



HAYEK GLOBAL COLLEGE  
OPERATIONS AND PROJECTS

**JUSTE FAIT – FINAL REVIEW**

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## Executive Summary

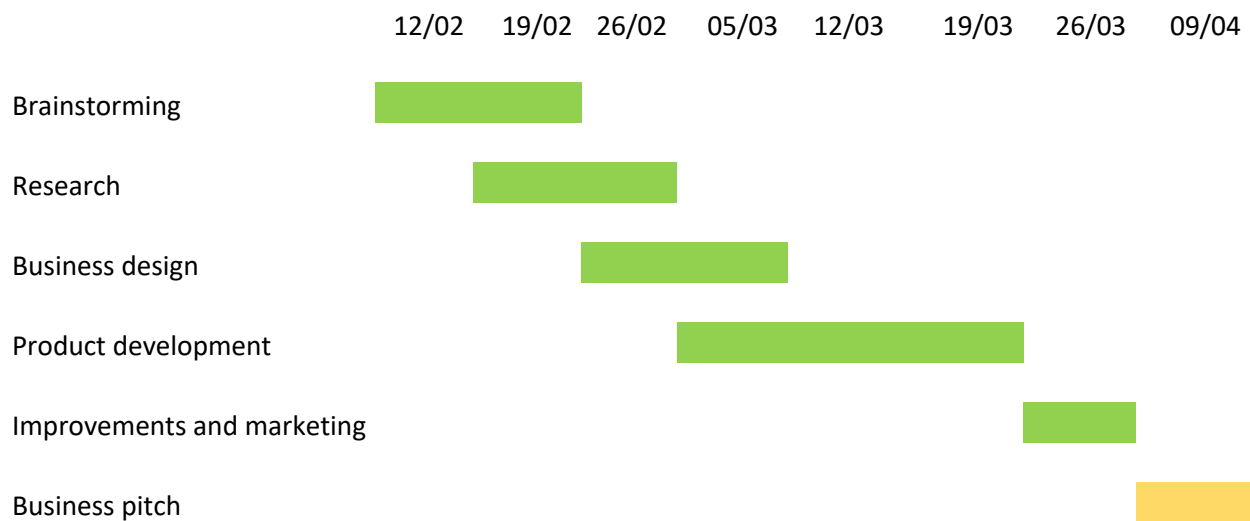
Juste Fait is a fine-dining project, offering a unique experience of “restaurant at your place”, where our customers will be able to choose having their food delivered – and cooked – at the moment, or getting a full experience by getting visited by one of our professional chefs, ready to create a full personalized gourmet dinner.

Our project is based on two of the current fastest growing models in the restaurant industry:

- 1) Mobile app.- Through our mobile app, we will offer a fully integrated customer journey, from choosing the menu, selecting the chef having the chance to see reviews, specialties and availability, paying online and tracking their order.
- 2) Dark kitchen.- Our model allows us to establish our operations in strategic locations, without the need of receiving customers, which will also help reducing costs. In our “chef-houses” we will have all the fresh ingredients, the materials required by each chef, as well as operating staff.

Through different strategies like partnering with electric car rental companies, we have reduced our initial investment to 399,000 EUR, with proportional OPEX. As a result, in our first year we expect a net profit of 512,000 EUR.

We provided a GANTT Chart as well for our planning:



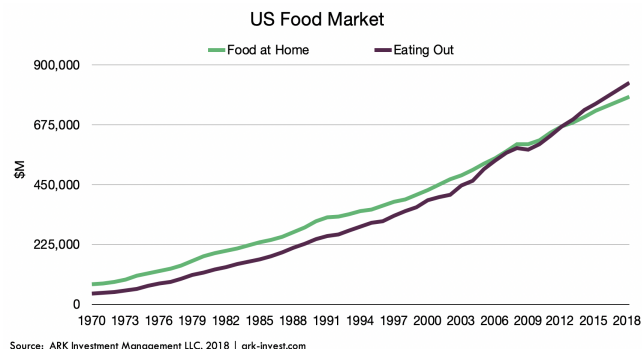
## Introduction

Even before the internet, technology was an important change agent in the food industry. Thanks to industrialized agriculture, the percentage of the US workforce employed in food production has dropped from more than 90% in the 18th century to less than 10% today.



On the consumption side, the percentage of food that is self-produced has dropped from roughly 33% 150 years ago to less than 1% today, as shown below. As agriculture has industrialized, the scale and efficiency of food production has improved dramatically.

Roughly 90% of Americans either hate or feel ambivalent toward cooking, according to a study by HBR<sup>1</sup>. As a result, the modern restaurant industry has grown to a revenue base of \$830 billion in 2018, as shown in the table. Americans today spend more money on "dining out" than buying groceries. Even without much help from technology, at least not yet, convenience has triumphed over cost, creating a larger market in the process.



At the very beginning, meal delivery offered the best of both worlds: cooked food delivered to customers who could enjoy it in the comfort and privacy of their homes. But nowadays, and after an accelerated transformation of customer behavior due to covid pandemic, customers are well used to delivery and it is no longer fulfilling their needs. A hamburger rarely tastes the same in the restaurant than delivered after 30-45 min of being prepared. With a chewy bun, a cold-overcooked meat and not sufficient sauces, it offers a very different experience.

That’s the reason behind *Juste Fait*. It is designed to close that gap between both worlds, having the same experience as in a restaurant, without scarifying the quality of the food.

Also, we considered doing a broad PEST analysis on *Juste Fait* so that we can map the risks before planning our business:

Political	Economic	Social	Technological
The EU provides incentives and subsidies towards the purchase of electric cars	Inflation rates are still low, but are very likely to rise soon.	Millennials want both cleaner cars and environmental care.	There is still a lack of charging stations across cities in Europe, although they are rising quickly.
Electric vehicles are exempt from emissions tax	Import duties are low for batteries of electric vehicles.	Low range of vehicles is adequate to the scope of <i>Juste Fait</i> .	Batteries are unlikely to charge more quickly for the foreseeable future.
The EU has a policy of decreasing the use of cars powered by petrol.	Electricity is both inexpensive relative to other countries and stable.	The use of electric cars will be more demanding and will add value to companies in the near future.	Cloud gives access to a broad range of technologies innovating faster and reducing

<sup>1</sup> Harvard Business Review: “The grocery industry confronts a new problem” <https://hbr.org/2017/09/the-grocery-industry-confronts-a-new-problem-only-10-of-americans-love-cooking>

			operation costs and storage.
In the next years, the political turmoil will impact even more the use of electric vehicles.		People in general are becoming more aware of environmental friendly companies.	

## PART I - Project description

### Team project organization

Based on each team member expertise and interest, we have defined our own internal structure:

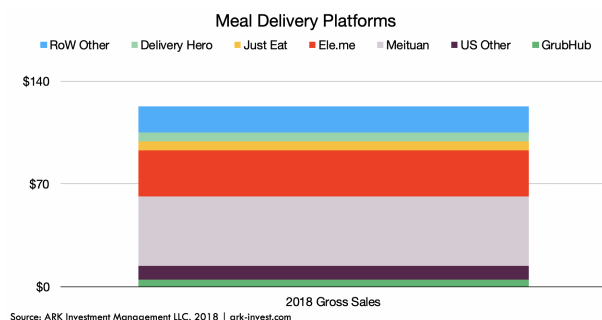
- Felipe: Operations
- Anikó: Finance
- Hermann: Commercial

We have worked on this project using some of elements of Agile methodology, like sprints, which helped us reducing dependencies on the project and also reducing the impact of the different time zones (+8H) between the team.

### Market analysis

At first blush, the total addressable market (TAM) for food delivery seems likely to approximate that of the restaurant industry. Ten percent cannibalization of the \$800 billion<sup>2</sup> US restaurant industry, for example, would suggest a domestic revenue opportunity of \$80 billion. True, but this estimate fails to incorporate an important nuance: meal delivery takes share not only from eating out but also from home cooked meals, creating a new market. For most meals, consumers do not want to cook or go out to a restaurant, pointing to quite a large market opportunity.

Despite the relatively new model, online meal delivery platforms already have hit \$120 billion in gross food sales globally, as shown below. Unlike the case with past internet enabled business models, China - not the US - is the market leader by far in meal delivery. Meituan and Ele.me (ELEME) generate close to \$80 billion in gross sales annually,



<sup>2</sup> Nation's restaurant news: "Restaurant sales to hit \$799B" <https://www.nrn.com/sales-trends/nra-restaurant-sales-hit-799b-2017>



accounting for 64% of global market share. Grubhub, the market leader in the US, contributes just \$5 billion in comparison.

## PART II

### Project evaluation

As a start, the value *Juste Fait* wants to achieve is basically the experience of a meal prepared in a restaurant that can be delivered anywhere. As value proposition, the company shall provide premium food “prepared at the customer’s door”. The initial prospects for such a business indicate a few types of new challenges: **(1)** size of vehicles, which will impact both on the on the variety of the menu as on the urban public spots where the food can be prepared; **(2)** high cost initial investment, which are related both to the size of the fleet of cars and to the skilled professionals which can be hired for a function that demands cooking and driving skills. For those challenges, the market research so far indicated the best possible starting point are **(a)** markets where people are inclined to pay more for gourmet food and **(b)** where there is lower demand for long distance transportation.

We may summarize *Juste Fait*, for a start, in its vision, mission and values statements as following:

- 1) Vision** – As revolutionary gourmet food service, we will set the standard for post-pandemic quality food.
- 2) Mission** – To lead our chosen markets in taste, quality, and consistency; to set the market standards for personal service; to be flexible and innovative in our products and practices.
- 3) Values** – Food quality and safety. Integrity. Trust.

### Location

For reasons mentioned above, the Western European market was the best choice for a starting point. According to the most recent data<sup>3</sup>, customers in countries like Switzerland, Norway, Iceland, Denmark, Luxembourg and France are willing to pay €10.00 or more for a McDonald’s combo. On region level analysis, we can see that prices tend to be much higher in Central Europe, and they start dropping as we move to the East. The same cannot be said, for example, in Latin America countries, where people not only tend to avoid gourmet food on a regular basis (for pricing reasons), but are much less willing to

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<sup>3</sup> NUMBEO. “Europe: prices by city of McMeal at McDonald’s (or equivalent combo meal)”. Available at: < [https://www.numbeo.com/cost-of-living/region\\_prices\\_by\\_city?itemId=3&region=150&displayCurrency=EUR](https://www.numbeo.com/cost-of-living/region_prices_by_city?itemId=3&region=150&displayCurrency=EUR) >

pay high prices even for non-gourmet food like McDonald's. In Argentina, the average of McMeal is \$850,00<sup>4</sup> (€7,16) and in Brazil is even lower, going around R\$26,90<sup>5</sup> (€4,86).

With these perspectives, the three selected locations are Reikjavik (Iceland), Copenhagen (Denmark) and Poitiers (France). After selecting the first openings, we will leverage our model by selecting strategic locations, with easy access to each city downtown, while optimizing costs. Our locations are planned to be closed-doors, using the “dark kitchen” model, reducing rent and operating costs.

## Scope

Concerning the scope, we need to consider customers preferences, their economic level, and also age and gender. These are the considerations we will summarize in the following lines.

For this business segment, we are aiming at people who live and work in urban metropolitan-like areas, who are looking for quality ingredients and skilled professionals that can provide their favorite cuisine. Among them, we are aiming at both individual and collective levels of service providing, for example: **(1)** single people and/or couples who want a more elaborated meal for a special occasion, celebration or even weekend; **(2)** family and/or friends gatherings, where multiple people may require the on-spot skills of a chef to prepare high quality food.

In any way, the major customer is an individual, or a group of people, who wish to purchase the quality of best restaurants, with the quality of a just prepared meal, matched with the comfort of their own houses of chosen environments. And this type of customer is on the rise since the COVID-19 pandemic, a phenomenon that, even with the lowering of restrictions of public places, is still growing: there was a consistent jump of 44% since 2019.<sup>6</sup> So, taking such profile as reference for the study, the economic level of customers is probably around a middle class customer that is occasionally willing to pay more for high quality food.

According to most recent studies<sup>7</sup>, millennials and gen-zers are the ones most likely to look not only for specialty food, but also for gourmet services – both in restaurants and in app systems. Even though gen-zers do not stay far behind, millennials are the top specialty food consumers in the U.S.<sup>8</sup> Products that are featured online or have won an award, for example, tend to resonate more with millennials. Items that invoke a sense of adventure, such as alternative proteins, cricket flour, and ready-to-drink nutritional beverages, are also appealing. Opposite to this trend, gen-xers and baby boomers tend

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<sup>4</sup> Available at: < <https://www.pricelisto.com/menu-prices/mcdonalds-ar> >

<sup>5</sup> Available at: < <https://midiapaulistana.com.br/cardapio-mcdonalds/> >

<sup>6</sup> SENSOR TOWER. “State of food and restaurant apps in Europe 2021: installs rise 44% since 2019”. Available at: < <https://sensortower.com/blog/state-of-food-delivery-apps-europe-report-2021> >

<sup>7</sup> SFA. “Today’s specialty food consumer: 2016”. Available at: < <https://www.specialtyfood.com/news/article/todays-specialty-food-consumer-2016-webinar-recap/> >

<sup>8</sup> STATISTA. “Distribution of specialty food consumer in the U.S. as of 2019, by generation”. Available at: < <https://www.statista.com/statistics/196976/age-distribution-of-us-specialty-food-consumers-2010/> >



to purchase items that make every day cooking and eating easier, as they tend to cook at home most often and purchases range from meal components like grains and rice to convenience items like snacks and energy bars.

In this sense, the entire business should be aimed at the younger generations, which are prone to test and recommend new businesses and novelties in the market. Also, as mentioned above, products that are featured online will resonate more with this public.

### **Technical design**

As mentioned previously, *Juste Fait* will focus on the development of a mobile application (app), adaptable to all devices, but mainly to be used on cellphones; the app will run user cases to identify opportunities and bugs. The main features and strategies for the viability of the app will be (i) on-time location for tracking; (ii) available as a payment online platform, complying with all of the European Union regulations; (iii) possibility of running marketing campaigns to increase traffic to *Juste Fait's* website/portal and increase download ratio as well.

Another useful solution for the app is to provide the *curriculums* of the chefs online, and also links to social media and possibility of interconnecting their profiles with the app for engagement. The idea behind merging the food delivery service with social media is reinforcing the trust-basis philosophy that *Juste Fait* primarily relies on, since customers are essentially receiving employees in their houses and workplaces. Through the social media solution, the company may increase its success both in promoting and rewarding professionals and building trust in a blue ocean of new social relations.

### **Project financing**

Considering its initial costs, which shall be detailed in the Part III, the first basic ideas for financing *Juste Fait* project will rely, first and foremost, in partnerships for the car fleet, which is indisputably the costly aspect of this business. In order to attend it, a partnership with Europcar, a company investing in electric vehicles, will provide the kickstart of the business. So, instead of buying all the electric cars for initial investment, *Juste Fait* shall seek for partnership with car rentals or leasing – being the latter the most viable opportunity. Also, green technology and economy is one of the main interests in millennials and gen-zers consumption habits, and therefore a potential strength of *Juste Fait*.

## **PART III – Financials**

### **First year budget (P&L)**



For creation and successful project implementation the initial first year's financial budget creation is extremely necessary. According to our plans in the first year we would like to buy 10 cars, since with 10 cars working parallelly in different locations we would be able to make our services available in different parts of the city, without any fix connection to a location. Also, it would give us the possibility to have 10 live cooking shows running in the same time. If we create a special cooking experience for 10 household, let's count them with 6 people, we could get close to 60 customers daily. The mentioned reached 60 customers per night can use word of mouth marketing as promoting our business between their friends, which could bring is future potential customers.

Also, these 10 cars have to be equipped. After discussions we decided to buy more expensive electric cars, which could avoid the problem of the rapidly rising gas prices. Also, we need to mention that in the first year, the electric vehicles can be charged for free. Thanks to this fact we could save 12.000 EUR per year. We have decided to rent one warehouse, where the vehicles and the equipment can be stocked. In the first year we would employ 12 employees, 10 chefs, 1 administrative, PR and 1 stock and logistic manager. As initials costs in the first year, we would have 399.000 EUR.

**TABLE 1. INITIAL COSTS**

	Concept	Cost	pcs	Total	Comment	Total p/year
<b>FIX</b>	Electric car	19.000 EUR	10	190.000 EUR		190,000
	Equipment	500 EUR	10	5.000 EUR		5,000
	Electricity for charging	100 EUR/month	10	1000 EUR	First year for free	12,000
	Warehouse	1000 EUR/month	1	1000 EUR		12,000
	Salary to employees	1000 EUR/month	12	12.000 EUR		144,000
<b>VARIABLE</b>	Ingredients	5 EUR	500	2500 EUR		30,000
	Marketing	500 EUR	1	500 EUR		6,000
	<b>Total</b>					<b>-399.000</b>

## Pricing Analysis

The creation of an optimal price is necessary for achieving a successful business. We have studied various companies on the market providing similar services as Just Fait. For examples, Take a chef company. While in Take a chef a dinner for 10+ people cost above 50-70 EUR/person we decided to offer the service for a more economic price for 35 EUR/person. Our goal is to create and provide high quality service and gastronomical experience even for the middle class.

In an average month in the first year the costs would be around 17.500 EUR.

**TABLE 2. MONTHLY COSTS**

	Concept	1 Month
<b>COSTS</b>	Salary to employees	12,000
	Ingredients	2,500
	Marketing	500
	Extra costs	1,500
	Warehouse	1,000
	<b>Total</b>	

**TABLE 3. PRODUCT PRICING**

PRODUCT PRICE		
	Classic burger	15 EUR
	Classic burger+french fries+drink	20 EUR
	Extra / seasonal burger	19 EUR
	Extra / seasonal burger+french fries+drink	23 EUR
	Live dinner experience for 1-3	50 EUR/person
	Live dinner experience for 4-6	45/person
	Live dinner experience 7-10	40/person
	Live dinner experience 10+	35/person

## NPV calculation

NPV or Net Present Value shows for the company that how much value their product or service will create in the future for the company.

$$NPV = \text{initial investment} + \frac{\text{Cash flow Year 1}}{(1+r)^1} + \dots + \frac{\text{Cash flow Year n}}{(1+r)^n}$$

Or,

$$NPV = \text{initial investment} + \sum_{t=1}^{t = \text{end of project}} \frac{(\text{Cash Flows at Year } t)}{(1+r)^t}$$

Formula 1: Net Present Value Calculation<sup>9</sup>

<sup>9</sup> Available at: <https://www.ibm.com/support/pages/how-calculate-npv-rational-portfolio-manager>

In our case initial investments are: 399.000 EUR. If we calculate with 792.000 EUR revenue, and 512.000 EUR net profit in the first year, the cash flow will be 1 072 000 EUR.

**TABLE 4. NPV**

<b>1 YEAR</b>	$399000+(1\ 072\ 000/1,6)$	1,069,000.00
<b>2 YEAR</b>	$399000+(1\ 670\ 000/1,6)^2$	1,089,414,461.500
<b>3 YEAR</b>	$399000+(2\ 100\ 000/1,6)^3$	2,260,986,328.00
<b>4 YEAR</b>	$399000+(2\ 290\ 000/1,6)^4$	4,196,256,227.00
<b>5 YEAR</b>	$399000+(3\ 572\ 000/1,6)^5$	55,457,123,289.00