

TEAM NEW DORK



GroGreen

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Technovation Challenge 2016

GroGreen Business Plan

TABLE OF CONTENTS

I.	<u>EXECUTIVE SUMMARY</u>	
	A. <u>THE PROBLEM.....</u>	<u>1</u>
	B. <u>THE SOLUTION.....</u>	<u>1-2</u>
II.	<u>PROPOSED SERVICE</u>	
	A. <u>EXPLANATION OF THE APPLICATION</u>	<u>2</u>
	B. <u>DESCRIPTION OF THE OPPORTUNITY THAT EXISTS.....</u>	<u>2-3</u>
	C. <u>DESCRIPTION OF THE TARGET MARKET.....</u>	<u>3</u>
III.	<u>OUR COMMUNITY</u>	
	A. <u>ENVIRONMENT.....</u>	<u>3-4</u>
	B. <u>NUTRITION.....</u>	<u>4</u>
	C. <u>ECONOMY.....</u>	<u>4</u>
	D. <u>COMMUNITY OUTREACH.....</u>	<u>4-5</u>
IV.	<u>RATIONALE & FEASIBILITY</u>	
	A. <u>MARKET TRENDS.....</u>	<u>5</u>
	B. <u>DIFFERENTIATION & COMPETITIVE ANALYSIS.....</u>	<u>6-7</u>
	C. <u>POTENTIAL</u>	<u>7-9</u>
	1. <u>EARNING POTENTIAL & SOURCES OF REVENUE.....</u>	<u>7-8</u>
	2. <u>GROWTH POTENTIAL & POTENTIAL REACH.....</u>	<u>9</u>
V.	<u>BRANDING & PROMOTION</u>	
	A. <u>GROGREEN INCORPORATED.....</u>	<u>9-10</u>
	B. <u>PROMOTIONAL PLAN.....</u>	<u>10-11</u>
VI.	<u>CONCLUSION.....</u>	<u>11-12</u>

I. EXECUTIVE SUMMARY

A. The Problem

In the United States, over six billion pounds of healthy, fresh, and delicious produce is wasted each year.¹ Likewise, one in five fruits and vegetables grown does not fit grocery stores' cosmetic standards to be sold, usually sending it to the waste pile.² As average citizens, we contribute the most to this issue because we tend to seek only the perfect looking fruits and vegetables. Unfortunately, most people do not think about what happens to the produce that does not meet the aesthetic criteria for supermarkets, nor do they understand that it is indeed fit for consumption— often more than those found in stores.

B. Our Solution: GroGreen

Our goal is to turn wasted food into wanted food! GroGreen is an iOS application that aims to eliminate food waste by connecting farms to restaurants that are local to New York City. Farmers typically struggle to sell “flawed” fruits and vegetables because supermarkets and food vendors only sell perfect looking ones. On the contrary, restaurants seek fresh and healthy fruits and vegetables because it does not matter how they look like when raw. After restaurants prepare their dishes,

¹ huffingtonpost.com/2015/05/19/food-waste-ugly-fruits-and-vegs-dont-judge_n_7309432.html

² imperfectproduce.com

customers do not judge their fruits and vegetables on appearance, but rather taste. By connecting farms to restaurants, we can tremendously cut down the amount of food that goes to waste– the two go together like peas and carrots!

II. PROPOSED SERVICE

A. Application Description

GroGreen is a trade and delivery service for restaurants and farms. Users can sign up with a unique account to gain access to a variety of features. GroGreen allows restaurants to place orders by selecting their desired produce from a list of available produce. Restaurants are then able to choose from a list of farms that sell specific items, ordering directly from the farm. Next, a restaurant proceeds to an order page to view and edit options, including price and quantity per pound. Finally, the restaurant can complete the order in one simple button; it's that easy! Likewise, farmers can log in to their accounts to view a list of current order requests. Farmer users also have the ability to archive completed orders, where they will be saved in an order history page. With GroGreen, our goal is to reduce waste by encouraging restaurants to purchase imperfect produce.

B. The Opportunity That Exists

We live in an era in which most daily affairs are conducted with technology, yet the agriculture industry remains mostly paper based. GroGreen has the opportunity to

transform the industry, providing a significantly efficient alternative for restaurants to purchase produce from farms. GroGreen is quite timely, as the ugly produce movement is gaining traction all across the globe, and countries are even introducing legislature to reduce produce waste.³ In the United States, Buzzfeed and National Geographic have recently published articles, deeming ugly produce the solution to waste and world hunger. In addition, Whole Foods has partnered with Imperfect Produce, a California based home delivery company, promising to sell ugly produce in some stores.⁴

C. Target Market

GroGreen is specifically targeted to restaurants and farms local to New York City. GroGreen attracts this vast demographic because it provides an alternative market for both parties. Contrary to popular belief, there are nearly one thousand farms⁵ and twenty-four thousand restaurants⁶ throughout New York City's five boroughs, rendering an enormous produce industry. By keeping our sales local, we will be able to maintain our community benefits and values.

III. OUR COMMUNITY

A. The Environment

³ nationalgeographic.com/magazine/2016/03/global-food-waste-statistics/

⁴ foodtank.com/news/2016/03/imperfect-teaming-up-with-whole-foods-market-to-sell-ugly-produce

⁵ fiveboroughfarm.org

⁶ nyc.gov/html/doh/html/rii/index.shtml

GroGreen will have the greatest impact on the environment by reducing waste and creating alternative markets for farmers. Likewise, locally grown produce significantly eliminates gas emissions; it is estimated that the average fresh food item travels about 1,500 miles to be sold in supermarkets.⁷ GroGreen can provide fresh produce to restaurants without excessive travel and waste.

B. Nutrition

Connecting restaurants directly to farmers ensures that the produce is farm fresh. The absence of pesticides, GMO's, and antibiotics in organic produce is one of the main incentives for restaurants and consumers to buy organic. In fact, 45% of Americans actively seek organic foods to include in their diets.⁸

C. Economic Benefits

Local business stimulates the city economy, and GroGreen's service benefits both farmers and restaurants. Farmers will gain access to new markets, and restaurants will happily buy "flawed" produce at lower prices, as the appearance does not affect the final dish. Additionally, GroGreen markets farms and farm-grown products for free, and restaurants will likely earn a reputation for their fresh, locally grown, organic ingredients.

D. Community Outreach

⁷ The Leopard Center for Sustainable Agriculture

⁸ gallup.com/poll

To further improve our community, we will donate 2% of our total revenue to local food banks and nonprofit organizations, including City Harvest and Food Bank for New York City. We believe that food should never be wasted, especially when it can be redistributed to others.

IV. RATIONALE AND FEASIBILITY

A. Market Trends

1. **The Organic Industry** is currently the fastest-growing lifestyle trend: there has been a 3,400% increase in sales in the past twenty-four years, and the organic food market is currently valued at \$35 million.⁹
2. **NYC restaurants are buying locally.** Locally sourced restaurants attract consumers. Chefs from top restaurants, including Union Square Café and Blue Hill Stone Barns, insist on using locally grown produce to satisfy their customers.
3. **Consumers are buying farm-to-fridge.** People are now ordering local food via web and mobile app delivery services. For example, Nextdoororganic, a Brooklyn-based company, delivers organic fruits, vegetables, and meat to the homes of subscribers on a fixed schedule.

⁹ foodsafetynews.com

B. Differentiation & Competition

Currently, no there are no apps that directly connect farmers to restaurants, nor are there any that promote “ugly” produce at lower prices. GroGreen is unique in that it focuses on selling imperfect produce that may not otherwise be sold. There is unfortunately a low demand for blemished produce, thus restaurants save money with GroGreen because they will be buying below the market price. Similarly, farmers gain access to alternative markets for their irrationally unwanted produce.

Our closest competitor is Dine Market, however restaurants have reported that this application is rather inefficient because all transactions are carried out through the company. For example, to request specific information, a restaurant must call the company, which then calls the farm. To avoid this chaos, GroGreen will provide all the necessary information to restaurant users ahead of time. Other apps that are competitors to GroGreen are those that allow users to locate and track farms based on the produce they seek. Locavore helps consumers explore what local foods are in season, and locate the nearest farmer’s markets that sell them. HarvestMark Traceability allows users to trace the original farms of their produce by scanning any fruit or vegetable with the HarvestMark logo.¹⁰ Although there are quite a few apps pertaining to farmer’s markets, GroGreen stands out in its core mission to help the

¹⁰ thecultureist.com/2013/10/11/23-best-sustainable-food-apps/

economy and environment.

C. Potential

1. Earning Potential & Sources of Revenue

GroGreen's primary source of revenue comes from the 40% commission on all sales. Although this may seem like a high dividend, it is important to note that GroGreen focuses on produce that most likely would not be sold at all. Rather than throw out their unsold produce, farmers have the opportunity to sell imperfect produce via GroGreen, while retaining a majority of the share. Additionally, restaurants will pay a delivery charge that is 7.50% percent of the order total. This fee allows GroGreen to provide an efficient and reliable delivery service.

We project that in the first three years GroGreen will attract 150 restaurant users, generating a net operating profit of \$270,146. Within five years, GroGreen will reach 182 users, earning a total profit of nearly \$1.2 million. Although there is a slight deficit in the first year, this is not abnormal for a startup and GroGreen will recuperate in the second year.

GroGreen Tech
Operating Proforma - Market #1 (NYC)

Assumptions

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Thereafter</u>
# of Restaurant Users	30	75	150	+10% p.a.
Avg. Total Monthly Produce Sales per User	\$4,500	\$4,613	\$4,728	
% of Produce Sales via GroGreen Tech	15.00%	25.00%	30.00%	30.00%
GroGreen Discount to Market	20.00%	20.00%	20.00%	20.00%
Avg. Monthly Company Produce Sales per User	\$540	\$923	\$1,135	
Company Commission per Sale (Paid by farm)	40.00%	40.00%	40.00%	40.00%
Delivery Charge per Order (Paid by restaurant)	7.50%	7.50%	7.50%	7.50%
<i>Office Personnel</i>				
Sales	\$50,000	\$50,000	\$100,000	
Delivery Coordinator	\$25,000	\$25,000	\$25,000	
Bookkeeping	\$35,000	\$35,000	\$35,000	
Marketing	<u>\$40,000</u>	<u>\$40,000</u>	<u>\$40,000</u>	
	\$150,000	\$150,000	\$200,000	+5%
Marketing Expenses (% of Sales)	20.00%	15.00%	10.00%	10.00%

Income and Expenses

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Income					
Produce Sales	194,400	830,250	2,042,415	2,302,823	2,596,433
Delivery	14,580	62,269	153,181	172,712	194,732
Subtotal	208,980	892,519	2,195,596	2,475,535	2,791,165
Expenses					
Cost of Goods Sold	116,640	498,150	1,225,449	1,381,694	1,557,860
Delivery	14,580	62,269	153,181	172,712	194,732
Office Personnel	150,000	150,000	200,000	210,000	220,500
Marketing Expenses	38,880	124,538	204,242	230,282	259,643
Accounting Fees	3,500	3,588	3,677	3,769	3,863
Office Supplies	500	513	525	538	552
Community Philanthropy	3,888	16,605	40,848	46,056	51,929
Miscellaneous	5,000	5,125	5,253	5,384	5,519
Subtotal	332,988	860,786	1,833,176	2,050,436	2,294,598
Net Operating Profit	-124,008	31,733	362,421	425,098	496,567

2. Growth Potential & Potential Reach

GroGreen will allocate its revenue towards improving our service and interface.

We plan to introduce a variety of features to improve the user experience, including notifications, search filters, live updates, produce photos and descriptions, location and map view, and eventually van delivery, which will set GroGreen further ahead of other companies. In our prototype model, sales are conducted manually, however our next step is to facilitate sales by introducing in app payment. After succeeding in New York, we plan to introduce GroGreen to other cities in the United States. Since food waste is a ubiquitous issue, GroGreen can easily be implemented anywhere.

V. BRANDING AND PROMOTION

A. GroGreen Incorporated

If we win the Technovation Challenge, our first goal would be to incorporate GroGreen as a company in order to launch the application to the public. We would utilize our budget as follows:

DEVELOPMENT BUDGET

■ Organizational/Legal Costs ■ Application/Website Development ■ Marketing



B. Promotional Plan

The GroGreen logo is an ugly apple, representing the Big Apple State, with a spoon and rake crossed, as GroGreen will connect the two industries. We chose these elements to represent our purpose, community, and the change we hope to bring about.

If team New Dork were to win the competition, we would spend 60% of the Technovation budget on marketing. It is critical to focus equally farms and restaurants to ensure enough restaurants subscribe to meet our projections and that there are enough farms to satisfy the restaurant users. Specifically, we would allot \$1000 of our marketing budget to hosting a launch party– a startup necessity. In order to effectively make use of our funds, we would advertise in food related magazines, blogs, and websites, as well as promote GroGreen at popular farmer’s market locations, where our notices will draw many potential farm users. We also hope to partner with

Greenmarket, an organization that promotes regional agriculture, as its influence on New York City's farmer's markets would prompt opportunities for us to connect with local farms. GroGreen will attract many farms and restaurants because it benefits them economically and protects the environment. We have already begun to reach out to local restaurants and farms, and we plan to partner with Bruno Pizza, a restaurant named Restaurant of the Year by Eater, and North Brooklyn Farms, a pillar of the New York urban farm community. These companies agree that there is a great opportunity for GroGreen to revolutionize communication between restaurants and farms.

VI. CONCLUSION

Food waste in New York City is an environmental crisis that is only increasing in severity, but GroGreen is a promising solution that can help to combat this issue. Team New Dork was inspired to tackle this problem with technology after we noticed how often people avoid produce that appears ugly, but tastes delicious. It is an opportune time to introduce GroGreen to farms and restaurants in New York City because citizens are beginning to realize that there are indeed detrimental consequences to wasting perfectly edible food. GroGreen will attract a wide demographic because there are thousands of farms and restaurants that can benefit from our unique mission to utilize imperfect produce at lower prices. Our financial forecasts validate that GroGreen will thrive as a company, and there is great potential

to improve and expand in order to reach as many consumers as possible. We hope that GroGreen will help to raise awareness and reduce the amount of wholesome produce that is wasted in New York. Join us in feeding the movement– let’s turn wasted food into wanted food!