

VAMPIRE PENGUIN

BUSINESS OWNER GUIDE



BRINGING FRIENDS AND FAMILIES TOGETHER WITH
SHAVED SNOW MAGIC

DISCLAIMER:

NUMBERS AND RATIOS EXPRESSED IN THIS DOCUMENT ARE SAMPLE PROJECTIONS AND NOT REPRESENTATIVE OF HOW EACH BUSINESS WILL PERFORM. THIS DOCUMENT IS FOR EDUCATIONAL PURPOSES, NUMBERS AND RATES ARE SAMPLES ONLY AND EACH DEAL WILL BE DIFFERENT PER TERRITORY AND LICENSING DEAL.

BREAK EVEN

The core of any business is to properly calculate monthly operational, business, payroll, inventory and misc costs against monthly income. With this knowledge, the business owner can properly manage, project, and budget daily needs while maximizing profits and managing risks.

For example:

Below is a conservative accounting of monthly numbers of a typical Vampire Penguin:

Sales after state taxes: \$25,000/month

Rent: \$2,500/month

Inventory: \$6,250/month

Payroll: \$7,500/month

Power and utilities*: \$2,500/month

Royalties: \$2000/month

Profit (loss): \$4,250/month

Supplemental Info:

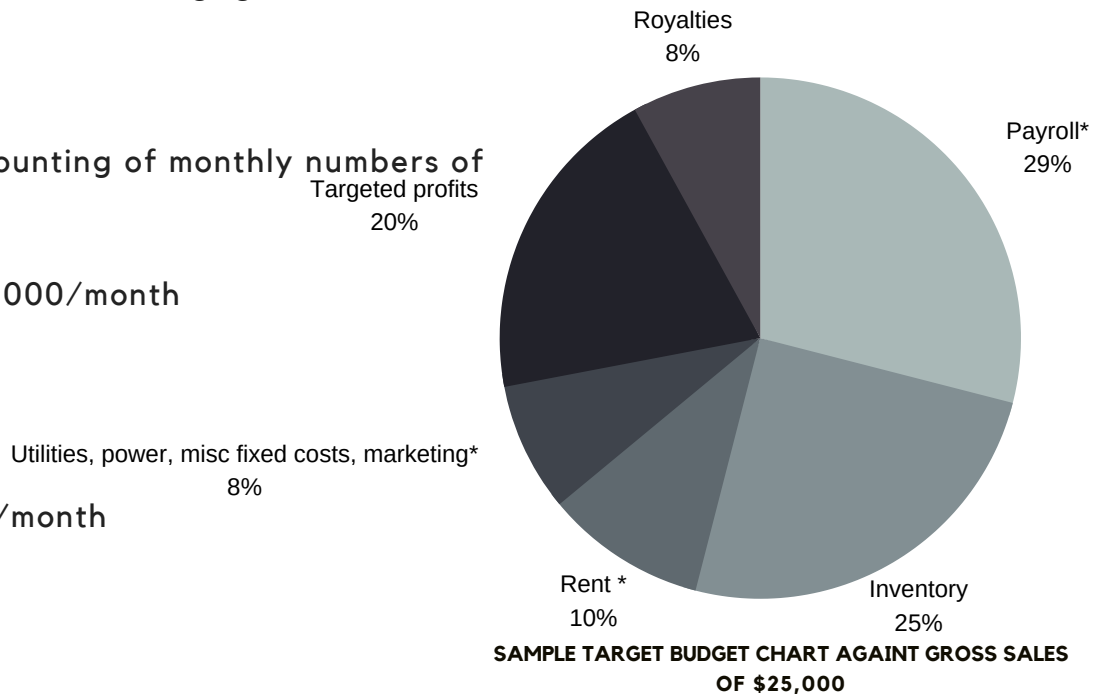
1) Rent: rent is a fixed cost, and of course the lower the rent, more potential profits and budget allocation options. Each space is different and picking the right location can make or break the business. It is recommended to find a space that is 10% of your projected gross sales. For example, if you find a space and the asking rent is \$5,000/sqft, you must be confident to make \$50,000 a month to make sense of the risk that you will be taking. To properly assess projected income, spend a few days (weekday and weekend) counting potential customers passing by your location. Multiply that with the average ticket price of \$8/per person, multiply by 30 day (month). Also take into account that this business is affected by seasonal changes just like any desserts shops and restaurants and make realistic projections for fall and winter times.

POTENTIAL CUSTOMER x \$8 (ticket) x 30 days = MONTHLY PROJECTED INCOME

2) Utilities, power, misc fixed costs: Power usually averages around \$500-\$600 monthly, internet, phone etc is about \$200. Legally, the business is required to carry liability and worker's comp insurance: roughly \$500. It is good to shop around and list out all of your fixed costs in your calculations.

3) Payroll: the fixed payroll for a typical store is 2 people for 8 hours a day multiplied by minimum wage (\$10 for example) multiplied by 30 days + 15% of payroll total (payroll taxes) = fixed payroll cost.

For example: 2 people x 8 hours x \$10 (wage) x 30 days = \$4,800 + \$720 (payroll tax) = \$5,520



To further manage costs, it is imperative for the licensee to continuously manage their team. Business owners must continue to work and lead their team, ensuring the best customer service and product quality assurance. When sales are down, licensee must be ready to understand the fixed costs they can eliminate in the monthly break even analysis, and payroll (next to inventory) is the first and most important factor.

So monthly, fixed payroll is roughly \$5,520 no matter what.

And if sales are \$40,000 for a summer month, payroll should still not exceed \$12,000

4) Inventory: Business owners must be able to hit their monthly budget of 25% of gross sales allocated to inventory. Inventory cost is based on shaved snow powder, toppings, utensils, and other consumable goods. If a store only made \$15,000 in the month of a rainy December, inventory costs should not rise above \$3,750. If the store made \$40,000 in a summer month, inventory cost should not go over \$10,000.

Summary: A good way to calculate Break-even is to add up all cost, fixed and unfixed. In the example above, Break-even cost is roughly \$11,500/month, or \$383.33/day or 48 tickets a day.

MARKETING

Vampire Penguin LLC as a licensor does not dictate the licensee's marketing strategy and budget. We do however want to reiterate the importance of marketing. Our view of marketing is for the licensee to establish themselves, as a business and individual as a valuable part of their community. This is done through great customer service, leading and properly communicating with their team, reaching out and partnering up with local non-profits, churches, organizations, hosting fundraiser, private events, etc. Digital marketing and social media presence is also highly recommended. Be resourceful, marketing doesn't necessarily have to cost a lot, a good and organic strategy is usually free or very affordable. It is good to always remember why you started this business, and let that fuel your strategizing and marketing plans. If done right, you will increase sales, create constant buzz, and be able to give back to your supporters. Be engaged and engaging, and always be physically and mentally present with the people that you work close with. Think of solutions to immediate problems and most of all, remember that owning a business is supposed to be fun.

Some tips and advice:

- 1) make sure that someone in your team is well versed in social media.
- 2) learn to connect and put yourself out there, meet people, talk and listen to them.
- 3) It all starts in customer service, word of mouth is the best way to organically grow your marketing strategy
- 4) support local teams, schools, non-profits, churches, businesses
- 5) join local chamber of commerce, get to know community leaders
- 6) partner with 3rd part delivery companies like UberEats or Doordash
- 7) rewards program for customers
- 8) fundraisers
- 9) private events
- 10) contests

BOOK KEEPING

Proper book keeping is very important for any business. We highly recommend keeping an organized and complete record of all expenses, inventory, payroll, utilities, fixed costs, taxes, etc. It is wise to hire a book keeper or develop the skills to do it yourself. A business owner must work close with their accountant to legally report all earnings and losses to the State and the Federal government. This might be all too obvious, but we have definitely seen licensees fail due to improper accounting and book keeping. Employees or even partners can hide or misplace cash or transactions that is supposed to go to the business. There are a multitude of book keeping and accounting software like Quickbooks to aid you along the way. At the end of the day, the fundamentals of book keeping and cost analysis is net income minus all expenses.

VALUE

Increasing value of your business:

- 1) Increase/maintain sales
- 2) Manage costs and liability

Calculating the value of your business:

One way to know the value your business, is to determine your average yearly net profit (the amount you bring home minus all taxes and expenses) multiplied by a market factor. A market factor can have a value of 1-3 (or more) depending on the strength of your location's future. Let's say you took home \$70,000 last year and you were successful in your marketing strategy and have established your store as a valuable part of your community, your store has a value of \$70,000 - \$210,000. Remember that your value must be backed up by your book keeping reports and other evidence, and a plan for the future.

This is also a good way to determine the evaluation of your store if you decide to bring in partners or investors, or sell it completely. Let's say you want to sell 30% of your store to a partner and the agreed evaluation is \$100,000, you will therefore request \$30,000 in exchange for 30% of your company. Before getting into the contract however, you will need to determine their role and be clear in the terms of your agreement. It is wise to bring in a business lawyer to set your contracts properly.

OPERATING MANUAL

As a licensee and a business owner with their own entity, an operating manual must be drafted, preferably by a business lawyer to determine the rules and procedures of your business team. It is good to list out the specific rules of your company internally and list out what are your procedure, voting system, company roles, dividend schedule, and many more. Think of it as your rules and laws within your internal circle. It will list out ownership of the company, roles and daily operations, and the rules and steps that must be taken if certain events happen.

- 1) There are a lot of operating manual templates online that can be edited for the licensee's individual needs
- 2) Consulting with a business lawyer is definitely recommended

THE FUTURE

Vampire Penguin LLC's main goal as a company is to share our knowledge and continue to grow with our licensees. Aside from increasing sales, determining break-evens, dealing with profits and losses, dealing with employees, the seasonal changes, and ups and downs of business, unexpected losses, or closures, and of course expansion and creating value, at the end of the day, we are in the business of teaching.

Teaching in the form of continuously learning and adapting in the ever-changing business world. Beyond Vampire Penguin and shaved snow, we want to share and constantly better our skills and grow with our licensees beyond the brand Vampire Penguin. We believe that the skills that we are all developing and the priceless experience of starting, running, selling, investing, closing, expanding a business are the real value of this venture.

On behalf of the Vampire Penguin team, we thank you for taking this journey with us.

