DON'T GET BURNED ON POPCORN

A Doc Popcorn Feasibility Study

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Executive Summary

Project Proposal
Doc Popcorn is an emerging gourmet popcorn franchise offering all-natural popcorn in a variety of flavors. This report examines the feasibility of opening a Doc Popcorn franchise in Athens, Ohio. The initial proposed site for the shop, The Market on East State, was rejected. The final location option considered, a mobile PopCart™ to be operated at the intersection between Court Street and Union Street, also fails to demonstrate promise as a profitable investment. Although aimed at preventing poor financial choices, this report also includes recommendations to improve chances of success if pursuit of this venture is still desired.

Nature of Industry
In terms of external conditions, choosing Athens for opening a Doc Popcorn franchise would not be advisable. Firstly, there are numerous legal limitations for vendors due to Athens County policy. Also, on a national level, economic conditions are bleak, but improving. However, Athens is significantly worse off in comparison to the national level in terms of key economic indicators such as consumer spending and per capita disposable income. Athens age demographics also do not fit the main social demographic of typical popcorn eaters, and the Athens area does not conform to the typical standards of a Doc Popcorn location. However, it is possible to capitalize on recent trends in college student behavior: rising disposable income, increased impulse spending, and irregular eating habits.

Competitive Landscape
The snack industry consists of largely interchangeable and highly competitive items. From pre-packed substitute products to items offered by nearby restaurants and venders, students can easily find a snack to satisfy their demand. The emergence of a gourmet popcorn shop in Athens would cater to a niche segment of popcorn lovers willing to pay a premium price for a quality product. However, college students prefer inexpensive snack and food items offered in generous quantities. In comparison to a higher-priced gourmet item, consumers will opt for the more economical and filling option.

Financial Feasibility
From the information gathered through primary research, financial models were drafted to project annual revenues and costs, and a break-even analysis was also conducted. From this data it was concluded that opening a Doc Popcorn franchise in any location in Athens would not be financially feasible. From the prices and sales volumes deduced, the franchise would have to see unreasonable growth in order to sustain itself and make any sort of profit. In fact, from the numbers projected, opening this franchise would result in a continual annual deficit and net loss of $164,712 after ten years of operation.

Marketing Strategy
Because the 18-24 year old age demographic is the majority of the population in Athens County, Ohio University students will be pursued as the target market. The marketing strategy will utilize a focused differentiation approach. It will be vital to emphasize the unique and superior attributes of the Doc Popcorn product in order to entice students. Another key element of the marketing tactic is to draw attention to the fact that Doc Popcorn will be the only gourmet popcorn provider on Ohio University's campus. To circulate information about the product and appeal to the average college student, a flyer, a Facebook ad, an article in the Post, and various sales promotions will be used.

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Introduction

Doc Popcorn is an emerging gourmet popcorn franchise offering all-natural popcorn in a variety of flavors [See Appendix A for full company and product overview]. This report examines the feasibility of opening a Doc Popcorn franchise in Athens, Ohio. The initial proposed site for the Doc Popcorn PopShop™ was inside The Market on East State, located at 1002 East State Street, Athens, OH (East State Street Development, 2009). Based on industry analysis, competitive comparisons, demand forecasting, reasonable financial assumptions, and extensive research, it is recommended that this investment opportunity be rejected. Pursuing the franchise possibility further, the option of operating a PopKiosk™ from the same location was subsequently investigated and rejected as well [See Appendix B for rejection explanations, Appendix C for PopShop™ financials, Appendix D for PopKiosk™ financials, and Appendix E for mall survey results].

The final location option considered in this study is a mobile PopCart™ to be operated on Ohio University's campus from a metered parking spot on the south side of the intersection between Court Street and Union Street in Athens, OH. Despite being the most feasible selection, this site fails to demonstrate promise as a profitable investment. As a result of excessive product alternatives, lack of foot traffic, and shortage of product demand from students, the franchise proves to be an unwise investment decision. Although aimed at preventing poor financial choices, this report also includes recommendations to improve chances of success if pursuit of this venture is still desired.

Nature Of Industry

When determining the conditions under which a business operates within an industry, it is beneficial to analyze the political, economic, and social trends that could potentially affect the success of the firm. The snack industry, as a whole, is a mature industry with medium volatility, medium capital intensity, medium regulation, and low barriers to entry. Competition within the industry is high, driven by demand of households. Price-based competition is common among retailers. Firms in this industry face both internal competition from other snack retailers in a geographical area, and external competition from fast food and full-service restaurants ("Ibisworld us coffee," 2011). The following information enumerates the potential industry factors that would affect a Doc Popcorn franchise as a part of the snack industry on a local and national level.

Political

The political dynamics related to the franchise investment in the mobile Doc Popcorn unit include strict rules and regulations set in place by Athens County. Equipment and vending cart dimensions must be approved by the code enforcement office. The cart must be no larger than 14 feet long including the trailer hitch, 8 feet wide, and 10 feet high from the ground (Chapter 11.04.02, 2010). Presumably, Doc Popcorn will provide a vending cart that complies with these regulations. Also, the Athens County Health Department has established guidelines regarding employee hygiene, equipment sanitation, water access, food safety controls, and waste disposal ("Chapter 3717-1 ohio," 2010). In terms of vending licenses, Athens County provides both A and B licenses to the public for mobile vending. The licenses contain similar policies; however, they vary in small but distinct ways:

License A requires a $1000 fee including a 3% increase in garbage, recycling, and EPA fees per year. For this particular license, you are only allowed to conduct business from 7:30 a.m. to 3:30 a.m. and are restricted to the north side of East Union Street between Court Street and the first alley on the north side of East Union Street. There are only four license A positions available, and all spots are taken. License B differs from license A in that there is only a $75 fee per year, but payment of the parking meters where the cart is parked is mandatory. With this license, venders are only allowed to operate from 7:30 a.m. to 6:00 p.m. and are confined to the south side of East Union Street in the first five parking spaces.

A maximum of 10 B licenses are offered to venders that meet all the qualifications, and there are currently openings available (Chapter 11.04.02, 2010).

For both license A and license B, renewals are allowed for within three months of expiration; however, vending will need to occur at least 20 business days within the year in order to maintain the license. If the license does expire, the original application process will need to be repeated (Chapter 11.04.02, 2010).

Economic

On a national level, popcorn shops, as a part of the broader industry of snack shops in the US, have seen a decline in revenue since 2009 attributable to a sluggish economy. Consumers with less disposable income are less likely to spend on luxuries such as gourmet snacks, and recessionary periods are particularly tough for the industry. However, revenue is expected to rebound in the near future at a projected rate of 4% annual growth, though different estimates exist for the smaller popcorn industry ("Ibisworld us coffee," 2011) [See Appendix F for recent and projected industry financial data]. Some economic indicators that are important to this industry in particular are:

- **Consumer Spending-** Consumer spending is a measure of how much households are spending during a certain economic period. This driver is especially important to this industry because consumer spending is directly correlated with non-essential durable goods such as snack foods ("Ibisworld us coffee," 2011). According to the most recently published Federal Reserve Beige Book, this metric has been increasing throughout the US economy and will continue to increase in 2012 ("The beige book," 2012).
- **Consumer Sentiment Index-** The consumer sentiment index is a survey of American consumers that attempts to assess consumer attitudes of the current business environment and personal spending. According to the Thomas Reuters/ University of Michigan Survey, consumer confidence has been increasing for four consecutive months and a 9% month over month increase was seen in December, showing hopeful optimism for 2012. This is a positive sign for the future of the industry (Thomson Reuters University of Michigan, 2011).
- **Healthy Eating Index-** The healthy eating index measures the healthiness of the diet of the average consumer. Although the index metric of healthiness is decreasing, consumers are increasing their awareness about issues related to healthy snacking. This could potentially be a positive for the popcorn industry, as popcorn is often categorized as a health conscious snack ("Ibisworld us coffee," 2011).
- **Per Capita Disposable Income-** Per capita disposable income is also an important metric to consider when analyzing the snack food industry. Household disposable income is affected by general macroeconomic conditions, such as unemployment rates as well as the prices of consumer goods like gasoline or food. Lower cost of living and favorable macroeconomic conditions both contribute to the amount of disposable income consumers have to spend on things such as snacks ("Ibisworld us coffee," 2011).

The income range with the largest portion of popcorn consumers in the U.S. (29.1%) is from $75,000-$149,999 (MRI Plus, 2010). In Athens, the average family income is $63,830 and the average non-family income is $26,720, both much lower than the national average. Of the Athens population, families and non-families with incomes between $75,000 and $149,000 make up only 25.33% and 4.63%, respectively (SimplyMap, 2010). Also, about 32.8% of the Athens population has an income that is below the poverty level (American FactFinder, 2010). To possibly explain the low income levels in the Athens area, only 10.9% of people over the age of 25 living in Athens County have earned their Bachelor’s Degree, and unemployment has been increasing since 2005 and is currently around 9% ("Ohio county profiles," 2010).

Since the unit will potentially operate in a college town, it is vital to consider college student trends. The "poor college student" stereotype has been diminishing recently. About 57% of college students today are employed and in their mid-twenties (Martindale, 2011). This gives many students more discretionary income; 19% of most college students' money is discretionary (Martindale, 2011). Specifically for Ohio University, primary research reveals that a large amount of students are still dependent upon their parents for financial stability [See Appendix G for focus group responses]. This allows students to spend money they earn on amenities, while their parents pay for tuition and fees.

Social

People ages 35-54 make up the largest age group in the U.S. of those who consume popcorn which is 43% of that population (MRI Plus). However, in Athens County, Ohio, people ages 35-54 only make up 21.5% of the population. The largest age group in the Athens area is ages 18-24, comprising about 31% of the population. The Athens population rose by only 1.37% from 2000-1010. From 2010-2015, population growth is projected to decrease by .39% (SimplyMap).

Specific to the market of college students, as noted prior, college student discretionary income is increasing. Most of this money goes toward food and beverages (Martindale, 2011). Collectively in the U.S., college students spend over $11 billion dollars on snacks because of coffee shops and eating out (Martindale, 2011). Primary research supported this finding. Students in Athens typically spend their money on books, food, and entertainment. When asked about purchasing preferences for food, students prefer to select low cost items that satisfy hunger for a long period of time. In terms of entertainment selections at Ohio University, students mainly selected activities that take place at night, making this the prime hours of foot traffic on campus [See Appendix G for focus group responses].

As for daily activities, college students today typically spend about one hour per day eating. They typically spend about 8.4 hours per day sleeping. A combined 7.1 hours is spent on educational and leisure activities (Rampell, 2010). College students generally develop irregular eating habits once they get to school. This is also evident on Ohio University's campus. Many students claim they grab frequent snacks instead of large meals because of their fast-paced lifestyle [See Appendix G for focus group responses].

On a national level, it is extremely common for college students to gain a significant amount of weight upon arrival at the university. Snacking generally means purchasing foods high in carbohydrates, protein, and fat (Rodriguez). Lack of sleep, major lifestyle changes, and stress from classes also add to weight gain (Scott, 2010). Fortunately, this knowledge motivates many students at Ohio University to choose healthy options in college. Students here are aware of the trend and became more health conscious when entering college. To further justify this point, during a primary research study, seven out of the ten participants actually lost weight when coming to Ohio University [See Appendix G for focus group responses].

However, it is important to note that college students are typically easy to visually stimulate and are impulsive in their purchases. In a study done by Jiyeon (2003), it is stated that, "…there is a pivotal relationship between college students' impulse buying behaviors and two type of visual merchandising practices: in- store form/mannequin display and promotional signage."

Competition

Competition is an important consideration for potential business ventures. Analyzing popcorn products, pre-packaged substitutes, and site-associated substitutes indicates the franchise's chance of success.

Popcorn Products

At Ohio University and the surrounding Athens area, there are a number of potential competitors in several forms. Grocery retailers and market locations on campus offer popcorn and other popcorn snacks that would pose a potential threat to a gourmet popcorn shop [See Appendix H for detailed comparison]. Products in this industry that these grocers offer include microwaveable popcorn, Crunch 'N Munch, and Cracker Jacks, among others. In general, customer loyalty between these product offerings is relatively low. Other competitors include local movie theaters and Cub Scout Pack 53. Due to the low market share, seasonal nature, and lack of student access to the previous two items, their effect on gourmet popcorn sales would be negligible.

Out of the product offering of competitors, highly and almost directly related to Doc Popcorn, microwave popcorn threatens the franchise because of its popularity in Athens. Using values obtained from Wal-Mart's sales database, microwaveable popcorn is the market leader in the popcorn and popcorn snack industry in Athens with nearly a 99% market share. The main benefit this product provides to customers is low cost snacking, at about $0.05 per cup (Wal-Mart).

Another factor to consider is the availability and convenience of microwave popcorn. It is available to all community members and students through numerous vendors including: Wal-Mart, CVS, Seaman's, Ohio University market, and other grocers. This creates a deterrent for new product competition because students can obtain microwave popcorn from multiple locations in Athens and store it in their dorm rooms or apartments for up to two years after purchasing the product (Weise, 2007). Presumably, this time frame surpasses other products in the popcorn snack market.

Nutritional value is the final characteristic of this particular product that is significant to opening a possible Doc Popcorn location. Although relatively low in calories and fat, 35 and 2.2g per cup, respectively, microwaveable popcorn is loaded with chemicals. The Food and Drug Association indicated that when heated, the coating found in microwaveable popcorn bags is a substance that has been linked to cancer. It also contains diacetyl, a chemical that has been known to cause lung disorders in popcorn factory workers (Hall, 2010). Also found in this product are artificial flavors and colors ("Popweaver nutrition facts," 2010). Despite the health concerns, microwaveable popcorn has established itself as a leader in the Athens market and as a threat to a potential retail popcorn business.

Pre-Packaged Substitutes

In the Athens area there are many products that can easily be substituted in place of popcorn [See Appendix I for detailed substitute comparison]. These snack and food options can be purchased at numerous grocery locations and campus markets as well. There is a very low switching cost between the alternatives, making it difficult to establish a strong and consistent customer base in the area of snack foods. Prevalent substitutes to the Doc Popcorn product include savory items such as pretzels, potato chips, and Chex Mix, as well as sweet delights like M&M's and honey roasted peanuts.

Like most consumer goods, cost plays a considerable role in the snack industry as a whole. For the substitutes selected, the prices range from around $2.50 to $4.00 for an entire package. Breaking this down to a per-serving amount, that's only $0.15-$0.25 (Wal-Mart). Although difficult to compete with that price, nutritional information on these snack substitutes indicates a low risk of threat. In a serving size of merely 30 pieces of M&Ms, there are 103 calories and 4.4g of fat. This trend is demonstrated throughout multiple substitutes (Calorie Count). Any health conscious consumer would opt for a more wholesome option.

Site-Associated Substitutes

If a location was established in the highly competitive market of Court Street, the business would have to compete with more value-oriented, filling, and ultimately more efficient food choices.
A survey of the student population determined the three most popular Court Street eating destinations: Chipotle, Wendy's, and Bagel Street Deli [See Appendix J for survey results]. All three are potential threats, offering a larger variety of filling snack choices and meal options at a broad range of prices [See Appendix K for detailed product offering of all companies]. This model allows them to cater to customers of all income levels, and capture a large market of both gourmet and efficient "snackers" alike. These food destinations are all within relative proximity to one another, with the location on the south and continuing north with Wendy's then Chipotle and finally Bagel Street Deli. This ultimately impedes a sustainable competitive advantage based on location because they too reside on Court Street and aim to capitalize on the predominantly student population.

Wendy's is a restaurant that is known for its low priced selections, such as its "value meal items," and they provide a wide variety of these and other items to satisfy customers' taste and price range. In general, its value items provide little health benefit, although they do offer salads and baked potatoes. In terms of price, they are relatively inexpensive (Wendy's).

Bagel Street Deli is also a favorite among hungry students and also provides substantial value and taste at prices that range from three to six dollars for a typical meal. Its menu items are satisfying and have a relatively low amount of calories (Calorie Count). The variety of its constantly evolving menu caters to diverse taste preferences and provides solutions for all meals of the day (Bagel Street Deli). This allows Bagel Street to continue to expand its market capacity through product development. They are able to maintain repeat customers, while simultaneously drawing in new students.

Chipotle offers a wide range of Mexican food items ranging from a burrito to a salad. Its prices are higher than a typical fast-food location, but are still relatively low when considering the amount of food each customer receives. It is also important to note the extremely high calorie count in a traditional burrito. Chipotle is also able to take advantage of emerging trends in the marketplace such as low impact agriculture and free range farming and sustainable practices across the board (Chipotle).

Company Position

The goal of the franchise is to capitalize upon trends in the external environment on campus, appeal to the student population, and to strategize to outperform the local competition [See Appendix L for detailed S.W.O.T. analysis and Appendix M for Porter's Five Forces diagram]. High-margin operations are made possible due to focused product offering and low input costs of the popcorn. This focused product offering will also allow the company to establish a higher quality product than the competition. Since many of the competitive and substitute products offered in the area are less expensive, Doc Popcorn will be required to prove superior quality by offering a differentiated product. Currently, no other gourmet popcorn retailers are located in Athens, allowing Doc Popcorn to reach an untouched niche market for those demanding gourmet snacks.

One major component of the company's position is the nutritional value of its product. Even though Doc Popcorn is not the healthiest or lowest-calorie snacking option available, it does show a slight nutritional advantage when compared to popular available products previously mentioned in the report (Calorie Count). It is made with all-natural ingredients and with no chemical or color additives (Doc Popcorn). This health advantage is relevant, considering 65.09% of students at Ohio University take nutrition into consideration when looking for a snack [See Appendix J for survey results]. Since students are trying to make healthier snacking choices, Doc Popcorn has a slight competitive advantage over less health conscious options like the previously mentioned M&M's and Chipotle burrito.

The location of the PopCart™ is also favorable. The outdoor arena allows for prime access to potential impulse shoppers, allowing Doc Popcorn to benefit from the current trend in college student spending. By seeing, and more importantly, smelling the product being freshly popped, the company provides a means to directly draw in the consumer. Other locations on Court Street do not have this storefront advantage. Students on campus are looking for a quick snack option to suit their hurried lifestyle and unconventional eating habits [See Appendix G for focus group responses]. The PopCart™ will be the first food supplier seen by many underclassmen north-bound on Court Street. Plus, with a rising discretionary income and a high likelihood of purchasing food, as mentioned previously, students will hopefully venture to test out the new snack. The distinct, all-natural flavors combined with the company's commitment to high-quality snacking have the potential to ensure a lasting partnership between campus residents and the product.

Challenges

Although some opportunities for success exist for the Doc Popcorn franchise, numerous stumbling blocks halt any prospects of profitability.

Price

Low customer loyalty and low switching costs, combined with the large number of available food products on campus increase the buying power of the customer. This makes price a significant factor that consumers would take into consideration. Priced at the franchise standard, Doc Popcorn's popcorn reaches to $1.75 per indicated serving (Doc Popcorn). That is more than a dollar extra per serving compared to its pre-packaged substitutes and over $0.50 per cup more than microwaveable popcorn [See Appendix I for detailed substitute comparison] (Wal-Mart). In terms of Court Street competitors, a large order or fries is less costly and several bars offer popcorn at no additional charge [See Appendix G for focus group responses] (Wendy's). Because students can easily and conveniently purchase a sufficient product at a low price, a higher-priced snack quickly loses its appeal. Presumably, due to substandard economic conditions in the Athens area, community members will likely elect lower cost alternatives as well. Also, when considering current Doc Popcorn locations, Athens has a noticeably lower median income, revealing an imminent drawback [See Appendix N for Doc Popcorn location data].

Ohio University campus markets are another source of price competition mainly because students do not have to spend real cash to obtain their snacks. The perceived benefit of these markets is that students can use meal swipes to purchase snacks, instead of paying with cash or credit card. Bobcat Cash is also accepted (Ohio University, 2010). At the end of the week when their meals reset, many students prefer to buy snacks with their extra swipes instead of spending money on food from retailers. The transaction is seemingly free of cost to them [See Appendix G for focus group responses]. There is a market on each green, and they are readily available seven days a week. Therefore, because of the threat of lower cost substitutes that provide a similar benefit to Doc Popcorn, this franchise will struggle to make a return on the initial investment.

Product Weaknesses

Since a cost leadership marketing strategy is not sensible for Doc Popcorn, it needs to establish its competitive advantage based on differentiation. Unfortunately, although it currently provides a product that is not available in Athens, it is not sustainable. All-natural popcorn can be replicated at a relatively low cost and with a low skill level requirement. This increases competitiveness and the threat of new entrants into the industry.

Although arguably less costly than other food choices on Court Street, Doc Popcorn's product fails to satisfy a fundamental demand of college students. They want food that keeps them full, and they do not perceive popcorn as that type of snack [See Appendix G for focus group responses]. Although Court Street competitors do offer food options that are not filling, such as a side salad from Wendy's, they offer a wide variety of products that do appease customers' hunger. Variety is also something that the company's product selection lacks. Partly due to the franchises control over product offerings, Doc Popcorn only offers popcorn and no other snacking options. If consumers do not desire popcorn, they are of no value to the company. If the niche market were too small to fulfill the financial needs of the company, significant monetary loss would result.

Traffic Flow

The idea of any franchise chain is to have a dependable and consistent flow of customers. In the Athens area, however, this is not a guarantee. First of all, Athens' population is relatively small, particularly in comparison to the existing Doc Popcorn franchise cities' populations [See Appendix N for Doc Popcorn location data] (U.S. Census Bureau). Furthermore, the already small population decreases further as students return home when school is not in session. On average, students visit home once every month, and nearly 70% of students plan to reside away from campus during summer months [See Appendix G for focus group responses]. In order to hedge potential losses, the PopCart™ would close mid-May and re-open mid-August.

Another hindrance of the company's ability to take advantage of the foot traffic that exists on Court Street arises from the vending license regulations. As noted, there are only four available spots for an A vending license, and there is currently a waitlist of four members. The turnover rate for the licenses is not favorable. In 18 years, only two new licenses have been granted (T. Gerren, personal communication, January 13, 2012). Thus, a B vending license will be the only realistic option for the company. With this license, the company will be rivaling with other "buggies" for vending spots, but the main burden this places on the company is the restriction on operating hours. This license restricts operating hours, forcing the store to be open noon until 6:00pm, Monday through Saturday (Chapter 11.04.02, 2010). Considering that the social culture of the campus exhibits higher foot traffic at night, this is a major drawback that will substantially reduce the customer base [See Appendix G for focus group responses]. Other locations on Court Street are allowed to be open much later. For example, Wendy's operates longer hours than the PopCart™ would be permitted, and it is open until 4am (Wendy's).

Overall, the prospective business does not conform to the typical and successful business model of Doc Popcorn franchise locations (SimplyMap, 2010) (U.S. Census Bureau). The lack of foot traffic, lack of sustainable competitive advantage, threat of rivalry and substitutes, and lack of demand for gourmet popcorn, formulate a strong argument that the company would not be successful. The conceivable limitations outweigh any feasible advantages.

Financial Feasibility

The franchise location for the PopCart™ operating from the intersection of Court Street and Union Street requires an initial investment of $123,407. Besides the initial investment amount, fixed costs for each subsequent year total $44,332. Based on educated assumptions about the forecast of demand for gourmet popcorn in the Athens area, the expected customers this location could service in a given month is 1,800 at the price of $2.50 per bag [See Appendix O for sales and price explanation]. Potentially, the customer will receive quarters back in change, making it logical to charge $.25 for each mix-in. This also will help encourage the extra purchase. The drink price of $1.50 was selected based on variable cost and primary research [See Appendix G for focus group responses and Appendix P for explanation of financial values].

Operating under these conditions, the first year would culminate in a loss of $87,639. If sales growth stays stagnant the franchise would lose $8,564 each additional year of operation. After 10 years of operation, the deficit would be $164,712, and would continue to increase as a result of a continual annual loss.

To break even in the first year 83,839 units would have to be sold, bringing total sales to $164,185. For the succeeding years, break-even sales are $58,981, which requires that 30,118 units be sold. These are not realistic values considering the low demand for the product and the refusal of customers to pay more for the popcorn [See Appendix Q for detailed financials].

Marketing Plan

Even though the operation of the franchise is not recommended, the following information includes the best approach to reach potential customers. Included in the marketing plan are details on the target market, marketing strategy, and marketing mix.

Target Market

In reference to potential buyers of Doc Popcorn gourmet popcorn, the Athens market can be segmented into two main groups: community members and college students. Since the initial location suggested for the franchise (The Market on East State) was rejected, it is no longer necessary to appeal to the community as a whole. Focusing on the most favorable location of Court Street, it is evident that the company will be marketing toward Ohio University students, ages 18-24, who are a majority of the population of Athens County. In terms of proximity, students are extremely near the proposed venue, and they also make up the largest age demographic in Athens County with 31% (SimplyMap, 2010). However, the possible customer base is still comparatively small; thus, classifying the target market further is not needed and could be detrimental.

Marketing Strategy

Because of the nature of the product, a cost leadership strategy could degrade the image of Doc Popcorn. The paradox of an extremely low-priced product marketed as gourmet would confuse potential buyers. Hence, the most rational approach to market the popcorn is through focused differentiation. Doc Popcorn will be the only vendor specific to popcorn, in Athens, Ohio. Therefore, Doc Popcorn's competitive advantage will be geared towards its narrow and superior product selection. Advertising will stress that it is the only popcorn snack shop on OU's campus and that it is an all-natural product. It will be the responsibility of the marketing team to convey the uniqueness and high-quality of the product. With any luck, this will result in high profits and reduce the threat of outside competition. By marketing exclusively toward college students, brand loyalty will hopefully be achieved. This will reduce the need to be a low-cost producer and reduce price elasticity (Carpenter, Bauer & Erdogan, 2009). To catch the eye of the focused market of college students, the phrase "Pop, Lock, and DOC It" will be used, derived from the popular hip hop song released in 2006, "Pop, Lock, and Drop It" ("Pop, lock, and,").

Marketing Mix

The principal product of Doc Popcorn is its fresh and all natural popcorn, which will be the only product advertised. While specific flavors of the popcorn will only be mentioned in the flyer, the ad in the Post and Facebook will indicate all the various flavors. Although mix-ins and natural drinks are also sold, they are not the focus of the franchise and will not be featured on the advertisements. More of an impulse purchase, these items simply add enjoyment to the popcorn experience. Candy and beverages are also common consumptions and fail to further differentiate the company.

The PopCart will be located on the corner of Union St. and S. Court St. in front of the College Book Store. The address of the location will be mentioned in the flyers, the Facebook ad, and the article being placed in the Post. The article in the Post will show a picture of the PopCart placed in the location instead of the Doc Popcorn logo.

The marketing strategy focuses on the fact that it is the only popcorn vendor in Athens, not that it offers popcorn at low prices. Therefore, prices will not be mentioned in advertising to avoid any deterrence of customers. Instead, promotional activities will focus on the following:

E-Marketing. Attributable to the decreasing costs of data communication and storage (Kroenke, 2010) it is recommended to pursue the use of Internet advertising. Not only is advertising on the Internet essentially free (Kroenke, 2010), the Web is a part of college student's everyday lives. Because the defined target market habitually uses this means of communication, the franchise can optimize the chances of the ad being viewed. Specifically, the social network Facebook consumes most college students' lives, thus the company will be advertised on the site. Facebook permits the creation of custom advertisements [See Appendix R for image]. People that see the ad can also click on a link that will take them to the OU Doc Popcorn Facebook page. Because Facebook allows the ad to be narrowed down to who views the ad, the only people who will see it will be 18-24 year olds in Athens, Ohio. Instead of paying per click (CPC) on the advertisement, it will be paid for each 1,000 views (CPM) of the ad. It will appear in the margins of the Facebook pages that the target market is viewing at the time. Because the tag line on the advertisement includes all the information needed to know about the PopCart™, paying more money for each click on the ad would be unnecessary. This advertisement will be run indefinitely.

Advertisements. On the traditional side of advertising, flyers will be given out to students and posted in dormitories, class buildings, and various places on Court St. prior to the opening of the cart [See Appendix S for image]. A day before the popcorn stand opens a 3.5"x3" ad will be posted in the Athens Post with the same components of the Facebook ad along with an announcement of the grand opening for the next day. However, instead of a picture of the Doc Popcorn logo, a picture of the PopCart will be in the newspaper article. A banner will also hang over the front of the PopCart [See Appendix T for image].

Sales Promotions. To encourage curiosity, the first 100 people to get to the PopCart will each get one free bag of popcorn of their choice. Mix-ins will be at regular prices. Before the grande opening, 500 free samples (half cup) of various flavors will be handed out to raise awareness of the upcoming event. Small cards with a picture of the Facebook ad will be stapled to the samples. If financially feasible, other sales promotions could be implemented in the future if sales turn out to be low: coupons for a free drink with the purchase of popcorn, 25% off coupons, additional flyers, etc. Another potential tactic would be to appeal to the target market of students by offering 10% discount to those who show a DARS report that proves that they have at least a 3.3 GPA.
[See Appendix U for detailed marketing budget]

Investment Recommendation

If the investment were to be plausible, a few conditions would have to be altered. In doing the financial analysis for the study, a 0% sales increase was assumed. If, through strategic marketing tactics or external environmental fluctuations, sales were to increase, it is possible to make a profit from this investment. Holding the selling price at $2.50, it would be necessary for sales to increase at a continual rate of 86% to produce earnings after five years of operation. But even with this growth, profit would be virtually insignificant. At the current selling price, sales would nearly have to double for five years to obtain a significant profit.

Relying exclusively upon sales growth to increase chances of profit does not appear to be realistic. Another option would be to raise the price gradually during the first few months of operation, and hold it at the higher cost for the remaining years. Unfortunately, even by increasing the price to $3.50 for five years would end in a financial loss. The best way to attain profit would be to implement both an increase in sales and a higher price. Ideally by raising the price to $3.50, and hoping for a 25% sales increase, the company will be able to generate revenue [See Appendix V for growth potential data]. Logically, this cannot be achieved considering the current lack of demand and economic promise in Athens. Even with a highly effective marketing campaign, while not impossible, it is improbable to expect sizeable growth and a willingness to purchase the product at a dollar higher than originally assessed. As initial excitement and curiosity subside, it is more likely that sales will decrease. Without the ability to control and accurately foresee growth opportunities for this franchise, it is suggested the investment be declined.

Conclusion

After researching the popcorn industry, demographic information, and the potential opportunities and threats associated with franchising the relatively new Doc Popcorn gourmet popcorn retailer in Athens, Ohio, it has been determined that opening the shop would not offer enough return to offset the risk associated with the investment. The major factors taken into consideration, in regards to the report's recommendation, included the local and national economic conditions, the current and future projected snacking demands of the Athens population, the lack of foot traffic, as well as the pricing power of the buyer within the snack and food industry. The inability to achieve a sustainable competitive advantage within the local industry would inhibit complete differentiation of the product from other options available. These reasons, coupled with the low cost of entry into the snacking market, led to finding both potential locations not profitable, and thus the proposal is rejected.

Appendices

Appendix A: Doc Popcorn Company and Product Overview

Since its founding in 2003, Doc Popcorn has succeeded in offering an appetizing and wholesome snack to numerous consumers throughout the country. The company emerged from the NYC apartment kitchen of Rob and Renee Israel where the couple mixed and popped their own naturally flavored popcorn. Since then, Doc Popcorn has expanded to 45 different locations and is continuing to grow rapidly. At least 40 new locations are expected to begin business within six months, including one in Columbus, OH (J. Creech, personal communication, January 7, 2012). Doc Popcorn is headquartered in Boulder, Colorado and can be found in shopping malls, stadiums, airports, and Whole Food locations across 25 states (DocPopcorn).

Doc Popcorn offers several diverse business options, which include both permanent and mobile models. The designs for a fixed location include a PopShop™ (in-line store) and a PopKiosk™ (a kiosk). The portable models consist of a PopCart™, a PopTruck™, and PopTrailer™. The portable models are specifically designed for selling in stadiums, convention centers, fairs, markets, and other event venues. All models are intended for use in high traffic areas (DocPopcorn).

The product Doc Popcorn delivers to its customers exceeds traditional popcorn varieties. It offers nine fresh-popped all-natural flavors: sweet butter, klassic kettle, cheesy cheddar, better butter, triple white cheddar, better butter, salt-n-pepper, caramel kettle, hoppin' jalapeño, and sinfully cinnamon. To further diversify its product, Doc Popcorn encourages customizing the popcorn through access to "mix-in" dispensers containing nuts and candies. The innovative snack is low in fat and is free of trans-fat and cholesterol. Also, the whole-grain non-GMO kernels and natural ingredients allow Doc Popcorn's product to be gluten, wheat, and tree-nut free (DocPopcorn). Each six cup bag typically sells for $3.50. Also offered from the company are tins and six-packs (packages of six bags), which range in price from $10-$50. Other non-popcorn products include all natural drinks and Doc Popcorn apparel (J. Creech, personal communication, January 7, 2012).

Appendix B: Explanation of PopShop™ and PopKiosk™ Rejection

Through a financial analysis of breakeven requirements based on projected market demand for gourmet popcorn, this site is deemed a “no-go.”

There are 63,000 people in Athens County (U.S. Census Bureau). From the survey [See Appendix E for survey results], 57% eat popcorn in an average month and 55% attend the mall at least once a month. That is approximately 19,750 individuals who can buy popcorn in any given month. Out of that 19,750, 21% (4,148) said they would be likely or very likely to purchase popcorn. In terms of pricing, nearly 68% of participants would be willing to pay at least $3.00 for the popcorn bag. Unfortunately with high start-up costs at this location, the determined price is set at $3.50. This is a balance to appease customers and the company’s bottom line. Drawing the conclusion that about half of the 4,148 are priced out of the market because they are not willing to pay the charge of $3.50, leaving approximately 2,000 customers per month who are willing to purchase popcorn from a retailer located at the Market on East State.

The franchise location for the PopShop™ requires an initial investment of $301,364. Besides the initial investment amount, fixed cost for the subsequent years total $121,664. After five years the deficit would be staggering $410,268 loss. To further emphasize the lack of promise, in order to break even in the first year, sales would have to reach $376,954, which is 143,601 units. For following years the break-even sales would need to be $152,180, which is 57,973 units sold [See Appendix C for detailed financials].

Another venue option would be to set up a PopKiosk™ inside the Market on East State. While this is more practical because of a lower initial investment requirement of $279,464 and a continual fixed cost of $112,264, financials show that it is still not feasible while selling at the necessary price per unit of $3.50. After five years the deficit would be a staggering $350,768 loss. To further emphasize the lack of promise, in order to break even in the first year, sales would have to reach $349,560, which is 133,166 units. For following years the break-even sales would need to be $140,422, which is 53,494 units sold [See Appendix D for detailed financials].

Appendix C: PopShop™ Financials

	POPCORN	MIX-INS	DRINKS	TOTAL
Assumptions				
Units Year 1	24,000	6,000	6,000	36,000
Price per Unit	$3.50	$0.25	$1.50	
Sales	$84,000	$1,500	$9,000	$94,500
Royalty	6%	6%	6%	
Variable Cost per Unit	$0.35	$0.10	$0.71	
Contribution Margin per Unit	$2.94	$0.14	$0.70	
Contribution Margin	$70,560	$818	$4,172	$75,550
Sales Mix	66.67%	16.67%	16.67%	
Weighted Average Contribution Margin per Unit	$1.96	$0.02	$0.12	**$2.10**
Yearly Increase				0%

Fixed Costs				
Initial Franchise Fee	$27,500	year 1 only		
Shop Creation Fee	$15,000	year 1 only		
Equipment/Décor	$27,500	year 1 only		
POS System, Credit Card Processing, Computer Equipment	$6,000	year 1 only		
Signage	$7,750	year 1 only		
Store Camera	$2,000	year 1 only		
Construction	$70,000	year 1 only		
Architect's Fees	$9,000	year 1 only		
Opening Inventory	$7,000	year 1 only		
Opening Marketing Campaign Charges	$200	year 1 only		
Opening Costs	$7,750	year 1 only		
Conventions and Conferences	$1,000	/year		
Intranet Management Fee	$29.95	monthly	$360	/year
POS System Fee	$113	monthly	$1,350	/year
Store Camera Fee	$35	monthly	$420	/year
Travel and Living Expenses for Training and Conventions	$190	monthly	$2,275	/year
Real Estate Lease	$1,283	monthly	$15,400	/year
Additional Funds	$7,500	monthly	$90,000	/year
Liability Insurance	$33.33	monthly	$400	/year
Labor	$622	monthly	$7,459	/year

Advertising Fee	$50	Monthly	$600	/year
Utilities	$200	monthly	$2,400	/year
Total Annual Fixed Costs YR 1			$301,364	
Total Annual Fixed Costs Subsequent Yrs.			$121,664	

[See Appendix P for financial value explanations]

Year	Units	Contribution Margin	Fixed Costs	Profit
1	36,000	$75,550	$301,364	($225,814)
2	36,000	$75,550	$121,664	($46,114)
3	36,000	$75,550	$121,664	($46,114)
4	36,000	$75,550	$121,664	($46,114)
5	36,000	$75,550	$121,664	($46,114)
			Profit/(Loss)	**($410,268)**

Break-Even Analysis

	YR 1	YR 2+
Total Fixed Cost	$301,364	$121,664
Wt. Ave. CM	$2.10	$2.10
Break Even Units	**143,601**	**57,973**
Weighted AV. CMPu Ratio	0.80	0.80
Break Even Sales	**$376,954**	**$152,180**

Source**:** financial values obtained from the Franchise Disclosure Document and Agreement pg. 5-11 (Doc Popcorn)

Appendix D: PopKiosk™ Financials

	POPCORN	MIX-INS	DRINKS	TOTAL
Assumptions				
Units Year 1	24,000	6,000	6,000	36,000
Price Per Unit	$3.50	$0.25	$1.50	
Sales	$84,000	$1,500	$9,000	$94,500
Royalty	6%	6%	6%	
Variable Cost per Unit	$0.35	$0.10	$0.71	
Contribution Margin per Unit	$2.94	$0.14	$0.70	
Contribution Margin	$70,560	$818	$4,172	$75,550
Sales Mix	66.67%	16.67%	16.67%	
Weighted Average Contribution Margin per Unit	$1.96	$0.02	$0.12	**$2.10**
Yearly Increase				0%

Fixed Costs				
Initial Franchise Fee	$27,500	year 1 only		
Shop Creation Fee	$10,000	year 1 only		
Kiosk Expense	$52,500	year 1 only		
Equipment/Décor	$27,500	year 1 only		
POS System, Credit Card Processing, Computer Equipment	$6,000	year 1 only		
Signage	$7,750	year 1 only		
Store Camera	$2,000	year 1 only		
Construction	$10,000	year 1 only		
Architect's Fees	$9,000	year 1 only		
Opening Inventory	$7,000	year 1 only		
Opening Costs	$7,750	year 1 only		
Opening Marketing Campaign Charges	$200	year 1 only		
Conventions and Conferences	$1,000	/year		
Intranet Management Fee	$29.95	monthly	$360	/year
POS System Fee	$113	monthly	$1,350	/year
Store Camera Fee	$35	monthly	$420	/year
Travel and Living Expenses for Training and Conventions	$190	monthly	$2,275	/year
Real Estate Lease	$500	monthly	$6,000	/year
Additional Funds	$7,500	monthly	$90,000	/year
Liability Insurance	$33.33	monthly	$400	/year
Labor	$622	monthly	$7,459	/year

Advertising Fee	$50	monthly	$600	/year
Utilities	$200	monthly	$2,400	/year
Total Annual Fixed Costs YR 1			$279,464	
Total Annual Fixed Costs Subsequent Yrs.			$112,264	

[See Appendix P for financial value explanations]

Year	Units	Contribution Margin	Fixed Costs	Profit
1	36,000	$75,550	$279,464	($203,914)
2	36,000	$75,550	$112,264	($36,714)
3	36,000	$75,550	$112,264	($36,714)
4	36,000	$75,550	$112,264	($36,714)
5	36,000	$75,550	$112,264	($36,714)
			Profit/(Loss)	**($350,768)**

Break-Even Analysis

	YR 1	YR 2+
Total Fixed Cost	$279,464	$112,264
Wt. Ave. CM	$2.10	$2.10
Break Even Units	**133,166**	**53,494**
Weighted AV. CMPu Ratio	0.80	0.80
Break Even Sales	**$349,560**	**$140,422**

Source**:** financial values obtained from the Franchise Disclosure Document and Agreement pg. 5-11 (Doc Popcorn)

Appendix E: The Market/Mall Location Survey Results

	Total (230)	Percentage

1. What age range best describes your age?

<18	8	3%
18-25	**155**	**67%**
26-35	15	7%
36-45	12	5%
46-55	21	9%
56-65	12	5%
>65	7	3%

2. Gender?

Male	76	33%
Female	**154**	**67%**

3. Do you have children in your household?

Yes	51	22%
No	**179**	**78%**

4. How often do you visit the Athens Mall (The Market on State Street) in an average month?

0 times	**104**	**45%**
1-2 times	**87**	**38%**
3-4 times	21	9%
5-6 times	8	3%
>6 times	8	3%

5. How often do you eat popcorn in an average month?

0 times	53	23%
1-2 times	**100**	**43%**
3-4 times	43	19%
5-6 times	14	6%
>6 times	20	9%

6. Would you consider purchasing popcorn from a retail establishment at the Athens Mall?

Very Unlikely	**80**	**35%**
Unlikely	56	24%
Neutral	45	20%
Likely	46	20%
Very Likely	3	1%

7. How much would you expect to spend on a small bag of gourmet flavored popcorn?

<$3.00	73	32%
$3.00	**89**	**39%**
$4.00	45	20%
$5.00	13	6%
$6.00	6	3%
>$6.00	2	1%

8. Would you purchase popcorn to eat while shopping at the Athens Mall?

Very Unlikely	**74**	**32%**
Unlikely	62	27%
Neutral	41	18%
Likely	44	19%
Very Likely	9	4%

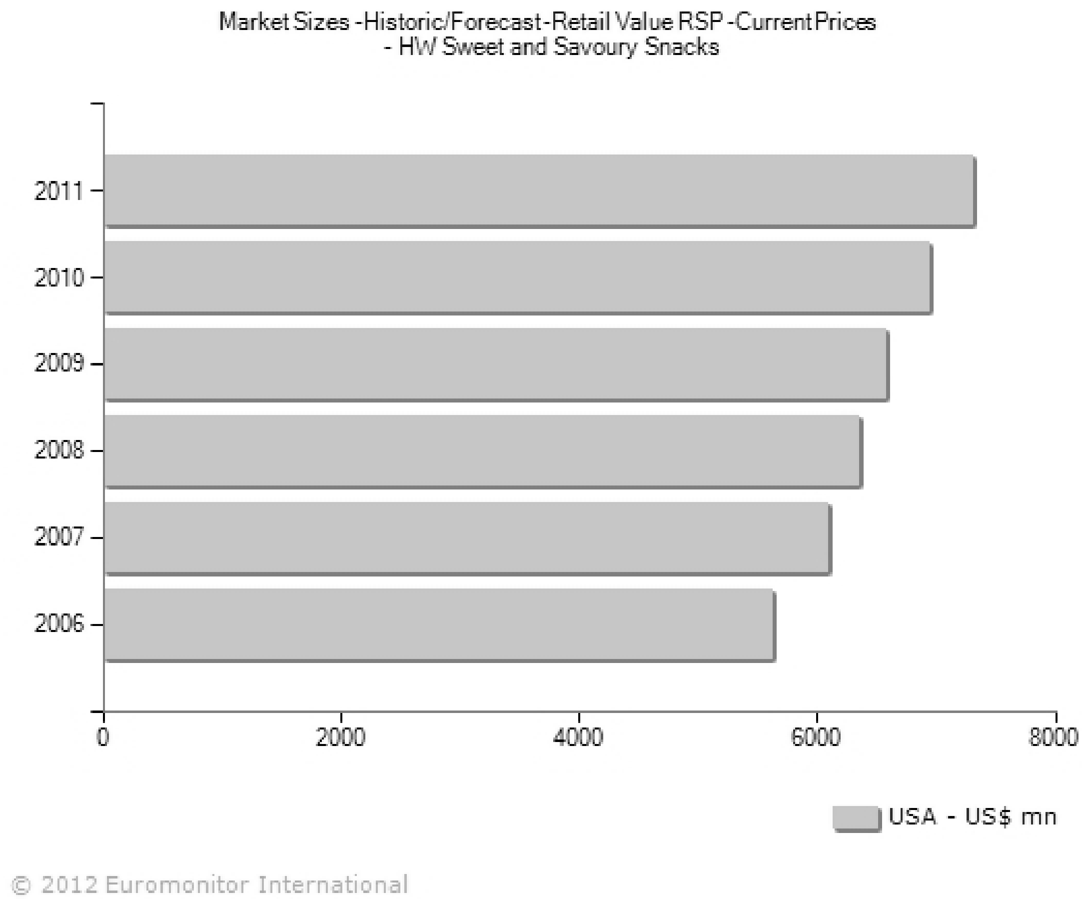
Appendix F: Industry Financials

Summary

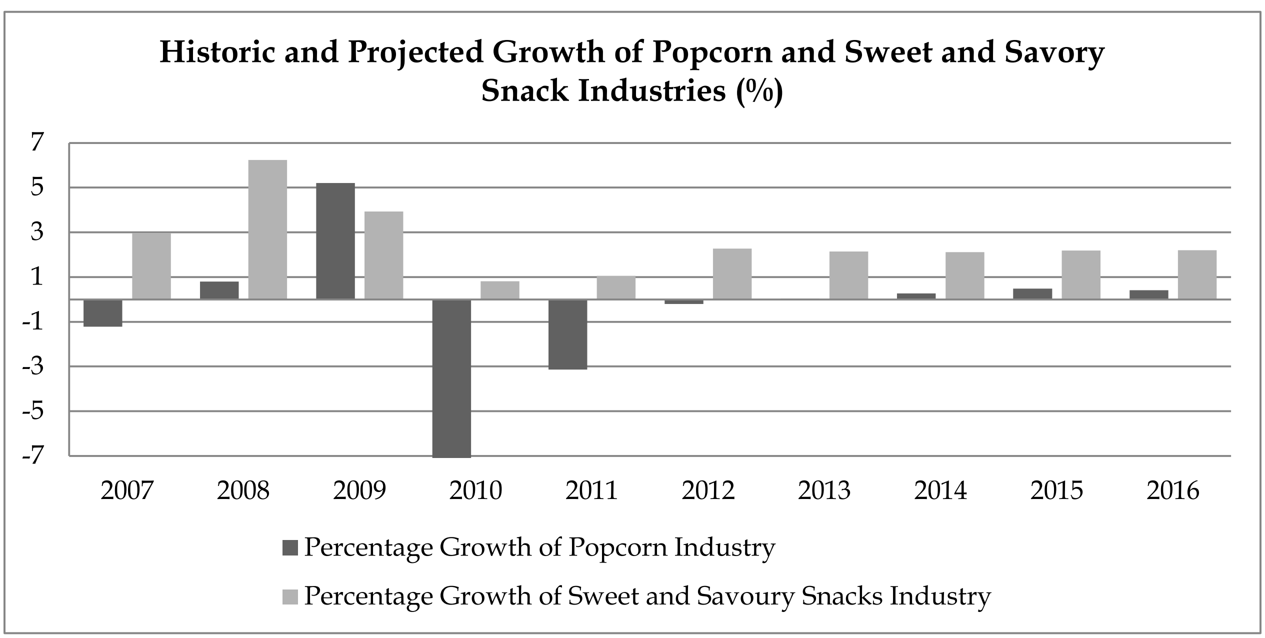
As a whole, the sweet and savory snack industry (which includes Chips/Crisps, Extruded Snacks, Fruit Snacks, Nuts, Popcorn, Pretzels and Tortilla/Corn Chips sold in all locations) had a total retail value of $32 billion dollars a year in 2011 in the United States (Passport GMID) with popcorn occupying $3.7 billion dollars of that market. Of that $3.7 billion dollars 12.45%, or $460 million is from non-grocery retailers like Doc Popcorn. 2011 estimates for annual market volume of popcorn and popcorn supply stores in the state of Ohio is $32.7 million (BizMiner). The retail value of sweet and savory snacks has been growing steadily since 2006, however popcorn has seen more volatile growth and decline in the United States.

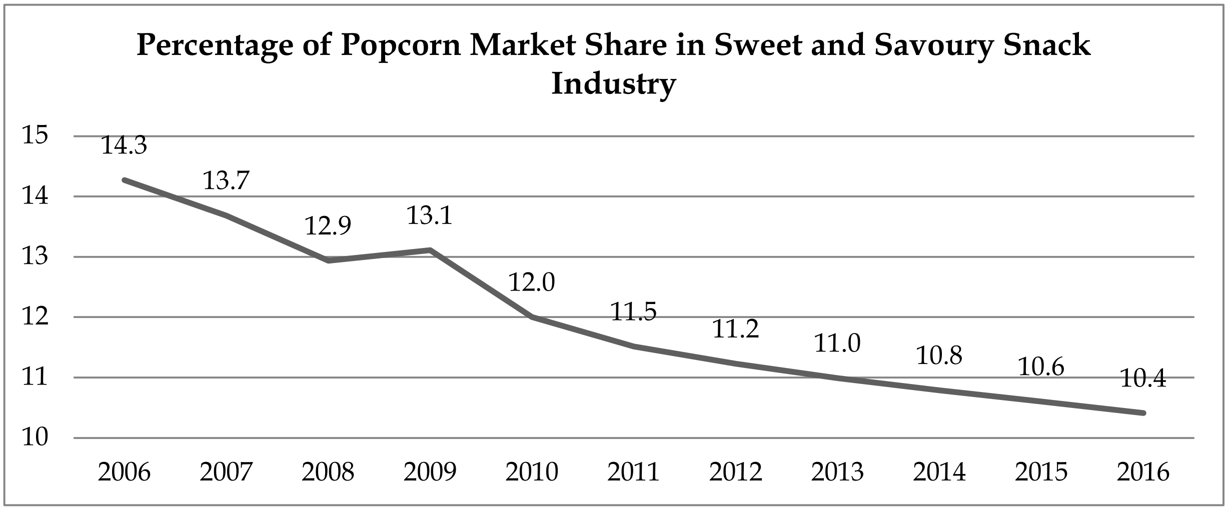
Average Profit and Loss of Popcorn and Popcorn Supply Stores ($)					
	2007	**2008**	**2009**	**2010**	**2011q2**
Business Revenue	**661,319**	**721,306**	**736,444**	**1,337,868**	**1,325,222**
Cost of Sales	**501,544**	**549,058**	**568,019**	**1,029,088**	**1,018,963**
Gross Margin	**159,775**	**172,248**	**168,425**	**308,780**	**306,259**
Officers Comp	**2,711**	**3,029**	**2,798**	**6,422**	**6,494**
Salary-Wages	**61,569**	**64,918**	**66,575**	**163,220**	**163,267**
Rent	**11,176**	**12,046**	**12,372**	**21,673**	**21,601**
Taxes Paid	**10,383**	**10,603**	**11,194**	**19,399**	**19,348**
Advertising	**3,770**	**4,616**	**4,419**	**7,358**	**7,289**
Benefits-Pensions	**11,970**	**11,252**	**11,489**	**27,560**	**27,565**
Repairs	**4,828**	**5,049**	**5,008**	**11,907**	**11,927**
Bad Debt	**265**	**289**	**295**	**669**	**663**
Other SG&A Exp.	**36,637**	**41,836**	**41,020**	**94,052**	**94,091**
EBITDA	**16,466**	**18,610**	**13,255**	**-43,480**	**-45,986**
Amort-Deprec-Depl	**8,928**	**10,026**	**10,237**	**24,884**	**24,914**
Operating Expenses	**152,237**	**163,664**	**165,407**	**377,144**	**377,159**
Operating Income	**7,538**	**8,584**	**3,018**	**-68,364**	**-70,900**
Interest Income	**1,058**	**938**	**736**	**669**	**663**
Interest Expense	**5,291**	**3,751**	**4,566**	**6,422**	**5,964**
Other Income	**13,094**	**7,574**	**14,803**	**21,005**	**20,806**
Pre-Tax Net Profit	**16,399**	**13,345**	**13,991**	**-53,112**	**-55,395**
Income Tax	**2,460**	**2,002**	**2,099**	**0**	**0**
After Tax Net Profit	**13,939**	**11,343**	**11,892**	**-53,112**	**-55,395**

Average Profitability Ratios



Popcorn Positioning Within Sweet and Savory Snack Industry





Dollar-based sales and other dollar-based data in this report reflect averages for sales of the industry segment, not total industry- wide averages. As a result, sales levels may vary from year to year, depending on the mix of firms that fall within the selected segment.

Financial Ratios: Profitability	**2007**	**2008**	**2009**	**2010**	**2011**
EBITDA: Business Revenue (%)	2.49	1.80	1.80	-3.25	-3.47
Pre-Tax Return On Assets (%)	6.53	5.28	5.28	-10.50	-11.34
Pre-Tax Return on Net Worth (%)	25.36	19.28	19.28	-0.29	-0.31
Pre-Tax Return on Business Revenue (%)	2.48	1.90	1.90	-3.95	-4.18
After Tax Return on Assets (%)	5.55	4.47	4.47	-10.50	-11.34
After Tax Return on Net Worth (%)	21.58	16.33	16.33	-29.21	-31.42
After Tax Return on Business Revenue (%)	2.11	1.61	1.61	-3.97	-4.18

Source: data used to generate graphs and charts was obtained from (Biz Miner), accessed January 7, 2012

Appendix G: Focus Group Results

Ohio University Student Focus Group
Biddle Hall
January 12, 2012

10 participants
Summarized responses listed

1. **Discuss your spending habits. Are you financially independent?**
None of the students were entirely independent financially. Their parents pay for tuition. In terms of what most spent their money on: food/drink and books. When further asked about food preferences, the majority said they prefer something inexpensive that fills them up. All agreed popcorn was not filling, and at $2.50 for a small bag, not necessarily low-priced either.

2. **Do you consider your health when selecting a snack?**
For the most part, participants were health conscious "snackers". All agreed that in general, college students are aware of their snack choices. Some students choose to ignore health risks, especially since they are young.

3. **Did you gain weight when coming to college?**
Seven out of 10 actually lost weight. One gained weight; two maintained. When asked to further discuss, many students said that they were so afraid of gaining weight in college like their parents and siblings warned, they actually adopted better eating habits at Ohio University. They are also more active when living on campus, so that helps them burn calories.

4. **How does the culture of OU tie in with eating habits of the students?**
People want something fast to grab, and something that will keep them full. Students want something they can grab before going to evening/night sporting events, bars, movies to sustain them. Also discussed was how eating habits change on weekends versus weekdays because of students going home and students not eating at the dining halls. On weekends, it is much more common to be out at night looking for something quick to eat. When students go home on weekends, they eat more structured meals. Most students agreed that they travel home once in an average month.

5. **How often would you go to a Doc Popcorn PopCart™ located where the Burrito Buggy sometimes operates from?**
About half said they would try it once, and go back about once a month to try all the different flavors if they enjoyed the product. Beyond that, no one expressed interest in purchasing popcorn.

6. **Where do you currently get your popcorn?**
Three of the students brought microwaveable bags from home for their apartments, and the rest use their meal swipes at the markets on campus to buy microwaveable popcorn. They agreed markets are great because they don't feel like they are spending any money.

7. **When would you be most likely to eat popcorn?**
Students expressed interest for operating hours during the late night/early morning. Since many businesses close uptown around 2am, that would be a popular time for college students to snack. Other times suggested were weekday afternoons. This would provide students with a snack after class.

8. **For what purposes would you purchase the popcorn?**

All 10 students said that popcorn would never fill them up. They would only buy it to "munch" on. When asked about getting popcorn to accompany a movie, most agreed they would only purchase a bag if they were already uptown. They would not take a special trip to the PopCart™.

9. **How much would you be willing to pay for a 6 cup bag of popcorn?**
   Considering many businesses uptown provide peanuts and popcorn for free, most students refused to spend more than $2.50 on a bag. The suggested range was $1.50-$2.50.

10. **Out of the flavors Doc Popcorn offers, which interest you the most.**
    Both the sweet and savory options appealed to everyone. They said they would be interested in trying multiple flavors by switching up their orders each time they went.

11. **Would you want a mix in with your popcorn?**
    Approximately one in four students said they would want to add candy or nuts to their popcorn.

12. **Would you order a drink with your popcorn? How much would you spend on a drink?**
    Half said they would if it was during the day, but at night, they would only order popcorn. As a general consensus, participants thought one in four students would order a drink. The average price they were willing to spend was $1.50 for a small naturally flavored drink.

13. **Do you think a PopCart™ would succeed on Court Street?**
    All the participants agreed that maybe the first few months, the company would be able to sell a respectable amount of popcorn. After the initial curiosity wore off, no one would be interested. When asked to elaborate, common responses included that it is "just popcorn." It is just cheaper to go to Wal-Mart or the market and purchase a box of microwave popcorn.

Appendix H: Popcorn Product Competitive Comparison

	Popcorn Product	Price/cup	Sales (cups/week)	Market Share	Calories/cup	Fat/cup
1	Microwave popcorn[a]	$0.05	8125	98.42%	35	2.2g
2	Crunch N' Munch	$0.21	94	1.14%	208	7.5g
3	Cracker Jacks	$0.57	12	0.15%	240	4g
4	Athena Grande[b]	$0.53	24	0.29%	75	6.1g
5	Athena Cinema[b]	$0.44	0.08	0.00%	75	6.1g
6	Boy Scouts[c]	$1.50	-	-	73	4.7g
		Total	8255.08			
	Doc Popcorn	**$0.58**				
	Sweet				**79**	**3g**
	Savory				**62**	**3g**

[a]Orville Redenbacher's butter flavor (calories/fat vary by brand)
[b]based on customers who ONLY purchase popcorn
[c]Trail's End cheddar cheese flavored popcorn/pricing and nutrition may vary based on flavor, unable to receive sales data

Source:
Price, sales, and nutrition information was obtained through: (Wal-Mart: Shane, personal communication, January 5th, 2012), (Athena Grand: Frame, R., personal communication, January 5th, 2012), (Athena Cinema: Bradley, R., personal communication, January 5th, 2012) ,(Calorie Count), (Doc Popcorn), (Trail's End)

Appendix I: Pre-Packaged Substitute Product Competitive Comparison

	Product	Price/container	Price/serving	Serving Size	Calories	Fat
1	Frito Lay Rold Gold Pretzels	$2.98 (454g)	$0.18	28g (17 pretzels)	107	.7g
2	Planter's Honey Roasted Peanuts	$3.68 (454g)	$0.23	28g (39 peanuts)	160	13g
3	Lay's Classic Potato Chips	$2.58 (298g)	$0.24	28g (28 chips)	150	10g
4	Mars M&Ms	$2.68 (357g)	$0.23	31g (30 pieces)	103	4.4g
5	General Mill's Original Chex Mix	$2.50 (425g)	$0.17	28.3g (2/3 cup)	120	4.9g
	Doc Popcorn	$3.50 (6 cups)	$1.75	3 cups*		
	Sweet				237	9g
	Savory				186	9g

*appropriate serving size estimate

Source: Price information was obtained through (Wal-Mart), nutritional information gather using (Calorie Count)

Appendix J: Court Street Survey Results

Total (106) Percentage

1. How many times in an average week are you on Court Street (even just for walking purposes)

0	4	3.77%
1	9	8.49%
2	13	12.26%
3	21	19.81%
4+	**59**	**55.66%**

2. What are your top snack places on Court Street?

1. Chipotle
2. Wendy's
3. Bagel Street Deli
4. Big Mama's
5. Whit's

3. How often do you eat popcorn in an average month?

0	26	24.53%
1 to 3	**61**	**57.55%**
4 to 5	7	6.60%
6+	12	11.32%

4. How many times a month would you visit a natural gourmet flavored popcorn retailer located on Court Street?

0	**49**	**46.23%**
1 to 2	**48**	**45.28%**
3 to 4	5	4.72%
5 to 6	2	1.89%
>7	2	1.89%

5. How much would you be willing to spend on a 6 cup bag of gourmet flavored popcorn (about half the size of a whole microwave bag)?

$0.00 to 1.00	23	21.70%
$1.50 to 2.50	**66**	**62.26%**
$3.00 to 4.00	13	12.26%
$4.50 to 5.50	2	1.89%
>$6.00	2	1.89%

6. In your opinion, how successful would a natural gourmet flavored popcorn retailer be on Court Street?

Not successful	**50**	**47.17%**
Somewhat successful	**50**	**47.17%**
Very successful	6	5.66%

Most frequent explanations on perceived success/failure of franchise:

- Microwavable popcorn is more affordable, especially for college kids.
- When people go to Court Street for food, they want a satisfying meal more than they want a snack
- The products selection is too narrow to make a sufficient profit.
- Most bars offer popcorn, pretzels, etc. for while drinking.

7. Do you take health into consideration when looking for a snack?

Yes	**69**	**65.09%**
No	37	34.91%

8. Do you plan on being on campus for summer break?

Yes	33	31.13%
No	**73**	**68.87%**

9. Gender

Male	32	30.19%
Female	**74**	**69.81%**

10. Year in School

Freshman	9	8.49%
Sophomore	**56**	**52.83%**
Junior	27	25.47%
Senior	14	13.21%

Appendix K: Site Associated Substitute Comparison

Store	*Item*	*Calories*	*Price*
CHIPOTLE			
	Burrito	990	$5.95
	Chips	570	$1.25
BAGEL STREET			
	Toms Turkey	574	$4
	Your Momma	552	$5.50
	The NYC	481	$4.50
	Bluenana	519	$3
WENDYS			
	Jr. Cheeseburger Deluxe	350	$0.99
	5 Piece Nuggets	230	$0.99
	Value Fry	230	$0.99
	Side Salad	210	$1.29

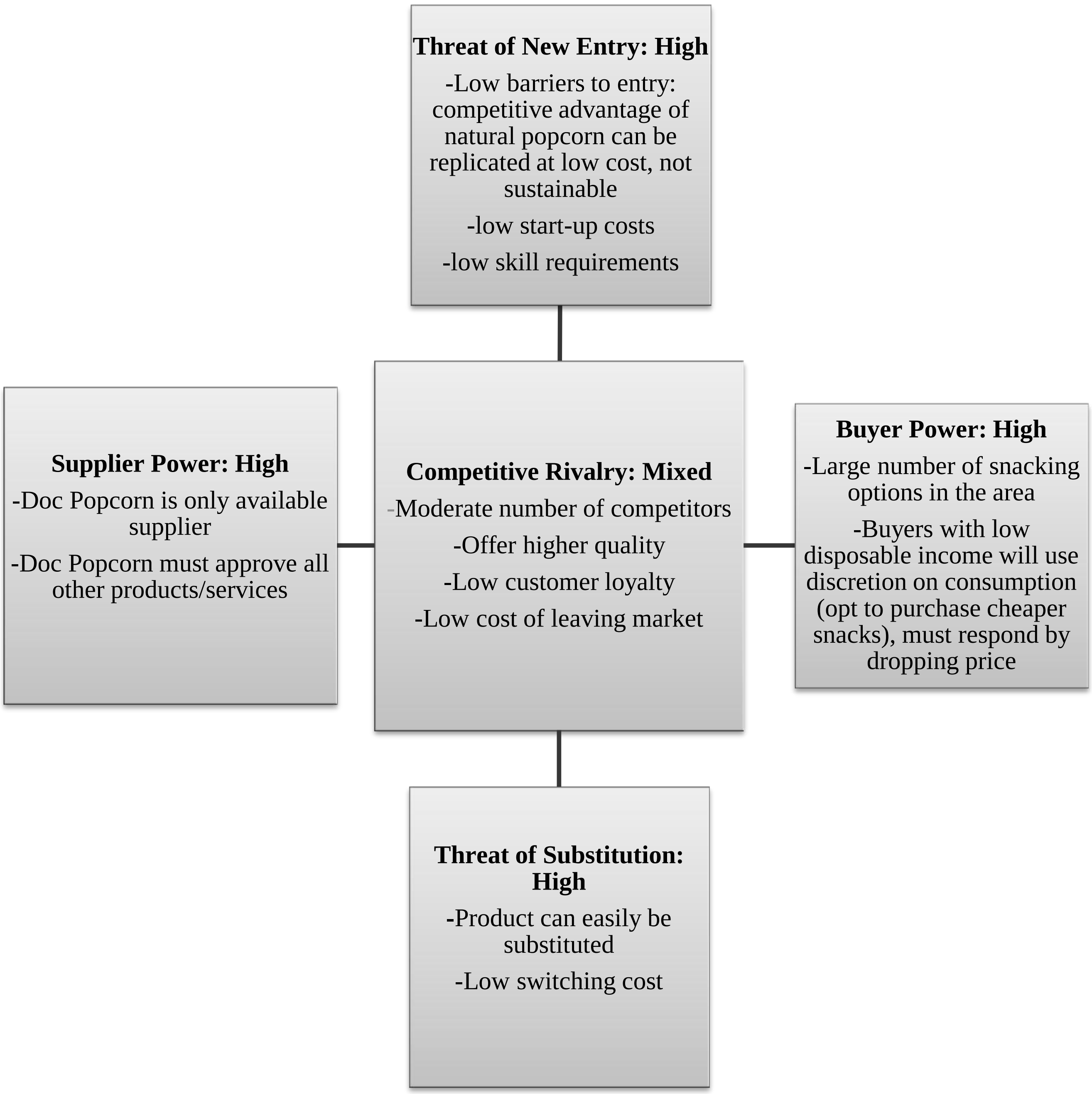
Source: (Chipotle), (Bagel Street Deli), (Wendy's), (Calorie Count)

Appendix L: S.W.O.T. Analysis

Company	Strengths •Unique food option not currently available in Athens •All natural product •High-margin franchise due to focused product offerings and low input costs	Weaknesses •Franchising agreements limit owner control over supply obtainment and product offering •Lack of foot traffic in Athens area •Competition for a parking spot •Students leaving for break
Industry	Opportunities •Untouched niche market of customers desiring a gourmet popcorn option in Athens •Trends in healthy eating •Trends in college student spending	Threats •Numerous substitute/competitive product offerings •Other retailers providing larger variety of products •Low barriers to entry •Low disposable income in the Athens area •Low customer loyalty •Low switching cost •Demand for filling food

Source: indicated in the form of in-text citations in the report

Appendix M: Porter's 5 Forces



Source: (Doc Popcorn), others are indicated in the form of in-text citations in the report

Appendix N: Doc Popcorn Location Comparison

Demographic Variable	**Athens, OH**	**Athens County, OH**	**Denver, CO**	**Woodbridge, NJ**	**Plantation, FL**	**Portage, MI**	**Arvada, CO**
Total Population	23,832	64,757	5,029,196	99,585	84,955	46,292	106,433
Family Income, Median	$66,895	$51,359	$71,682	$89,422	$86,093	$76,542	$84,614
Non-Family Income, Median	$16,063	$18,526	$44,484	$49,507	$46,510	$33,982	$40,970
Snacks (Household Average $)	$166	$171	$183	$195	$189	$192	$203
Male Median Age	23.20	25.70	32.80	35.50	36.30	35.30	36.40
Female Median Age	23.00	26.30	35.00	39.00	39.40	37.40	38.50
% Population, Males 35 to 44 Years	3.15%	4.96%	7.11%	7.79%	7.03%	6.61%	7.51%
% Population, Males 45 to 54 Years	3.83%	5.84%	6.97%	6.71%	7.39%	7.57%	8.30%
% Population, Females 35 to 44 Years	3.17%	4.86%	6.10%	7.49%	7.64%	6.96%	7.67%
% Population, Females 45 to 54 Years	4.04%	5.89%	6.83%	7.37%	8.63%	8.14%	8.43%

Source: (SimplyMap, 2010), (U.S. Census Bureau, 2011)

Appendix O: Estimated Sales and Price Selection

By drawing assumptions through the primary research, 53.7% of students who attend Ohio University eat popcorn once a month. Considering Ohio University enrolls approximately 20,000 students (Ohio University, 2011), 10,740 students are eating popcorn once a month on campus. The survey also indicated that 97% of students are on Court Street at least once a week, bringing the potential customer base to 10,418 students. Due to the vending restrictions, the cart would only be open roughly one-third the prime hours that students are present on Court Street, cutting numbers to around 3,500. Plus, returning to the issue of demand for gourmet popcorn, the likelihood of high sales is relatively low. Nearly half of the students responded that they would never visit a popcorn retailer, dropping potential customers to around 1,900 in a given month [See Appendix J for survey results].

Other important considerations include students traveling home on weekends or breaks. There is also the issue of obtaining a parking spot to park the cart. The vending B license is on a first-come-first-serve basis, so there is a risk of not having available spots, since there are 10 other B licenses available. The cart would also be competing against automobiles for spots (T. Gerren, personal communication, January 9, 2012). These risks are important in calculating potential revenue, and allow for a loss of 200 customers each month. From previous surveys [See Appendix E for survey results], some interest has been expressed by locals for the popcorn product. Assuming an addition of 100 customers from the community, the final number of customers per month is 1,800.

In terms of pricing, nearly 85% of students would not be willing to pay more than $2.50 for the six cup bag. Also, as established at the focus group discussion, most students felt the price should fall between $1.50-2.50. Charging any more than $2.50 would risk losing a large percentage of customers, but charging any less could greatly affect profitability. Thus to retain the customer base of 1,800 the price is set at $2.50 for a small bag of popcorn.

Appendix P: Financial Values Explained

Fixed Costs:
All expenses are calculated using the average of the range provided for costs in the Franchise Disclosure Document and Agreement (Doc Popcorn)

Variable Costs:

POPCORN	(popping corn, corn oil, flavors, bags)	
Doc Popcorn's Sale Price	$3.50	
Typical price mark-up for popcorn	1000%	
VC of Popcorn	**$0.35**	
Source: (McHugh, 2011)		
MIX-INS		
Chocolate Candies	$0.08	serving size is 10 candies
Mixed Nuts	$0.11	serving size is 15g
Gummy Bears	$0.12	serving size is 10 bears
Sprinkles	$0.04	serving size is 2 tsp.
Chocolate Covered Raisins	$0.14	serving size is 20g
VC of Mix-In	**$0.10**	
Source: (Bulk Foods)		
ALL NATURAL DRINKS		
Mix	$0.63	
Cups	$0.08	
Straws	$0.003	
Lids	$0.042	
VC of Drink	**$0.71**	

Source: (ByTheCase), (The WEBstaurant Store)

Sales Mix:
Through primary research [See Appendix G for focus group responses] a typical customer will add a mix-in 25% of the time and a drink 25% of time as well.

Labor:
PopShop™ and PopKiosk™ – The cost of labor covers one additional employee working 21 hours a week at minimum wage, $7.40. Assuming the store operates 42 hours a week and both partners who are investing in the store also work, one additional employee will suffice.

PopCart™ - The cost of labor covers one additional employee working 18 hours a week at minimum wage, $7.40. Assuming the store operates 36 hours a week and both partners who are investing in the store also work, one additional employee will suffice.

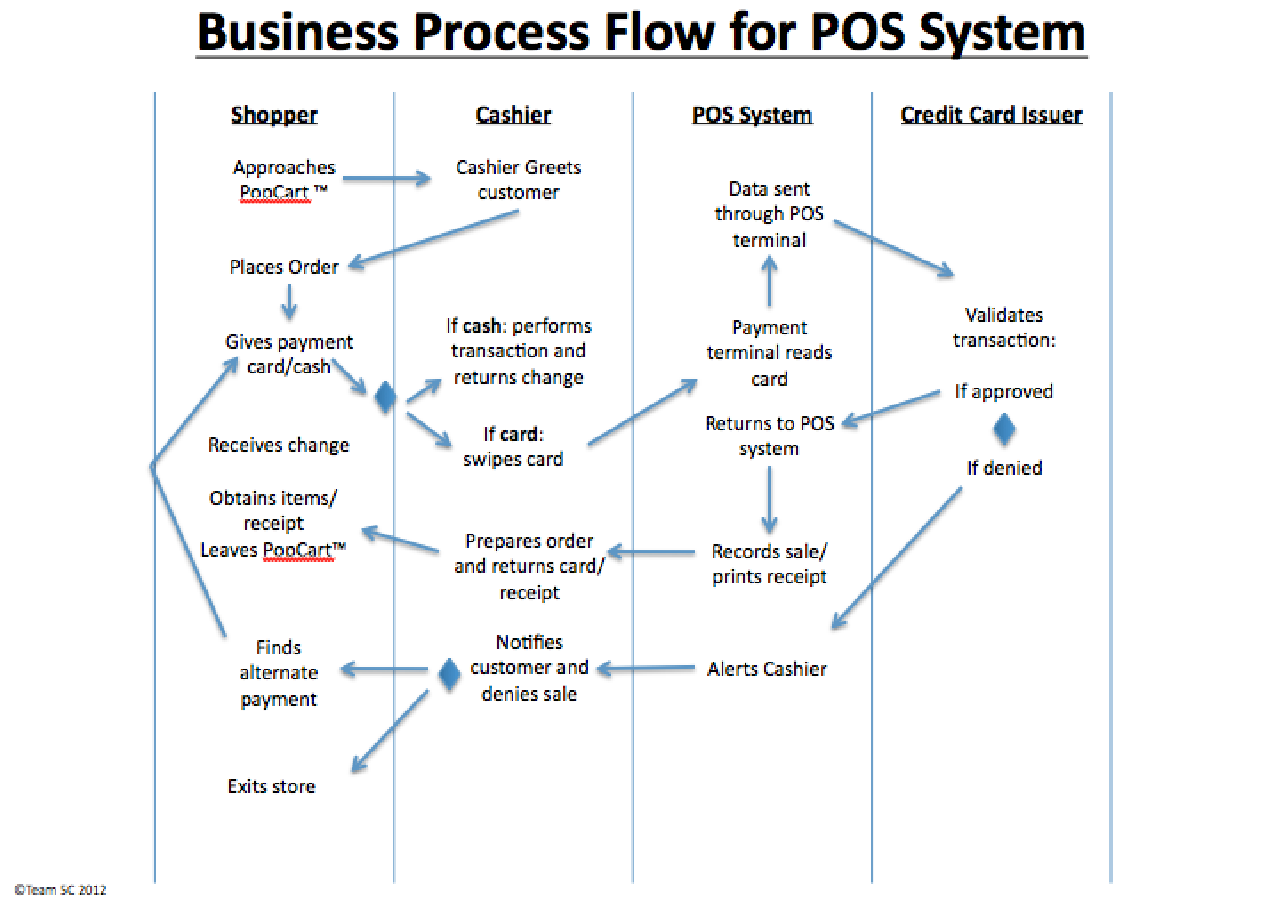
Leasing:
PopShop™ - 1,400 square foot in-line store priced at $11 per square foot.
PopKiosk™ - $500 charged monthly by the Athens Mall

Advertising:
The initial investment cost of $200 for advertising will cover the opening event and the subsequent $50 will be necessary for flyer printing and ad postings [See Appendix U for detailed marketing budget].

Information System (POS System):
Chose to include a POS system in order not to lose buyers who are lacking cash payments

Component	**Cost**	**Details:**
Hardware	($950 – if purchased alone)	QuickBooks product - cash drawer/machine, monitor, receipt printer, bar code scanner, credit card reader
Software	($800 – if purchased alone)	QuickBooks product
	$1,500	Bundle of both hardware and software - QuickBooks
Data	-	Tracked by POS (sale amount, time of sale, product purchased, change due)
Procedures	-	SEE NEXT PAGE
People	$533 monthly *$4,795 yearly* [See Appendix Q for detailed financials]	Need to pay employee during the time they are using the system. No extensive training or continual education is necessary. The complexity of a simple POS system would not require special IT skilled employees or visits from specialists. Other people involved: *customers whose demand for the product requires use of the system. *credit card company who must approve transaction
TOTAL	**$6,295**	First Year Cost

Source: price for POS bundle was obtained through (Cost Helper)



Tax:
Since revenues are not forecasted to exceed $150,000 state business tax was not taken into consideration during this study.
Source: (Ohio Department of Taxation)

Appendix Q: PopCart™ Financials

	POPCORN	MIX-INS	DRINKS	TOTAL
Assumptions				
Units Year 1	16,200	4,050	4,050	24,300
Price Per Unit	$2.50	$0.25	$1.50	
Sales	$40,500	$1,012	$6,075	$47,588
Royalty	6%	6%	6%	
VC per unit	$0.35	$0.10	$0.71	
Contribution Margin per Unit	$2.00	$0.14	$0.70	
Contribution Margin	$32,400	$553	$2,816	$35,768
Sales Mix	66.67%	16.67%	16.67%	
Weighted Average Contribution Margin Per Unit	$1.33	$0.02	$0.12	**$1.47**
Yearly Increase				0%

Fixed Costs				
Initial Franchise Fee	$27,500	year 1 only		
Cart Mobile Assistance Fee	$3,500	year 1 only		
Cart Cost	$36,250	year 1 only		
Opening Inventory	$3,000	year 1 only		
Credit Card Processing (computer, printer, scanner)**	$1,500	year 1 only		
Opening Costs	$7,125	year 1 only		
Opening Marketing Campaign Charges	$200	year 1 only		
Vending B Application Fee	$5	/year		
Conventions and Conferences	$1,000	/year		
Additional Funds	$3,750	monthly	$33,750	/year
Intranet Management Fee	$29.95	monthly	$270	/year
Travel and Living Expenses for Training and Conventions	$190	monthly	$1,706	/year
Vending License	$8.33	monthly	$75	/year
Labor	$533	monthly	$4,795	/year
Liability Insurance	$33.33	monthly	$400	/year
Advertising Fee	$50	monthly	$450	/year
Utilities	$200	monthly	$1,800	/year
Meter Fee	$9	monthly	$81	/year
Total Annual Fixed Costs YR 1			$123,407	

Total Annual Fixed Costs Subsequent Yrs.	$44,332

[See Appendix P for financial value explanations (**MIS component)]

Year	Units	Contribution Margin	Fixed Costs	Profit
1	24,300	$35,768	$123,407	($87,639)
2	24,300	$35,768	$44,332	($8,564)
3	24,300	$35,768	$44,332	($8,564)
4	24,300	$35,768	$44,332	($8,564)
5	24,300	$35,768	$44,332	($8,564)
6	24,300	$35,768	$44,332	($8,564)
7	24,300	$35,768	$44,332	($8,564)
8	24,300	$35,768	$44,332	($8,564)
9	24,300	$35,768	$44,332	($8,564)
10	24,300	$35,768	$44,332	($8,564)
			Profit/(Loss)	**($164,712)**
11	24,300	$35,768	$44,332	($8,564)
12	24,300	$35,768	$44,332	($8,564)
13	24,300	$35,768	$44,332	($8,564)
14	24,300	$35,768	$44,332	($8,564)
15	24,300	$35,768	$44,332	($8,564)
			Profit/(Loss)	**($207,531)**

Break-Even Analysis

	YR 1	YR 2+
Total Fixed Cost	$123,407	$44,332
Wt. Ave. CM	$1.47	$1.47
Break Even Units	**83,839**	**30,118**
Weighted AV. CMPu Ratio	0.75	0.75
Break Even Sales	**$164,185**	**$58,981**

Appendix R: Facebook Ad

Appendix S: Flyer

Appendix T: Banner

Appendix U: Marketing Budget

Product	**Price**
Pop, Lock, and Doc It! Banner	$28.27[a]
150 Flyers	$52.50[b]
3.5x3" (wxh) Newspaper Article in the Post	$51.60
Free Samples of Popcorn	$14.58[c]
Baggies for Free Samples	$12.40[d]
Small cards for free samples	$11.20[e]
Facebook Ad .57 suggestion	$29.45[f]
Total	$200

[a]$23.56 at bannersonthecheap.com with required 20% markup from Doc Popcorn.

[b]$.35 per flyer at Copy Catz.

[c]500 1/2 cup samples.

[d]One box of 100 plastic bags costs $2.48.

[e]16 copies of the Facebook ad fit on one sheet of paper. To make 500 ads, 32 copies need to be made at Copy Catz

[f]$.95 will be paid per day for 1,000 views of the ad on Facebook. The highest suggested price to pay per 1,000 views is $.57, making the chances of the Doc Popcorn ad appearing in the margin of Facebook pages more likely. Paying $.95 per day equals $29.45 each month.

Source: ("Banners on the,"), (Post, personal communication, January 11, 2012), (Copy Catz, personal communication, January 11, 2012), (Walmart) ("Advertise on Facebook")

Appendix V: PopCart™ Growth Potentials

Price per Unit	Yearly Increase -25%	0%	86%	100%
($121,894)				
$1.50	($218,574)	($198,034)	($127,375)	($115,872)
$2.00	($188,118)	($159,964)	($63,113)	($47,346)
$2.50	($157,662)	($121,894)	$1,149	$21,180
$3.00	($127,206)	($83,824)	$65,412	$89,706
$3.50	($96,750)	($45,754)	$129,674	$158,232

5 Year Profit/(Loss) as a function of Price Per Unit and Yearly Increase

Price per Unit	Yearly Increase -15%	0%	25%	50%
($121,894)				
$1.50	($210,358)	($198,034)	($177,493)	($156,953)
$2.00	($176,856)	($159,964)	($131,809)	($103,655)
$2.50	($143,355)	($121,894)	($86,125)	($50,357)
$3.00	($109,853)	($83,824)	($40,441)	$2,941
$3.50	($76,351)	($45,754)	$5,243	$56,239

5 Year Profit/(Loss) as a function of Price Per Unit and Yearly Increase

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