chair | 16 | 480 |
| Decorations | | 300 |
| Total | | 20850 |

Balance Sheet for 2012

ASSETS

Current Assets

| | |
|---------------------|--------|
| Cash | 20,000 |
| Accounts receivable | 30,000 |
| Inventory | 2,000 |
| Prepaid rent | 72,000 |

Total Current Assets 124,000

Fixed Assets

| | |
|-------------------|--------|
| Land | 0 |
| Building | 0 |
| Equipment | 20,850 |
| Less Depreciation | 1,043 |

Total Fixed Assets 21892.5

TOTAL ASSETS 145,893

LIABILITIES

Current Liabilities

| | |
|--------------------------|--------|
| Accounts payable | 21,893 |
| Short-term notes payable | 0 |

Total Current Liabilities 21,893

Long-term Liabilities

| | |
|-------------------------|---------|
| Long-term notes payable | 124,000 |
|-------------------------|---------|

Total Long-Term Liabilities 124,000

TOTAL LIABILITIES 145,893

| Income Statement | 2012 | 2013 | 2014 |
|--|--------|----------|-----------|
| INCOME | | | |
| Sales | 243750 | 316875 | 411937.5 |
| (Cost of Goods) | 121875 | 158437.5 | 121875 |
| Gross Profit | 121875 | 158437.5 | 205968.75 |
| OPERATING EXPENSES | | | |
| General and Administrative Expenses | | | |
| Salaries and wages | 0 | 30000 | 30000 |
| Rent | 72000 | 72000 | 72000 |
| Furnishing and Equipment Purchase | 20850 | 0 | 0 |
| Depreciation | 1043 | 1043 | 1043 |
| Utilities | 3000 | 3000 | 3000 |
| Shipping | 1200 | 1800 | 2700 |
| Marketing | 600 | 300 | 300 |
| TOTAL OPERATING EXPENSES | 98693 | 108143 | 109043 |
| Net Income before taxes | 23182 | 50294.5 | 96925.75 |
| Provision for taxes on income | 0 | 0 | 0 |
| NET INCOME AFTER TAXES | 23182 | 50294.5 | 96925.75 |

Income Statement 1H 2012

| | Jan | Feb | Mar | Apr | May | June |
|--|--------|-------|-------|-------|-------|-------|
| INCOME | | | | | | |
| Sales | 18750 | 22500 | 18750 | 18750 | 18750 | 22500 |
| (Cost of Goods) | 9375 | 11250 | 9375 | 9375 | 9375 | 11250 |
| Gross Profit | 9375 | 11250 | 9375 | 9375 | 9375 | 11250 |
| OPERATING EXPENSES | | | | | | |
| General and Administrative Expenses | | | | | | |
| Salaries and wages | 0 | 0 | 0 | 0 | 0 | 0 |
| Rent | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 |
| Furnishing and Equipment Purchase | 20,850 | | | | | |
| Depreciation | | | | | | |
| Utilities | 250 | 250 | 250 | 250 | 250 | 250 |
| Shipping | 100 | 100 | 100 | 100 | 100 | 100 |
| Marketing | 200 | 200 | 200 | | | |
| TOTAL OPERATING EXPENSES | 27400 | 6550 | 6550 | 6350 | 6350 | 6350 |
| Net Income before taxes | -18025 | 4700 | 2825 | 3025 | 3025 | 4900 |
| Provision for taxes on income | | | | | | |
| NET INCOME AFTER TAXES | -18025 | 4700 | 2825 | 3025 | 3025 | 4900 |

Income Statement 2H 2012

| | July | Aug | Sep | Oct | Nov | Dec |
|--|-------|-------|-------|-------|-------|-------|
| INCOME | | | | | | |
| Sales | 22500 | 22500 | 18750 | 18750 | 18750 | 22500 |
| (Cost of Goods) | 11250 | 11250 | 9375 | 9375 | 9375 | 11250 |
| Gross Profit | 11250 | 11250 | 9375 | 9375 | 9375 | 11250 |
| OPERATING EXPENSES | | | | | | |
| General and Administrative Expenses | | | | | | |
| Salaries and wages | 0 | 0 | 0 | 0 | 0 | 0 |
| Rent | 6000 | 6000 | 6000 | 6000 | 6000 | 6000 |
| Furnishing and Equipment Purchase | | | | | | |
| Depreciation | | | | | | 1043 |
| Utilities | 250 | 250 | 250 | 250 | 250 | 250 |
| Shipping | 100 | 100 | 100 | 100 | 100 | 100 |
| Marketing | | | | | | |
| TOTAL OPERATING EXPENSES | 6350 | 6350 | 6350 | 6350 | 6350 | 7393 |
| Net Income before taxes | 4900 | 4900 | 3025 | 3025 | 3025 | 3857 |
| Provision for taxes on income | | | | | | |
| NET INCOME AFTER TAXES | 4900 | 4900 | 3025 | 3025 | 3025 | 3857 |

| Quarterly 2nd year | | | | | |
|--|----------|----------|----------|----------|----------|
| | 1Q 2013 | 2Q 2013 | 3Q 2013 | 4Q 2013 | YE 2013 |
| INCOME | | | | | |
| Sales | 78000 | 78000 | 82875 | 78000 | 316875 |
| (Cost of Goods) | 39000 | 39000 | 41437.5 | 39000 | 158437.5 |
| Gross Profit | 39000 | 39000 | 41437.5 | 39000 | 158437.5 |
| | | | | | |
| OPERATING EXPENSES | | | | | |
| General and Administrative Expenses | | | | | |
| Salaries and wages | 7500 | 7500 | 7500 | 7500 | 30000 |
| Rent | 18000 | 18000 | 18000 | 18000 | 18000 |
| Furnishing and Equipment Purchase | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 260.75 | 260.75 | 260.75 | 260.75 | 1043 |
| Utilities | 750 | 750 | 750 | 750 | 3000 |
| Shipping | 430 | 430 | 510 | 430 | 1800 |
| Marketing | 100 | 0 | 100 | 100 | 300 |
| TOTAL OPERATING EXPENSES | 27040.75 | 26940.75 | 27120.75 | 27040.75 | 108143 |
| | | | | | |
| Net Income before taxes | 11959.25 | 12059.25 | 14316.75 | 11959.25 | 50294.5 |
| Provision for taxes on income | | | | | 0 |
| NET INCOME AFTER TAXES | 11959.25 | 12059.25 | 14316.75 | 11959.25 | 50294.5 |

| Quarterly 3rd year | | | | | |
|--|----------|----------|----------|----------|-----------|
| | 1Q 2014 | 2Q 2014 | 3Q 2014 | 4Q 2014 | EY 2014 |
| INCOME | | | | | |
| Sales | 101400 | 101400 | 107737.5 | 101400 | 411937.5 |
| (Cost of Goods) | 50700 | 50700 | 53868.75 | 50700 | 205968.75 |
| Gross Profit | 50700 | 50700 | 53868.75 | 50700 | 205968.75 |
| | | | | | 0 |
| OPERATING EXPENSES | | | | | |
| General and Administrative Expenses | | | | | |
| Salaries and wages | 7500 | 7500 | 7500 | 7500 | 30000 |
| Rent | 18000 | 18000 | 18000 | 18000 | 72000 |
| Furnishing and Equipment Purchase | 0 | 0 | 0 | 0 | 0 |
| Depreciation | 260.75 | 260.75 | 260.75 | 260.75 | 1043 |
| Utilities | 750 | 750 | 750 | 750 | 3000 |
| Shipping | 650 | 650 | 750 | 650 | 2700 |
| Marketing | 100 | 0 | 100 | 100 | 300 |
| TOTAL OPERATING EXPENSES | 27260.75 | 27160.75 | 27360.75 | 27260.75 | 109043 |
| | | | | | 0 |
| Net Income before taxes | 23439.25 | 23539.25 | 26508 | 23439.25 | 96925.75 |
| Provision for taxes on income | | | | | 0 |
| NET INCOME AFTER TAXES | 23439.25 | 23539.25 | 26508 | 23439.25 | 96925.75 |

Pro-forma Cash-Flow 1H 2012

| | Jan | Feb | Mar | Apr | May | June |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| CASH RECEIPTS | | | | | | |
| Income from Sales | | | | | | |
| Cash sales | 11250 | 13500 | 11250 | 11250 | 11250 | 13500 |
| Collections | 7500 | 9000 | 7500 | 7500 | 7500 | 9000 |
| Total Cash from Sales | 18750 | 22500 | 18750 | 18750 | 18750 | 22500 |
| CASH DISBURSEMENTS | | | | | | |
| Expenses | | | | | | |
| Cost of goods | 9375 | 11250 | 9375 | 9375 | 9375 | 11250 |
| Operating expenses | 28400 | 7550 | 7550 | 7350 | 7350 | 7350 |
| Loan payments | 1105.67 | 1105.67 | 1105.67 | 1105.67 | 1105.67 | 1105.67 |
| TOTAL CASH DISBURSEMENTS | 38880.67 | 19905.67 | 18030.67 | 17830.67 | 17830.67 | 19705.67 |
| Net Cash Flow | 20130.67 | 2594.33 | 719.33 | 919.33 | 919.33 | 2794.33 |
| Opening cash balance | 20,000 | -131 | 2,463.67 | 3,183.00 | 4,102.33 | 5,021.67 |
| Cash Receipts | 18750 | 22500 | 18750 | 18750 | 18750 | 22500 |
| Cash disbursements | 38880.67 | 19905.67 | 18030.67 | 17830.6667 | 17830.67 | 19705.67 |
| Ending Cash Balance | -131 | 2,463.67 | 3,183.00 | 4,102.33 | 5,021.67 | 7,816.00 |

Pro-forma Cash-Flow 2H 2012

| | July | Aug | Sep | Oct | Nov | Dec |
|---------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|
| CASH RECEIPTS | | | | | | |
| Income from Sales | | | | | | |
| Cash sales | 13500 | 13500 | 11250 | 11250 | 11250 | 13500 |
| Collections | 9000 | 9000 | 7500 | 7500 | 7500 | 9000 |
| Total Cash from Sales | 22500 | 22500 | 18750 | 18750 | 18750 | 22500 |
| CASH DISBURSEMENTS | | | | | | |
| Expenses | | | | | | |
| Cost of goods | 11250 | 11250 | 9375 | 9375 | 9375 | 11250 |
| Operating expenses | 7350 | 7350 | 7350 | 7350 | 7350 | 8393 |
| Loan payments | 1105.67 | 1105.67 | 1105.67 | 1105.67 | 1105.67 | 1105.67 |
| TOTAL CASH DISBURSEMENTS | 19705.67 | 19705.67 | 17830.67 | 17830.67 | 17830.67 | 20748.67 |
| Net Cash Flow | 2794.33 | 2794.33 | 919.33 | 919.33 | 919.33 | 1751.33 |
| Opening cash balance | 0.00 | 2,794.33 | 5,588.67 | 6,508.00 | 7,427.33 | 8,346.67 |
| Cash Receipts | 22500 | 22500 | 18750 | 18750 | 18750 | 22500 |
| Cash disbursements | 19705.67 | 19705.67 | 17830.67 | 17830.67 | 17830.67 | 20748.67 |
| Ending Cash Balance | 2,794.33 | 5,588.67 | 6,508.00 | 7,427.33 | 8,346.67 | 10,098.00 |

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EDUCATION:

The Pennsylvania State University
The Schreyer Honors College,
B.S., Finance,

University Park, PA
Graduation May 2011
Graduation May 2011

ACTIVITIES:

- Vice President of Chapter Development for a National Social Sorority
- Leader of Innovation and Quality Team for upper level Accounting
- Member, Schreyer Honors College Student Council
- Member, Communication Committee for Penn State IFC/Panhellenic Dance Marathon

EXPERIENCE:

Credit Risk Management Intern

May 2010 – August 2010

PNC Financial Services Group, Pittsburgh, PA

- Developed a comparative study of law firm loan structures.
- Helped create the Quarterly Credit Book of market data.
- Updated asset management files with current financial data.

Research Group Intern

January 2010 – April 2010

FBR Capital Markets International Ltd, London, England

- Examined quarterly reports from European financial institutions.
- Created informative spreadsheets of European countries' economic data.
- Researched European Union regulations and analyzed responses from banks.

Global Treasury Management Intern

May 2009 – August 2009

PNC Financial Services Group, Pittsburgh, PA

- Assisted in the treasury management pricing conversion during the National City integration.
- Created documentation for NAFTA Smart seminar series with the U.S. Commerce Department.
- Developed a competitive study for all global treasury management officers' reference.