

BUSINESS PLAN FOR
PEACOCK & VERITY



Supported by the Architectural Heritage Fund



DECEMBER 2020

Produced by Tourism UK Ltd in consultation with Peacock and Verity Community Spaces

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EXECUTIVE SUMMARY. TBC

1.1 Introduction

- 1.1.1 This business plan is intended to consider the viability and operation of a café, retail outlet, training room and heritage study centre at 15 Silver Street Masham a building with a trading history going back to the 1700s.
- 1.1.2 A key aim of this business plan is therefore to create a business model for the project which will ensure that Peacock and Verity can be a viable and sustainable resource. This plan investigates every opportunity to develop new income-generating activities, resulting in a vibrant, sustainable mixed economy model.

1.2 Scope of the Project

- 1.2.1 The purpose of the project is to undertake the community purchase of 15 Silver Street, to refurbish the building, and to hold and operate it for the long-term benefit of Mashamshire and its people.
- 1.2.2 The objectives are:
- That local people and visitors can meet, study and create within secure and engaging community spaces.
 - That 15 Silver Street is restored and celebrated as an historic complex of buildings; retained in community ownership in perpetuity.
 - That local people and visitors can be immersed in a living experience of shop, café and work life in the early 1900's whilst taking the lessons into our today and tomorrow.
 - That those members of our local community who want to live, work and stay in Masham but are forced to leave through lack of available low-cost housing have access to affordable small rental units

1.3 Market Potential

- 1.3.1 For business modelling purposes, the markets for Peacock and Verity can be described under the various products and services that the site will offer. These offers include the heritage visitor experience, café and retail.
- 1.3.2 Visitors to these heritage assets will be drawn from a number of markets including:
- Locals and day visitors from within a 30-minute drive time radius (and for some of the larger attractions this may extend to an hour's drive-time)
 - Domestic and overseas tourists staying in the area
 - Education market – primary, secondary and further education markets
 - Specialists – researchers, academics, special interest groups etc.
- 1.3.3 Visitors will also be drawn to the workshops on offer which will include:
- Craft - key partners Artison which provides craft workshops will extend their range
 - Produce-related and building maintenance related workshops will supplement the heritage activity

1.4 The Offer

- 1.4.1 The project is to *undertake the community purchase of 15 Silver Street, to refurbish the building, and to hold and operate it for the long-term benefit of Mashamshire and its people.*
- 1.4.2 The intention is; That local people and visitors can meet, study and create within secure and engaging community spaces which tell the story of the history of our town and community whilst enabling us to build a sustainable future together. That 15 Silver Street is restored and celebrated as an historic complex of buildings; retained in community ownership in perpetuity. That local people and visitors can be immersed in a living experience of shop, café and work life in the early 1900's whilst taking the lessons into our today and tomorrow. That those members of our local community who want to live, work and stay in Masham but are forced to leave through lack of available low-cost housing have access to affordable small rental units

1.5 The Business Model

- 1.5.1 The business model assumes that the café and shop will be operated and run by a small team reporting directly to the board. The unique offer will attract locals and tourists and 15 Silver street will become an attraction in its own right.
- 1.5.2 Capital to purchased and refurbish the building will come from a number of sources including a contribution from the housing association which will take the upper floor and a fundraising campaign including applications to NLHF.

1.6 Management and Governance

- 1.6.1 A site manager will be employed along with an assistant and a cohort of waiting and service staff. The site manager will report directly to the board.

1.7 Economic Impact

- 1.7.1 A calculation of economic impact has been developed. This shows that the project will create/support 32 FTE.

2. INTRODUCTION

2.1 The Business Plan

- 2.1.1 This business plan, supported by the Architectural Heritage Fund, is intended to consider the viability and operation of a café, retail outlet, training room and heritage study centre at 15 Silver Street Masham a building with a trading history going back to the 1700s. This building, a hidden gem containing a rich heritage, also offers an opportunity to provide a sustainable addition to the retail sector within the market town, supporting the needs of the local community and tourists in the area.
- 2.1.2 A key aim of this business plan is therefore to create a business model for the project which will ensure that Peacock and Verity can be a viable and sustainable resource. This requires an energetic approach to revenue development. This plan therefore investigates every opportunity to develop new income-generating activities, resulting in a vibrant, sustainable mixed economy model.
- 2.1.3 The process to achieving this has involved looking laterally at markets, resources, partnerships and marketing. To develop this plan, we have drawn on experience across the heritage, tourism and commercial sectors and considered the development and delivery models behind some best practice comparators.

3. ABOUT THE ORGANISATION

3.1 Peacock & Verity Community Spaces Ltd

Introduction

- 3.1.1 Peacock and Verity Community Spaces Ltd (P&VCS) is a company limited by guarantee #12534257 managed by a board of local trustees. A community organisation, it is established for the benefit of the community and visitors of Masham and Mashamshire; to undertake the community purchase of 15 Silver Street, to refurbish the building, and to hold and operate it for the long-term benefit of Mashamshire and its people.
- 3.1.2 Objectives
- That local people and visitors can meet, study and create within secure and engaging community spaces which tell the story of the history of our town and community whilst enabling us to build a sustainable future together.
 - That 15 Silver Street is restored and celebrated as an historic complex of buildings; retained in community ownership in perpetuity.
 - That local people and visitors can be immersed in a living experience of shop, café and work life in the early 1900's whilst taking the lessons into our today and tomorrow.
 - That those members of our local community who want to live, work and stay in Masham but are forced to leave through lack of available low-cost housing have access to affordable small rental units

Management, Governance and Volunteers

- 3.1.3 The company is run by a group of members as follows:

- Janet Ruth Reed (project manager)
- Alan Maurice Hodges
- Timothy David Ives Klemz
- Keith Marshall
- John Howe
- Cllr Val Broadley – Masham Parish Council

3.2 The Heritage

- 3.2.1 Masham has a unique and fascinating range of heritage to explore. The landscape of Mashamshire shows clearly the farming, industrial and cultural practices of over two thousand years, from Roman settlement through Anglo-Saxon burial sites and the medieval court system to more recent developments including brewing and water management. The town contains 67 listed buildings – a series of homes, shops and public facilities through which the journey through these centuries of history and development can be seen.
- 3.2.2 Masham retains a range of unspoiled historic buildings, both public institutions such as the church, chapel and town hall, and private ones such as many interesting homes, the old mill, the former railway station, and the country’s oldest snooker club. The surrounding villages, moor and dale contain many notable houses, farms and places of worship, and at Breary Banks is preserved, very unusually, the remains of a navy village. Fifteen Silver Street is very much in this tradition, having been a grocery-related shopfront for over two centuries, and probably much longer. The heritage focus is on how the social and farming history of the area are reflected in the buildings.
- 3.2.3 The grocery business on site has a known trading history tracing back to the 1700s. The building is constructed of several interlocking buildings that have been added to and redesigned many times over its long history.
- 3.2.4 The upper floor to the right side has been a large open space used as a tearoom from the early twentieth century accessed from a central staircase. The remain upper floors are used as a dwelling.

4. PROJECT DEVELOPMENT

4.1 History and Development of the Project

- 4.1.1 The project began back in 2016, when the local history organisation, The Making of Mashamshire, became interested in leasing 15 Silver Street to develop as a desperately needed Heritage Centre and teaching space. This had just reached final stage for funding approval from the Heritage Lottery Fund when sadly, the sudden death of the building owner changed the circumstances. The whole building being put on the market. The community was concerned that it might lose the main grocery business just as the town was struggling to maintain retail; Masham had recently lost two banks, a post office and newsagent.
- 4.1.2 As a community-led group then Making of Mashamshire decided to work together to see how the whole building could be used to address some key needs in the community; primarily maintaining a crucial retail presence on the high street, providing community-led affordable housing and a heritage community enterprise.

5. STRATEGIC BACKGROUND

5.1 Vision

- 5.1.1 The aim of the company is:

For the benefit of the community and visitors of Masham and Mashamshire to undertake the community purchase of 15 Silver Street, to refurbish the building, and to hold and operate it for the long-term benefit of Mashamshire and its people.

That local people and visitors can meet, study and create within secure and engaging community spaces which tell the story of the history of our town and community whilst enabling us to build a sustainable future together.

That 15 Silver Street is restored and celebrated as an historic complex of buildings; retained in community ownership in perpetuity.

That local people and visitors can be immersed in a living experience of shop, café and work life in the early 1900's whilst taking the lessons into our today and tomorrow.

That those members of our local community who want to live, work and stay in Masham but are forced to leave through lack of available low-cost housing have access to affordable small rental units

- 5.1.2 Peacock and Verity is attempting a bold and unusual approach to the opportunities of this unique heritage building; to understand the way residents used to live to help them move forward. This will be reflected in design through a mix of old features being protected and accessed by the modern. The plan is that this approach should reflect how people would have chosen to live, work and socialise; particularly in the early 1900s. Peacock and Verity believes that people should feel valued and treasured members of the community, deserving of unusual original features, large windows and spacious ceiling heights as well as modern, clean facilities; not just identikit boxes with standardised fittings.

- 5.1.3 Peacock and Verity believes this will have a significant effect on how residents treat the building, but also on their self-worth and wellbeing, and their willingness to be engaged with the community "downstairs". This will take a commitment from the designers and contractors, but primarily volunteer time, energy and creativity of which Peacock and Verity has much.
- 5.1.4 P&VCS aim to show off the historic jewels within the building - from the remaining leaded windows to the Georgian staircase – that show a timeless commitment to beauty and functionality in design, while using the best modern techniques and solutions. Thus a building which celebrates the past while fully equipped for the future will be created.

5.2 Project Objectives

- 5.2.1 The aim of this project is to
- **address key needs in the community; primarily maintaining a crucial retail presence on the high street focussing on local produce and providing community-led affordable housing and a heritage community enterprise.**
- 5.2.2 Through enabling access to the site and the learning and participation opportunities it presents, benefits will be offered to:
- **Local residents of Masham** who can use the café and shop and participate in a wide range of heritage-related activity.
 - **Local businesses** that can benefit from opportunities through workshops, stockists and networking.
 - **Primary and secondary school pupils and tertiary students** who will be able to use the heritage space to explore a range of curriculum-related themes grounded in the history and heritage of the site.
 - **Heritage enthusiasts including special interest individuals and groups** who will learn more about the history of the area.
 - **Visitors to Nidderdale and North Yorkshire** (local, regional, national and international) who are interested in the culture and of the market town, including those visiting with local friends and family.
 - **Community groups, businesses and organisations** that will be able to enjoy and engage with the heritage while using its research space and participate in events.

5.3 Project Outcomes for Heritage, People and Communities

- 5.3.1 **Heritage outcomes** include:
- Heritage will be better managed
 - Heritage will be in better condition
 - Heritage will be better interpreted and explained
 - Heritage will be identified/recorded
- 5.3.2 **People outcomes for Peacock and Verity** include:



- People will have developed skills
- People will have learnt about heritage
- People will have changed their attitudes and/or behaviour
- People will have had an enjoyable experience
- People will have volunteered time

5.3.3 **Communities outcomes for Peacock and Verity** include:

- A wider range of people will have engaged with heritage
- The local area/community will be a better place to live, work or visit
- 27 FTE direct and indirect jobs will be created
- Local traditional skills and artisanal product making will be supported
- local affordable housing will be created which allows local young people in the area to remain and meet the needs of the job market
- Wellbeing and social inclusion will be improved particularly for vulnerable members of the community through volunteering, an activities programme etc.

5.4 How Outcomes fit with Local and National Strategies

5.4.1 The project fits with the following strategies:

- **Visit England's Strategic Framework for Tourism 2010 – 2020.** This strategic framework document states 'there are few places in the world that can boast the variety of cultural experiences, historic environments and natural landscapes to be found in England. These are the tourism industry's key assets and therefore require high standards of management'.
- **Harrogate Local Plan - Vision:** Harrogate district will be a progressive, vibrant place to live, work and visit. The district will have a sustainable and resilient economy that features new, higher value jobs. The district's high quality built and natural environment continues to be a defining feature.
- **Harrogate Local Plan Policy HP8: Protection and Enhancement of Community Facilities:** seeks to encourage the retention of a wide range of locally based community facilities to help ensure that people have good access to a range of services. The policy is geared towards retaining existing community uses or re-instating former community uses by whatever means possible. However, in circumstances where this can be shown to be unviable, it requires all reasonable attempts to be made to secure alternative community uses.

6. MARKET AND COMPARATORS

6.1 The Markets

6.1.1 For business modelling purposes, the markets for Peacock and Verity can be described under the various products and services that the site will offer. These offers include the heritage visitor experience, café and retail. The following section considers the scale of these markets, the likely levels of penetration and repeat visitation rates.

6.2 Heritage consumers

6.2.1 Yorkshire has an important legacy of heritage and cultural assets¹, including 17,628 listed buildings, 128 registered historic parks and gardens, 2,520 scheduled monuments, 10 battlefields and 1 world heritage site (Studley Royal Park just 13 miles from Masham). There is also a wide range of undesignated historic buildings and archaeological sites and remains as well as places, areas and landscapes of historic interest. These assets make a significant contribution to the identity of the locality in which they are set, helping to create a sense of place.

6.2.2 Visitors to these heritage assets will be drawn from a number of markets including:

- Locals and day visitors from within a 30-minute drive time radius (and for some of the larger attractions this may extend to an hour's drive-time)
- Domestic and overseas tourists staying in the area
- Education market – primary, secondary and further education markets
- Specialists – researchers, academics, special interest groups etc.

6.2.3 Visitors will be drawn to the workshops on offer which will include:

- Craft - key partners Artison which provides craft workshops will extend their range
- Produce-related and building maintenance related workshops will supplement the heritage activity

6.3 LOCALS AND DAY VISITORS

6.3.1 An analysis of the drive-time catchment for Peacock and Verity via Mercator Geosystems² shows the following populations (see below for map).

Distance	Population	Colour coding on map
Up to 10 minutes	2,449	Yellow
11 to 20 minutes	8,753	Pale green
21 to 30 minutes	32,567	Green

6.3.2 The population within 10 minutes is small, indeed the population within 30 minutes is only 32,567 reflecting the rural nature of Masham. Notwithstanding, the proximity to the A1 means that Masham is easily reachable from the conurbations of Leeds, Stockton and Harrogate.

¹ Source: <https://historicengland.org.uk/listing>

² Mercator GeoSystems Ltd 2019

- 6.3.3 The mean age of the Masham Neighbourhood plan area population is 47 years compared to a mean age of 42 years for residents in the whole of the Harrogate District. The predominant age band in Masham Neighbourhood plan area is Age 45 to 59 which represents 21.71% of the population.

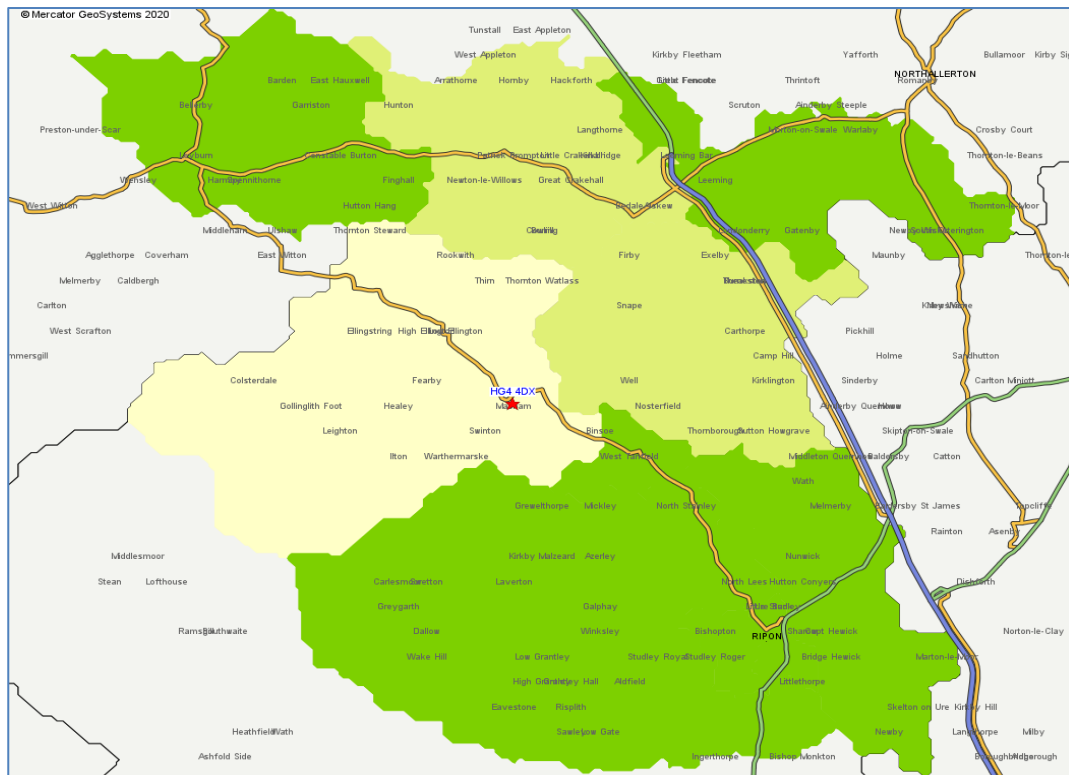


Figure 1: Catchment Isochrone

- 6.3.4 Yorkshire has a total population of over 5.3 million people (larger than the population of Scotland, Norway, New Zealand, Uruguay and the Republic of Ireland) of which around 208,000 live in York. According to a report produced by the York, North Yorkshire and East Riding Local Enterprise Partnership (LEP) in 2015, the LEP is the 6th least deprived in the country (coming behind Buckinghamshire Thames Valley, Enterprise M3, Oxfordshire, Hertfordshire and Thames Valley Berkshire).
- 6.3.5 At the same time Masham is a rural market town and suffers from the same health and well-being issues that most rural areas face.

6.4 DOMESTIC TOURISTS

- 6.4.1 According to the Great British Tourist Survey 2018, 10.4m holiday trips were made to Yorkshire and The Humber creating 29.9m visitor nights.³ Of these visitors, 27% came from Yorkshire and The Humber, 16% from North West England, 9% from North East England, 9% from East Midlands and 8% from South East England.

³ Visit Britain GBTS 2018

6.4.2 The ‘staying with friends and family’ sector is a key element of the domestic tourism market (39% in Yorkshire and Humber); they are obviously somewhat dependent on the family and friends they are staying with for tourist information and guidance and are often taken to local attractions by their hosts. Consequently, in marketing the Masham offer, the potential impact of this market should not be overlooked.

6.5 OVERSEAS TOURISTS

6.5.1 The International Passenger Survey (IPS), which has been conducted since 1961, collects information about passengers entering and leaving the UK. The study is conducted by the ONS and is used by a number of government departments and national tourist boards. According to the 2018 report, Scotland and Yorkshire were the only two regions to see growth in visitor numbers. Yorkshire inbound visits increased by 4% to reach a record 1.39 million. Spending by overseas visitors to Yorkshire also increased by 6% to reach another record level of £604 million.

6.5.2 The 2018 report ‘The Heritage Sector in England and its Impact on the Economy’ produced by Cebr for Historic England noted that ‘For England as a whole, heritage-related inbound visits steadily increased between 2012 and 2016’.

6.5.3 According to the 2019 International Passenger Survey the top 5 overseas markets for Yorkshire were:

Poland	403,000
Germany	328,000
USA	327,000
France	262,000
Ireland	259,000

6.5.4 While overseas markets are high spending, they are much less significant in terms of volume than the domestic market and therefore should not impact greatly on product design.

6.5.5 Heritage is the mainstay of the UK tourism economy. A report by Oxford Economics in 2016 reported that the heritage–tourism sector is worth £20.2 billion to the UK economy. This activity supports an estimated 195,000 full time equivalent jobs.

6.5.6 According to Simon Thurley, previous Chief Executive of English Heritage: ‘In times of economic difficulty, heritage tourism has proven its enduring popularity’.

6.5.7 Research undertaken by Visit England shows that for people visiting a historic building whilst taking a short break or holiday in the UK, 6% stated this was the sole reason for their trip. A further 40% said that it was an important factor in their decision making.

6.6 Potential Market by Product

6.6.1 The market for Peacock and Verity comprises: local residents, day visitors from the nearby villages and tourists visiting the area, local businesses, the education sector and special interest groups. The different elements of the offer at Peacock and Verity will appeal to different markets in different ways.

6.6.2 The Heritage Market

6.6.3 The UK Taking Part Survey 2017/18 (commissioned by the Department for Culture Media and Sport) shows 73% of adults had visited a heritage site in the previous 12 months. It must be noted however that the description of ‘participation in heritage’ includes visiting a town or city of historic character.

6.6.4 The survey examined attitudes towards heritage and reported that almost all adults (95%) agreed with the statement ‘It is important to me that heritage buildings and places are well looked after’. This was split between 54% who strongly agreed with this statement and 41% who agreed with the statement. The report then describes the former as having a ‘positive attitude to heritage’.

6.6.5 As would be expected, digital participation has increased significantly in recent years. In 2017/18, 26.5% of adults had visited a heritage website in the 12 months prior to interview, the majority of whom also visited a heritage site physically. The main reasons for visiting a heritage website were to check the opening hours of a historic site (61.8%), plan how to get to a historic site (56.9%) and to learn more about history or the historic environment (49.8%).

6.6.6 Café Market

6.6.7 The ‘Project Café’ 2012 report⁴ claimed that the UK café market saw exponential growth over the previous 20 years. It stated that since 1997 the market has grown ten fold and more than doubled between 2006 and 2012. The report also showed that the UK market grew by 7.5% in 2012 alone. The 2016 report states that Britons spent £7.9bn in coffee shops in 2015. This was 10% higher than the previous year. In 2015 the number of coffee shops exceeded 20,000, driven by a 12% increase in the number of chain operator owned outlets.

6.6.8 According to the 2016 report, Costa, Starbucks and Caffé Nero which together control more than half of the branded coffee shop market, led the sector's 15% growth to £3.3bn in annual turnover. These high street brands have 1,992, 849 and 620 outlets respectively. According to Allegra (authors of the report), the total UK coffee shop market is on course to exceed 30,000 outlets by 2025 and exceed £15bn in sales over the next decade.

6.6.9 Starbucks, the global market leader, began by targeting affluent well-educated consumers aged 25 to 40. Whilst this age group still accounts for almost half of its total business young adults aged 18 to 24 now make up around 40% of sales.

6.6.10 Starbucks appeals to this consumer directly partly through introducing technology as soon as it comes available, by focusing on social networking and by actively trying to cultivate a ‘cool’ image.

6.6.11 The market for the café at Peacock and Verity will be made up of local residents of Masham, people visiting friends and family in the area, day visitors from the nearby villages and tourists staying in the area. The tourist and day visitor market will, to some extent, be dependent on the appeal of Masham as a destination. A well promoted quality café will itself will become a destination, in that some users will choose to come into Masham purely to visit the café. However, most users will be in the area for another reason, including shopping or to attend an event.



⁴ Allegra Strategies

6.6.12 The market for the café will include visitors to the heritage element, audiences of the activity programme, event/class attendees and visitors to the shop.

Competition

6.6.13 The following café businesses operate within the Masham area:

- Bordar House Teas, Masham
- Johnny Bagdad's Café
- Old Station Café Bistro (Masham Caravan Site)
- Jervaulx Abbey Tearoom (5 miles)
- Institution – Bedale (6 miles)
- Pinch of This – Bedale

6.6.14 In addition, of course, local hotels also compete in this market. While this competition is not considered insignificant the performance of the café at Peacock and Verity will depend greatly on the quality and distinctiveness of the offer. It is hoped that a greater critical mass of cafés and shops will make the town more appealing and increase the overall size of the market.

6.6.15 Retail offer

6.6.16 A retail offer will also attract local residents of Masham, people visiting friends and family in the area, day visitors from the nearby villages and tourists staying in the area. The distinctiveness of the offer will again be important particularly in the local market where the offer will need to draw custom away from other options.

6.6.17 The concept of the retail offer is to provide a high-quality delicatessen as can be found in Harrogate and Northallerton. Such an offer would be consistent with the history of the site which was thought to once have included an Italian warehouse.

7. THE PROJECT

7.1 CONCEPT AND OFFER

7.1.1 Peacock and Verity will be a new café and retail business with a heritage theme, one that truly reflects its historical context and one that develops into a brand of choice for both residents and visitors to Masham. The café will compete with best-in-class, offering a quality environment as well as excellence in terms of food and drink offer. The service will be highly professional with staff going the extra mile to deliver on the brand. The upper floor of the building will be converted into apartments.

7.2 Café

7.2.1 A tearoom will be returned to the left side of the grocers. A full Edwardian experience with a chance to sit, chat and have a slice of cake. The kitchen will be upgraded, and the small internal courtyard covered by a glass lantern to increase seating. This will provide a fantastic opportunity to showcase how typical market town buildings have developed and operate, with fancy facades but an ever-changing network of working buildings to the rear. The ground floor will be designed to encourage sightlines and movement through the building.

7.2.2 Through the design of the interior space, style of furnishing and interpretation, and unique heritage stamp, the team will differentiate the café from other cafes and shops in the area. The offer will recognise what consumers want and will provide a unique twist reflecting the history of the building.

7.2.3 What do consumers want? Evidence of what the market buys can be found in the success of the three main high street café brands (Caffe Nero, Starbucks and Costa). Consumers flock to these three brands to enjoy the following:

- consistent quality, product and service. Customers expect and receive the same standard of offer each time they visit an outlet, be it the same outlet or the same brand in a different location
- efficient and friendly staff
- comfort
- cleanliness – everything must look and feel spotless – consistently
- a wide variety of drink options. The UK consumer no longer just buys coffee or tea. Now consumers expect to be able to order from a wide range of variations
- snacks and sandwiches

7.2.4 In planning the future operating model consideration has been given to a number of options including developing the catering offer further and creating a restaurant style offer. To do this would require the recruitment of chefs and the development of a more complex menu. It is likely that weekday daytime footfall in the area outside of the summer months will be low and a restaurant facility would therefore need to attract its own market. ***This considered to be a high-risk option given the offer elsewhere and the lack of experience in this market.***

7.2.5 The profitability of any catering operation is dependent on tight control of labour costs. The more complex the menu the greater level of skill that is required to deliver it.

- 7.2.6 An operation that provides a quality but simple to produce menu can find wage costs easier to manage, reducing the financial pressures placed on the business. The proposal is that the café follows the example of the market leaders by offering a simple but manageable menu but puts its own unique stamp on the offer to create a brand that can be differentiated from current competing operations. The offer can always be extended further for special events nights.

Menu

- 7.2.7 It is proposed that the café operates a simple model focussing on bought in products where the quality of the coffee and tea and the service is the main draw.

- 7.2.8 The café will source all menu items from carefully selected quality suppliers, with a focus where possible on local provenance and heritage recipes. Initially it is intended that the café will design the menu along the lines of the market leaders, concentrating on excellent coffee and excellent cakes, pastries and muffins. The emphasis will be on **quality in all aspects of the offer**. This means that a key challenge in the menu design will be to find a set of reliable suppliers and then select items that allow the café to differentiate itself from the competition. A relationship with a local artisan bakery is already being pursued as a possibility.



- 7.2.9 This approach will ensure that labour costs are well controlled and yet an extensive quality offer can be delivered. Only once the market has been tested and the café is operating effectively will the team consider extending the menu or the opening hours. Extending the menu too far at the outset will create risks that could affect the quality, viability and sustainability of the venture.

In-house versus Contracted-out Operation

- 7.2.10 There is no easy answer to the question of which model to pursue, in-house or external operation of the café. Different heritage centres operate different models and many struggle with the balance of control and income. In-house operations can be more profitable and outsourcing can sometimes lead to conflict between the tenant and owner, but each case is different, so it is worth considering the pros and cons of each.
- 7.2.11 In-house operation is generally more profitable. Assuming, for illustration purposes at this stage, that the annual turnover of the café is £150,000, the resulting net profit would typically be around 15-25%. If we assume 20%, this would create a net profit contribution of £30,000. Alternatively, a catering licensee might be expected to contribute around 10% of turnover, plus a percentage of profits. Based on the same turnover, this might only generate an annual income of £20,000 from a quality operator.
- 7.2.12 However, some other venues where the catering has been outsourced, have reported that there is often no year-end 'profit' declared by external operators or conveniently the reported turnover falls just short of the point where an increased return to the owner is necessary. In some cases there can be issues with lack of transparency, i.e. the accounts provided are presented to break-even to avoid any additional profit-contribution payment.

Quality

- 7.2.13 Whilst an external caterer arguably has the skills and experience to offer a high-quality café product and service, and will indeed have been competitively selected and contracted to provide this, quality can often slip. A licensee typically doesn't have the same commitment to delivering to the expectations of the client.
- 7.2.14 Some but certainly not all, will take an interest in the heritage nature of the operation they are supplying. Some licensees therefore feel that collaborative-working can pay off commercially; others regard the unusual setting/nature of the operation of little interest or possibly even as a hindrance to their business.
- 7.2.15 With the right licensee, the landlord can help shape many facets of the café offer, including the menu, the quality of food and service, the style of service and pricing, thus ensuring that it reflects the brand. However, more often than not, the licensee's vision and preferred way of operating will not be entirely consistent with that of the centre. Furthermore, if licensee staff are not carefully line-managed and quality-controlled, standards can fall. This can lead to a very disjointed dual-culture within the centre - not good for staff morale, the user experience or the bottom line.
- 7.2.16 One of the main issues in relation to taking catering in-house is - very understandably - nervousness regarding lack of specialist skills. The directors might not have a track record of operating a catering business and, given the tight profit margins required in successful café management, professional expertise is absolutely essential. Taking a café in-house therefore requires recruitment of a skilled manager who can guarantee delivery of quality and tight control of margins, thus maximising profitability.
- 7.2.17 It is relatively easy to train in-house casual staff to deliver a simple café operation; food and beverage service skills can be acquired easily. Friendliness and a passion to deliver quality and 'sell' the offer are the key attributes sought; indeed, this would apply to any customer-facing staff that the centre might employ. With in-house operation, there is therefore an opportunity to encourage flexible roles (e.g. retail staff swapping with café servers etc.). This creates a flexible pool of staff, all of which can provide cover for each other as needed.
- 7.2.18 An external operator might be willing to provide some capital for fit-out of the café space. However, they will only do so if they are convinced that they can achieve a return on their investment within a reasonable timeframe or are offered a medium to long-term lease. Otherwise, they may wish to negotiate their contract on the basis of a fully fitted-out facility.
- 7.2.19 In the case of Peacock and Verity, an external operator might be interested, though this is likely to be a local operator given the rural location, the challenge with this being the narrow supply of such operators. A consultation with Betty's suggested that they would **not** be interested in operating the café, though they might be able to help in supporting the fit out of the operation, and a relationship with them through Taylor's might be a useful development.
- 7.2.20 Contracting out the catering theoretically minimises the risk to the company. However, when things go wrong, the impact of a poorly-run café on the reputation can be serious.

- 7.2.21 Provided that a professional manager is employed, the risk of taking the café in-house can be carefully controlled. The manager would work to agreed targets for sales, quality and profit-contribution. Performance would be carefully monitored against these targets, with corrective action being taken swiftly as and when required. The company would have greater control of opening hours and could therefore better align these to the trading profile of Masham and the operation of the shop.
- 7.2.22 An in-house operation provides an opportunity to generate additional income through evening events/functions.
- 7.2.23 As part of the business planning process consideration was given to the development of an evening café / restaurant offer. Given the lack of passing trade, this would mean developing a destination-restaurant offer with the higher level of equipment and fit-out required to achieve this.
- 7.2.24 Survival rates for restaurants⁵ show that around 1 in 4 new restaurants fail in their second year of operation and just under half fail within three years. For a restaurant to be successful requires a great product, a great venue, a great atmosphere, a high density of population in the area or an exceptional destination pull.
- 7.2.25 An assessment of this opportunity suggests that opening a restaurant scale evening catering offer would be risky. The set-up and running costs of the operation need to be considered in relation to market demand and the likely level of market penetration and resulting income. The risk involved in trying to compete with other restaurant offers in busier nearby locations would be high.
- 7.2.26 The provision of a café facility operated by the Peacock and Verity team opens up an opportunity to offer additional interpretation enabling the integration of the café into the story of the site.
- 7.2.27 Interpretation messages on the walls, messages on cups and menus can help communicate part of the story of the site to those who are visiting. This integration of the café and site will mean that a degree of informal learning will take place with audiences that simply visit the café because it is a nice place to meet up with friends for a coffee.

7.3 Retail

- 7.3.1 The grocers on the ground floor of the building is to be refurbished, counter-service returned, and dry goods sold by weight will ensure its heritage is celebrated. A retail offer combining a historic experience but with contemporary low packaging and low food miles. Shoppers will walk back into the sights, smells and staff of the Edwardian grocers but be able to buy their weekly shop. Similar in style and operation as a heritage visitor venue to Beamish, whilst retaining the crucial everyday local retail provision.
- 7.3.2 The retail concept is to provide a high-quality delicatessen. Research into the history of the site suggests that the shop may once have included an Italian Warehouse. Such businesses were high-class shops that specialized in selling all sorts of products from southern Europe and which at the end of the 18th century influenced the consumption habits of the society of Georgian Britain.

⁵ Statista.com

7.3.3 Masham already has a cooperative store and a greengrocer, but no delicatessen. It is intended that the offer at Peacock and Verity will be unique in Masham offering fine foods and speciality items of a higher quality and range than can be purchased elsewhere.

Comparators

7.3.4 **Hunters of Helmsley**, is popular with members of the local community but also attracts tourists and day visitors from throughout Yorkshire and the North East. The premises is located within a listed building in a prominent position within the market town. Being set in the heart of an attractive, bustling market place in a leading tourist destination the delicatessen is traditionally Yorkshire.

7.3.5 The business has been trading for over 25 years and is well known throughout the area. Much of the produce on sale is sourced locally, and the selection of food and drink it sells includes fine wines, gift baskets and seasonal gifts including hampers, its own select range of preserves, chutneys, biscuits and sauces, produced within the region.

7.3.6 Downstairs customers can buy meats, cheeses, salads, ready meals, ice creams, sandwiches, alcoholic and non-alcoholic drinks to take away. Upstairs is an emporium of produce including luxury chocolate, teas, coffees, cookery ingredients, preserves, chutneys, oils, vinegars, confectionary, biscuits, cakes, free-from foods and non-food kitchen-related items. The business was for sale in 2019 and declared a turnover of £974,456 showing EBITDA of £131,344.

7.3.7 **Cold Bath Deli** in Harrogate is an established café /deli/ wine bar with inside and outside seating. It has an estimated turnover of £250,000



Figure 2: Cold Bath Deli

7.3.8 **Lewis & Cooper** is a very popular delicatessen trading in Northallerton and Yarm. In June 2020 however the Yarm store closed permanently. The store on Northallerton is popular across the area with locals and tourists alike.

Local Trading

7.3.9 Published information on speciality shops such as is proposed is not available. However, information from the Local Shop report 2018 can give some indication of the likely trading patterns and spending habits of local consumers. According to the report there are 16,944 rural convenience stores in the UK, the vast majority of which are independent (72%). The majority of these independent stores are smaller than 1000 square feet.

7.3.10 The Yorkshire and Humber area has, on average, 1 convenient store per 1,380 people, slightly higher than the average across England.

7.3.11 Unaffiliated independent stores account for around 16.6% of market share by value and the average sales per store in this type of store is £342,789.

7.3.12 The report states that on average consumers:

Visit their local store 3.4 times per week	Spend £6.50 per visit
Are mostly age 35 – 74 (62%)	Walk to the store (54%)
Drive to the store (39%)	

7.3.13 The best-selling items purchased at local stores can be broken down as follows:

Tobacco and related items 20%	Canned and packaged groceries 7%
Alcohol	Bread and Bakery 5%
Chilled foods 14%	Fruit and veg 4%
Savory snacks 3%	

7.3.14 The report also concludes that community owned shops are more resilient with a 95% success rate against an average across all small, businesses of 41%.

Heritage retail

7.3.15 According to a report produced in 2013 by Retail Matters for the Association of Independent Museums over the last 10 years or so, visitor attractions have started to value their point of difference, realizing that visitors want *a reminder of the experience they had*. As a result, there is a continuing trend towards ‘experiential retailing’, therefore *continuing the heritage educational experience into the shop*.

7.3.16 Retail information specialists ‘Verdict Retail’ refer in a recent report to the ‘increasing consumer desire for origin-specific products’. Locally sourced merchandise, promoting the ‘best of Yorkshire would capitalise on the current trend towards authenticity and provenance and ‘story telling’ that consumers are showing increasing interest in.

7.3.17 Locally sourced products would not only generate revenue but continue the narrative of peacock and Verity long after the visitor leaves. Hampers could provide tourists staying in the area with a gift to take home or to enjoy in their holiday cottage. Such hampers or other quality goods could be sold through partnerships with quality local accommodation providers.

7.4 Bakehouse and Heritage centre

7.4.1 A community heritage centre will be based in the old bakehouse with its original ovens. The large bakehouse room will become the local heritage centre and workshop, enabling the functions of town archive, museum and education centre. The flexible space will be used by local history organisations for displays, events and research but also for school groups. In addition the space will be ideal for workshops from learning how to bake bread in the refurbished wall ovens, finding out about the skills involved in our local heritage businesses (brewing, cheesemaking etc) to talks on practical sessions on how to care for your local old property.

7.4.2 It is anticipated that P&VCS create the community space of the Bakehouse room and then local groups (probably managed by one of the history groups through a partnership agreement with P&VCS) can then use the space for general access “museum”/research space and closed sessions for workshops such as school groups or practical workshops by local businesses – such as baking and promoting local skills and products – e.g. pickles, cheese – as well as activities promoting looking after your old building. These could all potentially have income streams – but income-generation would need to be factored into partnership agreements. (no income has yet been included in this business plan).

8. MARKETING

8.1 Objectives

- 8.1.1 Marketing of the combined offer will be critical to the success of the operation. While locals will quickly become aware of the development effort will be required to raise awareness in the outlying villages and in the tourist market.
- 8.1.2 The following marketing plan outlines the communications activity required to reach the target audiences. Marketing objectives are listed by audience below:

Audience	Objective
ALL	<ul style="list-style-type: none"> To achieve trading projections by the stabilized trading year
Local Market	<ul style="list-style-type: none"> To increase market awareness of Peacock and Verity and its rich heritage To create ambassadors and word of mouth endorsement for Peacock and Verity To encourage trial of / increased demand for retail café and heritage experience To increase the pool of volunteers To promote opportunities for community groups To encourage a high level of repeat visitation / usage and loyalty
Day Visitors	<ul style="list-style-type: none"> To make day visitors aware of Peacock and Verity and generate interest To encourage repeat visitation and loyalty, especially amongst the visiting/staying friends and family market
Tourists	<ul style="list-style-type: none"> To generate awareness and interest in Peacock and Verity promoting the experience as a must-see attraction for those visiting Masham or the Nidderdale area.
Education and Learning Market	<ul style="list-style-type: none"> To develop good relations with local schools, colleges and other educational establishments and encourage them to build the heritage centre into their study and activity programmes
Special Interest Market	<ul style="list-style-type: none"> To build a database of special interest markets (heritage, history, architecture, etc) locally and regionally To develop awareness of Peacock and Verity To encourage trial and repeat visitation
Marketing Intermediaries	<ul style="list-style-type: none"> To build awareness of the project and the visitor experience To maximise promotional exposure through intermediaries To encourage intermediaries (e.g. Visit Masham, Welcome to Yorkshire to host fam trips in Masham)
Other Stakeholders	<ul style="list-style-type: none"> To provide regular communications with stakeholders / potential project supporters and local suppliers To identify new marketing and delivery partners To develop a series of stakeholder-ambassadors to help to promote Peacock and Verity

8.2 Branding and Positioning

- 8.2.1 Potential users / visitors will consider Peacock and Verity in the context of numerous other potential attractions they may choose. To attract the above audiences and compete effectively in the marketplace, Peacock and Verity needs to communicate with clarity and precision. This means having:
- A well-defined image and identity reflecting the values and quality of its heritage.
 - Clarity on the competitive positioning therefore articulating very clearly what the site offers that competitors do not and why a visitor might choose to visit over the many competing offers.
- 8.2.2 Peacock and Verity will therefore use clear and consistent values and imagery to help visitors understand the experience, increase the effectiveness of marketing spend (essential when resources are tight) and, importantly, boost the profile of the project. This will be particularly beneficial when targeting potential marketing partners and intermediaries.
- 8.2.3 The marketing approach will aim to convey the following values across all media:
- Passionate about the rich history and heritage of Mashamshire and the building.
 - Safe, warm, welcoming, open, accessible, friendly.
 - Professional (in relation to the quality of experience / service provided to visitors).
 - Community-oriented, supporting and putting back into the local community and economy.
- 8.2.4 *Different marketing messages will be created to meet the needs of specific activities and audiences. For example, the advertising copy for Welcome to Yorkshire would stress the quality and the localality of the produce on offer.*

8.3 Communications Channels

- 8.3.1 The marketing approach is summarised below and will be developed further as the project progresses. The key channels of communication will be as follows:

Website

- 8.3.2 A website will be optimised for desktop as well as mobile and tablet usage and will be designed in Wordpress format to facilitate regular in-house updating.
- 8.3.3 It is clearly a key means of communication for all audiences and will be designed to:
- Promote the full offer, including opening times
 - Provide regular updates on events and activities
 - Update audiences on the heritage activity
 - Provide interpretation including downloadable educational resources
 - Allow visitors to register queries on-line
 - Provide blog posts and podcasts – conversations with members of the local community, sound bites from ‘customers’ and suppliers
 - Promote / feature social media content
 - Link to partner websites
 - Potentially sell merchandise (longer term).

- 8.3.4 Excellent search engine optimisation (SEO) will be ensured to maintain a high level of traffic to the site. This will be achieved by implementing specific SEO elements into the site and by using other elements of internet marketing to both increase ranking and drive traffic to the site, including regular posting of new content, use of social media, key wording, links and metatagging etc.
- 8.3.5 All relevant search terms (e.g. relating to heritage days out in the area etc.) will be incorporated to maximise web hits. As optimising SEO is a specialist skill, an allowance has been made in the budget for monthly external support (ideally by the company developing the website).

Social Media

- 8.3.6 As a low-cost effective route to communication with audiences, social media will be used to improve SEO rankings, increasing the opportunity to communicate with new audiences via the viral marketing aspects of sharing and also improve the awareness and reputation of the business. This will provide a low cost, effective route to communication with the local market and visitor audiences. Key platforms will include Facebook, Instagram, Twitter and potentially Pinterest given the highly visual nature of this platform.

PR

- 8.3.7 PR for the project will be undertaken in-house, *the level of activity correlating to the limited available resources of staff and volunteer team*. Where possible, the following will be undertaken:
- Local / regional media release at each key project milestone.
 - Drip-feed local media releases throughout the project, including local press, TV, radio, online features.
 - Familiarisation trips for journalists to showcase the project at key stages.
 - Releases to specialist publications online and in traditional media to reach target audiences, including specialist media

8.4 Budget and Management

- 8.4.1 The marketing budget for the delivery period has been forecast as per the table below.
- 8.4.2 Marketing Activity will be managed by the site manager.

Marketing Budget	Year 1
Photography	500
Website	
New website	5,000
Hosting and maintenance	300
SEO	100
Welcome to Yorkshire Membership	250
PR activity	1000
Design and Print	
Promotional Leaflet (design and print)	500
Distribution	300
TOTAL	7,950

9. FINANCE

9.1 Introduction

Capital Costs

- 9.1.1 The design of the building renovation includes the provision of 4 apartments to provide essential low-cost housing in Masham. Peacock and Verity Community Spaces (P&VCS) has entered into discussions with Broadacres Housing Association to establish possible models for operating the affordable housing element of the project. The model assumes that, supported by Homes England Funding, the housing association would pay P&VCS £404,000 for a 60-year lease on the 4 apartments.
- 9.1.2 Capital costs will include the purchase of the building and the conversion works necessary to create the proposed offer. At the time of writing the purchase cost is estimated to be £325,000. Capital costs for the refurbishment of the building are estimated to be in the region of £944,600. Thus, the total cost of the project is estimated to be in the region of £1,269,600 excluding VAT.
- 9.1.3 The capital provided by the housing association will be an upfront contribution towards the restoration costs. Thus, the capital required to purchase and complete the project, after this contribution, will be £865,600.
- 9.1.4 An element of the restoration scheme could be funded by the NLHF or other charitable foundation and trust. Any remaining gap would need to be financed by P&VCS. For this business plan it has been assumed that grant funding of £500k can be achieved from various sources and that the remaining gap (365,600) is funded through a loan over 25 years at 2.5%.
- 9.1.5 It should be noted that this figure does not include VAT and specialist advice will need to be taken on the recovery of VAT through the registration of the operation as a business.
- 9.1.6 It is envisaged that a housing association will take on the management of the upper floor accommodation. Whilst the detail has yet to be confirmed it is assumed that the housing association would contribute 50% towards the management and maintenance costs and insuring of the building.

Profit and Loss

- 9.1.7 The profit and loss (P&L) forecast attempts to achieve a number of objectives:
- Provide a business model that can be flexed and fine-tuned as plans develop.
 - Explore the impact of visitor / user number projections on the business model.
 - Identify the resources required to deliver each cost centre.
 - Identify the level of profit which might be generated by each cost centre and how this contributes to the overhead cost of running the site.
 - Consider the overall project cost and viability
- 9.1.8 The finances are presented in calendar (versus fiscal) years.
- 9.1.9 The following points should be read alongside the P&L Excel document (see Appendix 2). To facilitate reading, these have been laid out in accordance with the separate sheets in the Excel workbook. **Figures have been forecast at today's prices. No inflation has been included in this version. VAT has not been included and hence all prices quoted are net of VAT.**

EXCEL PROFIT AND LOSS SHEETS

9.2 Summary Profit and Loss

9.2.1 This table draws together data from the other sheets to create a summary profit and loss account. The 10-year profit and loss forecast shows the project breaking into profit in year 3 after debt servicing.

<u>Peacock and Verity P&L SUMMARY (sheet 1)</u>	Year 1	Year 2	Year 3	Year 4
INCOME				
Donations	4,597	6,896	7,662	7,662
Catering	114,630	141,534	168,437	176,859
Retail	121,105	144,558	168,010	168,010
Subtotal Income	£240,333	£292,987	£344,110	£352,531
Total Income	£240,333	£292,987	£344,110	£352,531
DIRECT COSTS				
Donations	460	690	766	766
Catering purchases	43,309	53,297	63,286	66,414
Retail purchases	53,431	63,633	73,834	73,834
Staff Costs - Wages Direct	69,542	84,397	99,252	101,736
Total Direct Costs	166,741	202,017	237,139	242,751
GROSS PROFIT	£73,592	£90,971	£106,970	£109,780
OTHER OPERATING COSTS				
Catering	900	900	900	900
Total Other Operating Costs	£900	£900	£900	£900
OVERHEADS				
Staff Costs	47,320	47,320	47,320	47,320
Property	38,268	38,268	38,268	38,268
Administration	6,900	6,900	6,900	6,900
Marketing	7,850	7,950	2,450	2,450
Total Overheads	100,338	100,438	94,938	94,938
EBITDA	-£27,647	-£10,368	£11,132	£13,942

9.2.2 As can be seen from the forecast a loss will be made in the first 2 years, with profit being realised in year 3.

9.3 Overheads

Staff Overheads

9.3.1 A site manager has been included. This person will be responsible for the entire operation including bookings in relation to the heritage space, the operation of the café and the shop. It has been assumed that this person would be supported by an assistant manager.

9.3.2 The assistant manager would support the delivery of the marketing plan as well as acting as duty manager on the manager's days off.

Property, Administration and Marketing Overheads

9.3.3 The following assumptions have been made with regard to property costs:

- Cleaning costs have been estimated as 1.5 hours per day at £8.45 per hour including ERNI.
- Heat and light costs have been calculated at a rate of £25 per square meter per annum.
- Property insurance has been estimated as £3,272 per annum. The insurance includes buildings insurance (based on a £2.2M rebuild cost), public and employer's liability cover etc.
- Non domestic rates. It has been assumed that the local authority will grant exemption from business rates.
- Building maintenance costs will need to be verified with the architect. A sum of £10 per metre squared has been estimated though this will depend on the negotiations with the housing association.
- Water rates – an allocation of £2,500 has been included.

9.3.4 Administration costs have been estimated as follows:

Accountancy/audit	2,500
Bank charges	500
Computer supplies & software	1,000
Legal and professional fees (HLF)	500
Licences	300
Postage	500
Stationery and office supplies	1,000
Subscriptions	100
Telecoms	500
Total Admin Overheads	6,900

9.3.5 It should be noted that credit/debit card charges are included in direct costs relating to catering and retail income. These charges relate to transaction costs.

9.3.6 Total marketing expenditure has been forecast at £7,950 in year 1 (See Marketing Section 8 for further detail and budget breakdown). This includes the development of a new website. Thereafter, marketing spend will be £2,350 per annum.

9.4 Visitor Numbers

9.4.1 Under the business model, the number of visits to the **heritage element** has been forecast as per the table below.

Local Market

9.4.2 Using the population data, evidence on the propensity of this market to visit heritage and data on the frequency of visits, the scale of the potential market has been identified. A penetration rate has then been used to forecast the number of visits taking into account competition from other heritage sites. This calculation can be seen in the following table:

Distance		Propensity to visit heritage sites		Frequency of visit per annum		Market Penetration	
Drive-time population within 0-10 mins	2,449	73%	1,788	1	1,788	20%	358
Drive-time population within 11-20 mins	8,753	73%	6,390	1	6,390	5%	319
Drive-time population within 21-30 mins	32,567	73%	23,774	1	23,774	2.5%	594
Subtotal Local Market							1,271

9.4.3 The penetration analysis shows an estimate of **1,271** visits by locals within 30 minutes of Peacock and Verity. This is a judgement taking into account competition, the likely appeal of the heritage offer, market share and other factors including the profile of visitors to the area. N.B. *It does not include school children or group visitors or those participating in activities or attending events or courses.*

Tourists

9.4.4 Using the published data on tourism performance within the area, a forecast of potential tourist visitors to the heritage experience has been made. The total penetration of the tourist market is expected therefore to be **14,053**.

Market	Market Size (est. propensity to visit heritage)	Freq. of Visit per Annum		Penetration Rate (est.)	Forecast Vis. Numbers
Nidderdale	803,000	1	803,000	1.0%	8,030
Harrogate District	4,818,000	1	4,818,000	0.13%	6,023

9.5 Donations

9.5.1 It has been assumed that no charge will be made for general visitors to the heritage centre, but that visitors will be asked to make a donation. An average donation per visitor of £0.50 has been forecast.

9.6 Café numbers and income

9.6.1 The forecast of café income has been derived from a penetration of visitors to the heritage centre, destination café users living within a drivetime of Masham and tourists to Nidderdale and the Harrogate Borough.

9.6.2 The analysis suggests a number of visits of 42,109 in the stabilized trading year. This equates to an average of 115 per day. A peak hour analysis suggests that the number of covers required to accommodate this forecast would be 28 covers.

9.6.3 The following assumptions have been made:

- An average spend of £4.00 per visit has been used. This includes an average £2.50 on a drink and £1.50 on food. This is considered to be a conservative estimate and clever upselling should see this figure exceeded (figures exclude VAT)
- Food purchases of 40% and beverage purchases of 25% have been assumed
- Consumables and working replacements have each been estimated at 2% of sales
- Card payment charges have been assumed as 2.5%
- A small amount has been included for equipment leasing
- Direct staffing costs of 25% of sales have been attributed to the café. This equates to 2 FTE in year 4.
- A small amount has been allocated to staff training

9.7 Retail numbers and income

9.7.1 The following assumptions have been made:

- A 25% penetration rate has been applied to the very local population; Locals visit their local store on average 3.4 times per week. It has been assumed that P&V achieves a 25% penetration of users within 10-minute drivetime isochrone and a much-reduced visit of 18 times per year. This is much lower than the 176 average times a local will use a local store according to the national report
- A small penetration rate of tourists and day visitors has been estimated. It has been estimated that the greatest number of tourists will be staying in the Nidderdale area.
- Average spend per visitor to the shop has been estimated as being £6.50 as per local store report. It is likely that this is a modest forecast and that the quality of the offer will encourage a higher average spend per head.
- Cost of stock: 40%; consumables (packaging, point of sale etc) forecast at 3.5% of income to include card payment costs
- Small cost assumed for equipment hire/lease e.g. EPOS

9.8 Sensitivity Analysis

9.8.1 The key areas of sensitivity are as follows:

- Not achieving penetration of visitor market due to lack of awareness
- Café not achieving local penetration

9.8.2 Two different sensitivity analyses have been developed one showing a worst-case forecast and one a better than expected forecast. In the former losses are recorded each year. In such an event mitigation will be necessary; to reduce costs in this model the assistant manager hours have been adjusted.

9.8.3 The profit forecasts for each is as follows

	Negative picture	Median Forecast	Positive forecast
Income	£283,515	£344,110	£386,867
Gross Profit	£88,275	£106,970	£122,909
Overheads	£89,073	£94,938	£94,938
EBITDA	-£1,698	£11,132	£27,071

- 9.8.4 As can be seen in the table above a small increase in visitor numbers can have a significant impact on the EBITDA. In the worst expected case, the EBITDA shows a small loss so other income streams would need to be pursued. The business model does not include any hire income and this could potentially add another stream through corporate and social hire of the café area.

9.9 Cashflow Forecast

- 9.9.1 A detailed cashflow forecast for the construction period will need to be developed to reflect the fundraising strategy. Consideration will need to be made of the capital required to finance the development costs and drawdown of any funding. Care will need to be taken in the development of this cashflow forecast to ensure that consideration of any gap between expenditure and funding drawdown can be financed.

- 9.9.2 The Quantity Surveyor has suggested that construction cashflow will be as follows:

Month	Monthly spend before retention	Monthly retention	Net monthly spend	Cumulative spend
Pre-contract Fees			68,377	68,377
1	67,498	3,375	64,123	132,500
2	113,318	5,666	107,652	240,152
3	142,136	7,107	135,029	375,181
4	153,953	7,698	146,256	521,437
5	148,769	7,438	141,331	662,768
6	126,583	6,329	120,254	783,022
7	87,396	4,370	83,026	866,048
8	31,207	-20,211 (release)	51,418	917,466
+12 months	0	-21,772 (release)	21,772	939,238

- 9.9.3 The figures assume a standard JCT contract works procurement with a 5% retention deducted each month. This is then released in two 2½% batches, one at Practical Completion, and the other 12 months after Practical Completion when any defects that have come to light during the first 12-month period have been put right.
- 9.9.4 If during the construction phase there is a gap between paying contractors and drawdown of funds then this could cause a cashflow issue. Once the fundraising position is better understood a detailed cashflow forecast can be developed to show this gap and the requirement of any additional working capital.

9.10 VAT Position

- 9.10.1 All figures in the Profit and loss forecasts exclude VAT. It is assumed that the operation will trade above the VAT threshold and therefore VAT will need to be applied to operating income and costs.

10. MANAGEMENT AND GOVERNANCE

10.1 Board

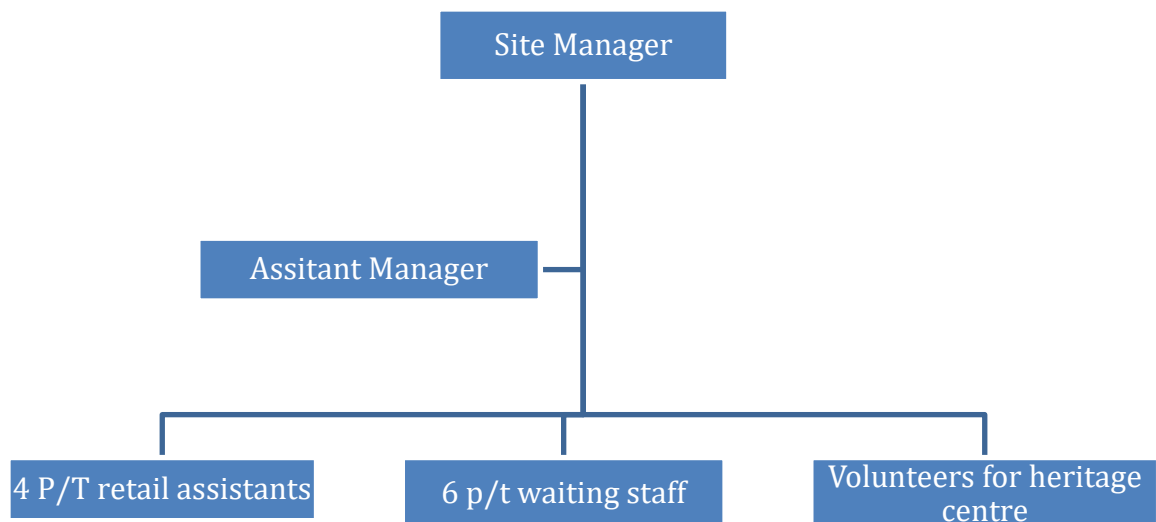
10.1.1 As stated in 3.1.3 The company is run by a group of members as follows:

- Janet Ruth Reed (project manager)
- Alan Maurice Hodges
- Timothy David Ives Klemz
- Keith Marshall
- John Howe
- Cllr Val Broadley – Masham Parish Council

10.1.2 The board has skills and experience in finance, trading and retail, fundraising, legal, planning and building management.

10.2 Staff

10.2.1 The business plan assumes the following staffing structure:



10.3 Volunteers

10.3.1 It has been assumed that a number of volunteers would be recruited to support the operation. These would be recruited and trained to support the ‘bakehouse’ heritage centre.

12. RISK MANAGEMENT

12.1 Risks and Mitigation

The following table identifies which risks might exist and how these might be avoided or mitigated.

Risk	How likely is the event?	How serious would the effect be?	Consequence	Action you will take to help prevent the risk	Who is responsible for dealing with risk?
Refurbishment costs higher than expected	low	High	Project could fail to complete	Careful project management. In event that costs appear to be higher than budget then cost savings will be found or additional fundraising sought	Board
Borrowing costs higher than expected	low	Med	Project could fail to complete	Financing sought early	Board
Failure to raise funding through NLHF and other sources	med	High	Project could fail to complete	Request development grant for NLHF application to ensure adequate specialist support in development of project concept.	Board
Income not as expected	med	High	Losses generated	Forecast is based on sound evidence and logic. Sensitivity analysis shows impact and mitigation measures	Board

13. BUSINESS PLAN CONCLUSIONS

13.1 Conclusion

- 13.1.1 This business plan is based on available research and makes assumptions based on market intelligence and experience from other projects. It deliberately errs on the conservative side of forecasting to give directors and funders the support necessary that this operation could be successful.
- 13.1.2 The key to success will be, a unique product delivered to the highest quality, commensurate with the market expectations and capacity.

13.2 Appendix 3: Organisational Structure