

A. B. Seafood

Description of the Business:

Name of Firm: A. B. Seafood
Legal Structure: Subchapter S Corporation
Owners: Ken and Crystal Dupre'
Hours of Operation: 9:00 a.m. to 7:00 p.m. Monday through Saturday
Location: 123 Main Street, Laurel, MS

A. B. Seafood is a wholesale/retail fish market that specializes in fresh (never frozen) seafood. The company plans to begin business on July 1, 2000.

The Product:

A. B. Seafood will provide a wide variety of both saltwater and freshwater fish and shellfish. The saltwater product selection will consist of species common to the Gulf Coast of Mississippi: Red Snapper, Flounder, Trout, Grouper, Shark, Gulf Shrimp, Crabs, etc. These fish will be purchased directly from the boats through Sand Dollar Sales, a fresh seafood agency located in Gulfport, MS. Sand Dollar Sales lists its fresh seafood offerings and prices on a computer bulletin board (which is updated hourly). Orders are placed via modem throughout the morning, and Sand Dollar delivers the day's orders to our door by 2:00 p.m. Fish caught that morning can be on your plate that evening!

The freshwater product selection will consist of commercially raised catfish, tialapia, and crawfish (in season). A tentative agreement (copy in Appendix) has been made with Wonderful Whiskers Catfish Farm in Moselle, MS, to supply A. B. Seafood with live cage-raised catfish and tialapia every morning. Cage-raised catfish are not susceptible to the muddy off-flavor found in 53% of bottom-raised catfish (Source: U.S. Dept. of Agriculture). Crawfish will be supplied by Cajun Lobster Crawfish Farms in Bogalusa, LA. Live select crawfish will be delivered Monday, Wednesday, and Friday mornings. Additionally, live Maine lobster will be shipped in every Wednesday from Lobsters Unlimited in Bangor, ME.

The Market:

In the January 2000, edition of *Prevention* magazine, Dr. I.M. Healthy discussed the healthful benefits of eating seafood: lower calories than most other entrees, less fat, and the presence of possible anti-carcinogens in fish. Additionally, the May 2000, edition of *Southern Restaurateur* magazine presented a comprehensive survey of over 5,000 diners in Mississippi, Alabama, and Georgia. The findings indicated that seafood entrees are significantly growing in popularity (up 22.7% in the past year)! These two reports support the notion that seafood is a healthy and delicious part of a balanced diet and is growing in popularity in the South.

A. B. Seafood will take advantage of this growing popularity by positioning itself as a supplier of premium quality, fresh seafood to upscale restaurants and families with a higher-than-average income. Based on interviews with John Trout, owner of Metro Seafood in Jackson, MS,

approximately 50% of our business will be wholesaling to restaurants. Mr. Trout said the average wholesale customer will purchase \$492.14 per week and the average retail sale will be \$24.58.

The company's geographic market will consist primarily of the Laurel-Hattiesburg area. There are 36 upscale restaurants in this primary market area ("upscale" is defined as those restaurants with an entree selection of greater than or equal to 20 items and an average entree cost of greater than ten dollars. These restaurants are listed in Appendix B.). A. B. Seafood has already been in touch with 24 of these restaurants. Twelve of them expressed dissatisfaction with their current seafood supplier and are very interested in another option.

The competitive advantage of A. B. Seafood will be its ability to supply its customers with boat fresh, never frozen, premium-quality seafood. Other competitors (i.e., Kroger, Jitney Jungle, etc.) will have lower prices, but offer mainly frozen seafood. We believe that once people taste fresh seafood, they will be willing to pay more for it.

According to U.S. Census Bureau projections for 1997, the median household income in Hattiesburg was \$20,938. There were an estimated 8,556 households with a greater than the median income. In Laurel, an estimated 3,356 households enjoyed an income greater than the projected median income of \$21,268.

Based upon the above information and interviews with Metro Seafood and Sand Dollar Sales, A. B. Seafood projects beginning wholesale revenues to be approximately \$4,429 (25 percent of the total restaurant business) per week and retail revenues to be approximately \$4,504 (20 percent of the total projected households at four average retail purchases per year) per week. Combined, this is a beginning monthly revenue of \$38,710. According to John Bass, the revenues of Metro Seafood grew at an average rate of 4 percent per month for the first two years. A. B. Seafood conservatively estimates its growth to average 2.5 percent per month.

Advertising and Marketing

A. B. Seafood plans to advertise aggressively in the local media. Weekly ads will be placed in the Laurel Leader-Call and the Hattiesburg American. The ads will continually focus on the same theme: "There's no taste like fresh." As part of our strategy, A. B. Seafood will periodically list our restaurant customers in our ads, inviting the reader to "taste the freshness at (restaurant)."

A. B. Seafood plans to get a booth at the Pine Belt Expo and present a blind taste test, serving both fresh and frozen seafood cooked identically. Attendees will be invited to sample a portion of both types of seafood and decide for themselves which type is better. When Metro Seafood tried this promotion, nine out of ten people picked the fresh seafood as the better tasting. We plan to videotape people taking the taste test and use some of the footage in television advertising on WDAM.

Retail sales will be handled over-the-counter. Wholesale accounts will be serviced by the owner or the assistant manager every other day (Monday, Wednesday, and Friday for half of the

accounts; Tuesday, Thursday, and Saturday for the other half.) Wholesale prices will be set based on an average markup of 35 percent. This markup is approximately 10 percentage points higher than current wholesale prices in the area. However, no competitor can offer a variety of absolutely fresh seafood. A. B. Seafood will offer free delivery on orders of \$100 or more. For smaller orders or for orders not on a regular delivery day, a \$5.00 delivery fee will be added to the bill. Retail prices will be set based on an average markup of 50 percent, which is also approximately 10 percentage points higher than current prices for frozen seafood.

Management

Ken Dupre' will manage A. B. Seafood. Ken's family owned a seafood business in Louisiana, and Ken worked in the business when he was growing up. In addition, Ken has extensive management experience in both small businesses and Fortune 500 corporations. Also, Ken has counseled several hundred small business owners in the Laurel-Hattiesburg area on all aspects of business ownership. His relationship with the business community will be an asset for the company. Ken will handle all wholesale accounts and the day-to-day financial operation of the business. For more information, see the attached resume'.

Crystal Dupre', the co-owner, will oversee the retail side of the business and will handle all advertising and promotions. Crystal has had five years experience in marketing, and also has a good relationship with the business community. For more information, see the attached resume'.

A. B. Seafood plans to hire two full-time assistant managers, who will be trained in all aspects of the business. A. B. Seafood will also hire two part-time helpers, who will assist in cleaning and other tasks as deemed necessary. The public accounting firm of Dewey, Cheatham, and Howe will be used for quarterly reports and tax accounting.

Facilities

A. B. Seafood has an agreement to purchase an existing building at 123 Main Street in Laurel, MS (copies of agreement and map in appendix) for \$90,000. The 3,000 square foot building, which is 12 years old and in excellent condition, appraised for \$138,000 (copy of appraisal is in appendix). The building has ten private parking spots in front and a large driveway leading to a loading ramp in the rear, where there are four more parking spots.

A. B. Seafood has chosen to buy rather than rent because of the potential return on investment of the building. Current annual rental prices on similar commercial property are \$9.00 per square foot; thus, rental on an existing building would be \$2,250 per month. By purchasing on a five-year note, mortgage payments will be approximately \$1,957 per month.

Community Benefits

A. B. Seafood will create two full-time and two part-time positions, not counting the two full-time positions created for the owners. Although we primarily target above-average income households, we will gladly accept food stamps. We estimate a local tax revenue (through property, sales, and state income taxes) of over \$27,000.

Financial Requirements

A. B. Seafood would like to borrow \$142,800 on a 10-year fixed rate note. Attached are the Sources and Uses of Funds Statement and the comprehensive list of equipment to be purchased. The attached Cash Flow Statement shows the company should be very profitable and can easily afford the monthly note of approximately \$1,800.

In the unlikely case that A. B. Seafood does not meet the owners' financial expectations, the owners can liquidate the equipment and rent the building for \$2,500 per month (below market rates) which will cover the note payment.