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Master's Thesis

於貝里斯經貿自由區開設Bao Bing熟食店之商業企畫書

**Business Plan for “Bao Bing: Feasibility of establishing a deli
in the Commercial Free Zone, Belize”**

Student: Elias R. Chuc

Advisor: Professor Edward Chow

中華民國九十九年八月

August 2010

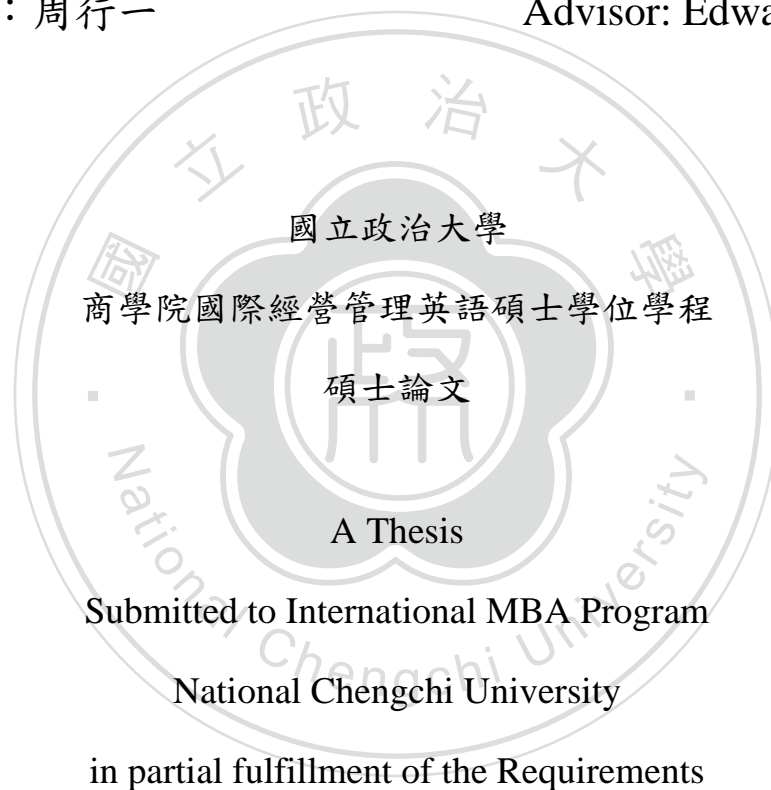
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in

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This document contains
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belonging exclusively to Bao Bing

This is a business plan.

It does not imply an offering of any products or services



Acknowledgement

“You can chain me, you can torture me, you can even destroy this body, but you will never imprison my mind.” **Mohandas Gandhi** This famous quote from Gandhi shows importance of education and the value of knowledge. As I complete this final project in partial fulfillment of my IMBA requirement, this quote becomes vivid and perfectly suits the occasion.

It has been a rewarding exercise to have completed this project. I must extend my gratitude to the Lord for giving me His blessings and providing me with wisdom, patience and knowledge to be able to complete this arduous task. To my family, with special mention my younger sister who always provided me with words of support, the distance was no limitation for all the kind words.

My most sincere appreciation goes to Frank from the OIP office who was always there ensuring that I was moving ahead. I more took his advices as those of a father, the one coaching, guiding and reminding me that it was time to get some work done. A special thanks to my friends, Wei Han Wu, Ling Hjoy, Ilcy Mejia and Wayne Chang. Finally, to my parents Adela and Virgilio Chuc, my greatest love of my life.

Abstract

Bao Bing is an ice deli operating in the Commercial Free Zone, Belize, in Central America.

Bao Bing's offering is positioned as "Asian", fresh, natural and healthy ice deli being introduced in this new market. We have determined growth potentials and within our first year of operation we intent to obtain 25% of our target market, growing to 60% by 2015.

The initial investment and working capital to start the business will be US\$200,000, which will be funded from the owner's capital and a business loan. We expect to generate profits on our second year of operations, reaching an approximate target of \$185 thousand by 2015.

Bao Bing has a positive NPV of US\$70,070.12 which indicates that the project is viable and has an Interest Rate of Return of 31.74%. For Bao Bing, the payback period will take 2 years and 354 days.

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1.0 Executive Summary

1.1 The Company

Bao Bing is an ice deli and its offering is shaved ice topped with tropical fruits and flavors for customers visiting the Commercial Free Zone. Shaved ice business is not existent in the Free Zone; therefore, Bao Bing, hopes to gain a first-mover's advantage by supplying a quality ice deli, topped with tropical fruits and natural flavours.

The company will obtain funds through a business loan from the Development Finance Corporations in the value of US\$125,000 and US\$75,000 owner's capital.

The name Bao Bing in Mandarin, 刨冰, combines two words, 'bao' meaning grind (shaved) and 'bing' means ice. This name Bao Bing was chosen since it is catchy and trendy yet easy to say in both English and Spanish. The Asian trend is also popular in most western counties and we intend to use the name to catch the attention of prospective customers.

1.2 Legal Form of Business

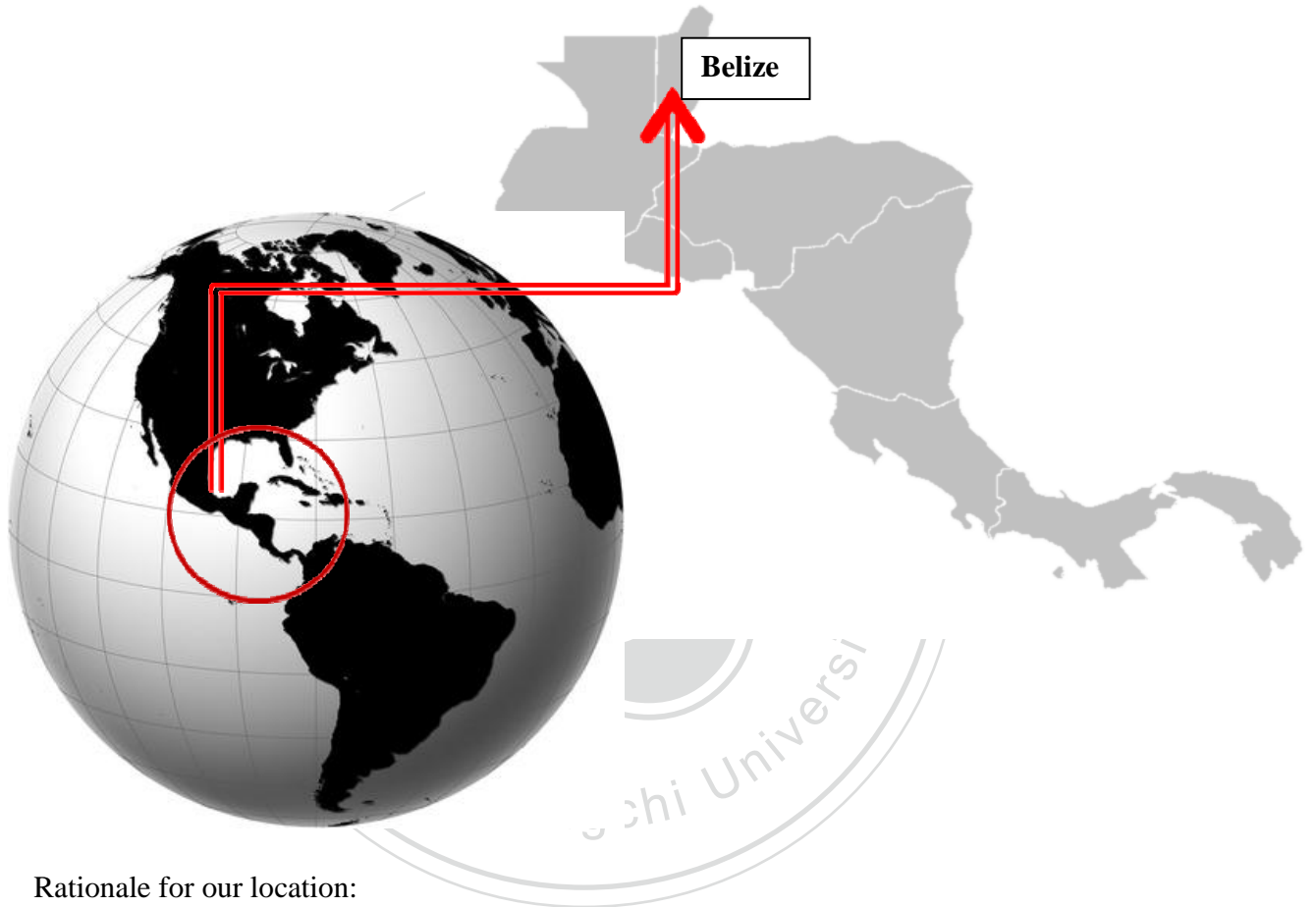
Based upon competent accounting, legal and tax advice, Bao Bing will register first as a company in Belize under the Company's Act and once more in the Free Zone under Chapter 278, Export Processing Zone Act. Elias Chuc is the owner of the business and will serve as an external consultant to the business. This sole proprietorship business structure will afford our business for further expansion in the future, beyond the Free Zone.

1.3 Facility & Location

A 12 meter by 25 meter facility will be built on a privately-owned commercial property, adjacent to Mirage International Plaza which will also include parking facilities, and landscaping. Our location is Freedom Avenue, Commercial Free Zone, Corozal, Belize,

Central America. Our opening hours are from 10:00 Hrs. to 21:00hrs (total of 11 working hours).

Figure 1: Our Location



Rationale for our location:

The Mirage International Plaza experiences a high volume of international shoppers mainly from Mexico and the other Central American countries. According to a survey study conducted by Bao Bing over a 3 months period, approximately 100,000 customers visit the free zone on a monthly basis making it an ideal location for business. The majority of traffic enters and exits via Freedom Avenue passing in front of Mirage International Plaza.

Other major businesses located on Freedom Avenue include Princess Hotel and Casino, Belagio Plaza, SP 2000, China Restaurant, Donut Shop, Q gas station, Belize Bank, and several small shopping centers. Mirage International Plaza is well known for its popularity and number of visitors that patronize this specific shopping mall. Survey study indicates that on average, 25,000 visitors patronize the plaza on a monthly basis. Bao Bing will be the first of its kind so it will capitalize on the entire market of customers that patronize the Free Zone with 85% being Mexicans and 15% international visitors mainly from the other Central American countries.

Our deli facility will consist of the deli room, deli preparation court, cold room, bathrooms, storage and administrative offices. The deli room has the space required for the placement of tables, chairs, and couches. Customers will be able to enjoy their ice deli in a relaxed, air-conditioned atmosphere which consists of 20 tables seating 4 people each, while others may decide to buy our deli to take out. It will be elegantly decorated and will serve the public daily.

The deli preparation court will include air condition units and heat extractors strategically located to keep the room in a suitable temperature to avoid ice melting, and other necessary equipment for preparing our deli. Cold room will be located beside the deli preparation court which will consist of large freezers to make the ice. Storage room will be used to warehouse necessary items for the kitchen.

We will have two bathrooms, which will be for our customers and staff. The restaurant will operate from an office where the staff will exercise its functions. Our parking lot will be to accommodate for 20 vehicles at one time.

1.4 Mission

“To completely satisfy the most exquisite demands of our valued customers in the Free Zone with quality, fresh, tasty, and healthy shaved ice– a fusion of “Asian” with a touch of tropical fruits in our friendly and comfortable deli.”

Our primary responsibility is to our client. Our secondary responsibilities are to our employees, the local community and the environment. In carrying out our day-to-day business we will:

Provide our shaved ice with the highest quality ensuring freshness and a healthy deli.

Ensure deli will offer a cozy and comfortable ambience

Always keep our customer satisfied so that we can have a recurring number of customers

Give our employees the opportunity for on-the-job training especially focus on food handling and customer service.

Take steps to minimize our effect on the environment.

1.5 Vision

“I don't build in order to have clients. I have clients in order to build.”

–Ayn Rand

“Bao Bing’s vision is to be the number one deli in the cold food industry, providing superior quality, service, a friendly and comfortable atmosphere, and value in every offering, so that we make every client in our deli smile with full satisfaction.”

By 2015 Bao Bing deli will be well known in the Free Zone, with a solid customer base of 60% of the target market. We will be known for our quality, freshness, a healthy deli and comfortable environment. We will capture our target market mainly through building and cultivating relationships with new and existing clients. We intend to begin to

generate profits by our second year of operations. By our 5th year of operations we intend to generate sales and net profit in the amounts of \$487 and \$185 thousand, respectively.

2.0 Company Overview

2.1 Our Offering and Business Model

Bao Bing's product concept, 刨冰, is originated in Taiwan. There are different versions of this product that is sold in night markets and other shopping areas in Taipei. Some of the products are regular shaved ice, while others are expensive products rivaling most famous ice cream brands.

Our offering resembles the traditional shaved ice but Bao Bing's shaved ice is much different in that it is made by a small counter-top machine that shaves ice rather than grinding it, which results in ice that is so fine that it rivals real snow. The snow is then placed in a bowl or cup and filled with high quality tropical fruit flavors and syrups. Because the snow is so soft the syrup is held within its tender texture versus settling to the bottom like traditional shaved ice. Since the syrup is absorbed into the snow, it must be eaten with a spoon instead of a straw. Because our shaved ice is made with an ice that is so tender, topped with the thickest low calorie syrup, and fresh, best-tasting tropical fruits, it is preferred over traditional shaved ice or ice creams. Bao Bing offering include twenty different tropical and Mexican flavored topics: Wild Watermelon, Pina Colada, Guava Grape, Cherry Jubilee, Kiwi, Strawberry, Mexican Mango, Raspberry Red, Bodacious Banana, Melon, Papaya, Apple, Snow Guanabana, Pink Custard Apple, Wild Passion fruit and Tropi Tropical Mix (5 combinations). Each year we plan to introduce 5 additional toppings.

Bao Bing will use “La Michoacana’s” restaurant business model to enter the shave ice business. La Michoacana has been successfully operating in the Free Zone for the past 8 years and has expanded from 1 to 5 locales in the Free Zone. They are very familiar with the Mexican consumer tastes and buying patterns. Bao Bing will utilize this knowledge to enter the Free Zone market and informations on consumers to achieve success and profitability.

Bao Bing has a unique approach to the shaved ice business as “we do not sell only shaved ice but we sell an shaved ice topped with natural fruits”. This is what is most unique about our business model. Bao Bing offers a healthy and natural shaved ice for a competitive price. In fact, if our offering compared to the ingredient being used to prepare it, our price is lower than our competitors. Bao Bing fully intends to establish a brand name in the shaved ice business by gaining a reputation of high quality and establishing a strong customers base.

2.2 The Business Strategy

2.2.1 Entry and Growth Strategy

“Strategy is concerned with drafting the plan...shaping the individual campaigns and within these deciding on the individual engagements.”
-Karl Von Clausewitz, 1796

Our Strategy:

Year 1: Invest \$5,000 in marketing our deli in the Free Zone, beginning in our grand opening day. Aggressively target all customers visiting the Mirage International Plaza and gaining 25% of our target market. Start business partnership with both casinos in order to build our customer base.

Year 2: In year 2, start generating profits. Continue building our customer base at a rate of 15% annually with our budget of \$5000. Focus on customer referrals and keeping

existing customers satisfied.

Year 3 to 5: Focus our marketing plan on keeping our existing customers satisfied and customer referrals by word of mouth and through our partnership with the Casinos.

Obtain 60% of target market, sales of \$487 thousand and net profit of \$185 thousand.

To achieve our objectives, we plan to establish a strong brand name in the Free Zone. This will require cooperation and dedication in our business, working in close partnership with our consultants and the CFZMA to work on our performance measures and clearly set expectations and goals.

We will achieve our strategy by:

1. Market our offering as “Asian” originated.
2. Market Bao Bing as a healthy shaved ice topped with tropical fruits.
3. Our deli will offer a comfortable and cozy ambience .
4. Price our offering using skim pricing; yet remain within a range that is close to our competitors.
5. Transform Bao Bing into a well known deli in the Free Zone.

Bao Bing estimates that by year 5 we would achieve our maximum capacity of operations and by this time the business will be in a suitable position for further expansion. At this time, our objective is to propel Bao Bing into a prominent market position by expanding into other areas in the Free Zone or other markets in Mexico or Belize.

2.2.2 Pricing

Bao Bing’s offering is a new concept being introduced in the Free Zone; therefore we will use Skim Pricing strategy. Our pricing objective will allow us to signal our consumers that we are leaders in quality and we will also be pursuing our objective of profit maximization.

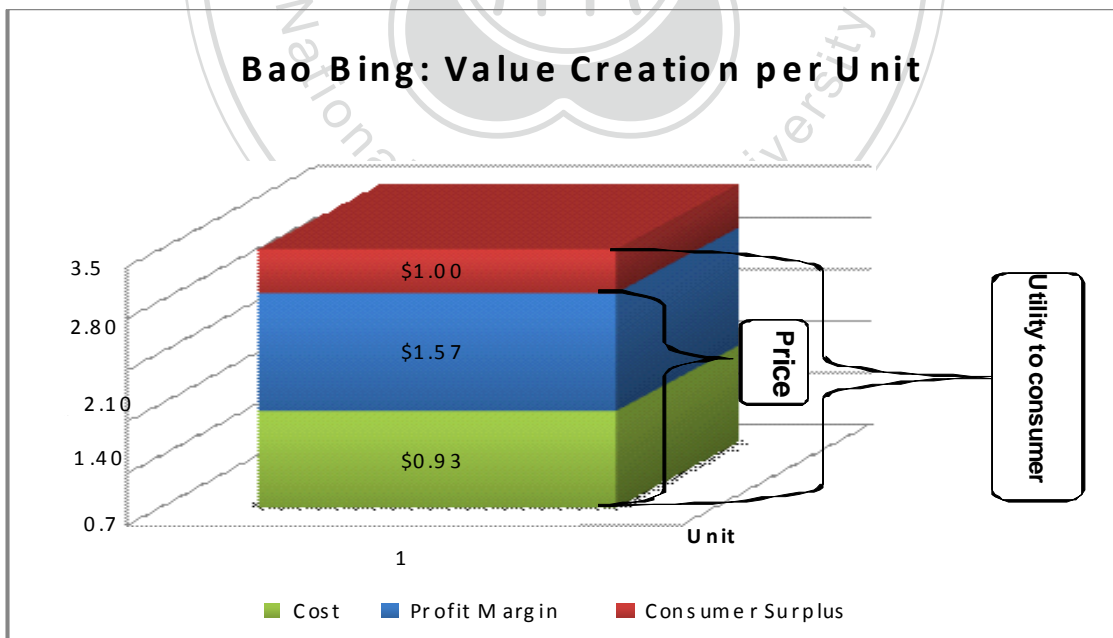
The profit margin of every unit of deli will be stipulated at 63% of the price, which will cover fix costs like salaries, basic services, advertizing costs, financial expense, administration and the mortgage while still receiving a profit. The average expenditure estimated per unit deli is US\$0.93.

Our prices will be as follows (Average Price of \$2.50):

- Small: \$2.00
- Medium: \$2.50
- Large: \$3.00

Our price reflects the value that Bao Bing is giving to our customers. This utility is a function of the attributes that Bao Bing provides to our customers such as an “Asian” shaved ice, superior quality, healthy, and a comfortable and cozy ambience.

Figure 2: Value Creation



In the figure # 2, we can see the Value creation per unit¹, estimating the Utility to consumer in US\$3.50 that represents the average price that Helados Nestle, charges for its shaved ice. Helados Nestle is a producer of shaved ice with closest similarity to Bao Bing.

2.3 Boa Bing's Positioning

Bao Bing will be positioned in the minds of future customers as:

1. An “Asain” originated deli
2. natural and fresh and healthy
3. produced with high quality ice, syrup and fruits.
4. a comfortable and cozy ambience

This positioning in the minds of future customers gives Bao Bing a decided advantage over our competitors. Because we are not yet an established name, we intend to compete on new product concept, quality, location and ambience.

2.4 Raw Material/Sourcing

Bao Bing will purchase products from three major suppliers in Chetumal City, Mexico. Chetumal is the nearest City to the Free Zone, about 30 minutes drive. As a company operating in the Free Zone, our business “shall be exempt from all customs duties, consumption taxes, excise taxes, export duties, in transit taxes or export taxes,...” as stipulated by Chapter 278, Commercial Free Zone Act of Belize. Most of the raw materials, fruits for the most part, can be obtained in Mexico. Besides the tax exemption advantage of operating in the Free Zone, our low variable cost is due to two major factors. Prices of fruits for example are extremely low in Mexico due to low labor cost. Secondly, because the Belize dollar is pegged to the US\$ currency 2 to 1, Bao Bing is able to use this attractive exchange rate.

1 Hill Jones. Theory of strategic management, 8th Edition. 2009

- El Rey Del Dulce: Low-calorie syrups plastic containers, spoons, napkins, and cleaning material.
- El Tigre: Shaving Ice equipment. El Tigre will sell and provide servicing of equipment every 3 months.
- Mercado Altamirano: All fruits will be delivered to our premises by this distributor.

2.5 Management Team

Bao Bing will hire trained food handlers to prepare our shaved ice. These persons will hold a licence and diploma in food handling. We have decided to hire our own specially trained food handlers because our product requires considerable care and hygiene. Our highly skilled food handlers will prepare our deli in the most hygienic way to maximize quality and freshness and thus our customer satisfaction. In order to initiate our operations, our food handlers will be trained in preparing our deli.

Table 1: Bao Bing Management Team

No. of Employee	Position	Monthly Salary	Total Monthly Salary	Annual Salary
	US\$	US\$		US\$
1	General Manager	1,500.00	1,500.00	18,000.00
1	Supervisor	750.00	750.00	9,000.00
5	Food Handlers	750.00	3,750.00	45,000.00
2	Assistants	500.00	1,000.00	12,000.00
1	Cashier	600.00	600.00	7,200.00
2	Cleaners	500.00	1,000.00	12,000.00
Total				\$ 76,200.00

General Manager, duties include:

- Estimate food consumption, place orders with suppliers, and schedule delivery of fresh food and beverages.

- Resolve customer complaints about food quality or service.
- Maintain budget and employee records, prepare payroll, and pay bills, or monitor bookkeeping records.
- Monitor inventory, track staff schedules and pay, and perform other record keeping tasks.
- Check quality of deliveries of fresh food and baked goods.
- Meet with sales representatives to order supplies such as tableware, cooking utensils, and cleaning items.
- Total receipts and balance against sales, deposit receipts, and lock facility at end of day.
- Continuously create successful new deli flavors based on many considerations, and assign prices based on cost analysis. Plan is to introduce 5 new flavors every year.
- Recruit, hire, and oversee training for staff.
- Prepare monthly financial returns for Central Bank of Belize
- Establish a good accounting system
- Ensure company complies with all legal obligations for its operations in the Free Zone, and obtain licenses as needed

Restaurant Supervisor, duties includes:

- Assist general manager with duties as needed
- Direct cleaning of kitchen and dining areas to maintain sanitation standards, and keep appropriate records.
- Monitor actions of staff and customers to ensure that health and safety standards and liquor regulations are obeyed.
- Arrange for maintenance and repair of equipment and other services.
- Schedule work hours for servers and kitchen staff.

- Monitor food preparation and methods.
- Maintain FACEBOOK portal updated
- Assist in developing 5 new toppings every year.

Food Handlers and Assistants duties include:

- Take customer orders.
- Prepare delis.
- Ensure timely delivery of services.
- Estimate amounts and costs of ingredients for production of deli.
- Maintain excellent sanitation practices to ensure that standards and regulations.
- Requisition supplies needed to ensure efficient operation.
- Arrange for equipment purchases and repairs.
- Collaborate with management to plan and develop recipes and menus, taking into account such factors as seasonal availability of ingredients and the likely number of customers.

Cashier duties include

- Greet customers entering establishments.
- Answer customers' questions, and provide information on our deli.
- Compute and record totals of transactions.
- Count money in cash drawers at the beginning of shifts to ensure that amounts are correct and that there is adequate change.
- Issue receipts, refunds, credits, or change due to customers.
- Redeem coupons from Casinos.
- Maintain clean and orderly checkout areas.
- Offer customers carry-out service at the completion of transactions.
- Receive payment by cash, check, credit cards, or automatic debits.

- Sort, count, and wrap currency and coins.
- Compile and maintain non-monetary reports and records.
- Keep periodic balance sheets of amounts and numbers of transactions.
- Pay company bills by cash, vouchers, or checks.

Cleaner duties include:

- Cleaning, washing, sweeping, mopping, dusting, polishing and vacuum cleaning of entire deli to the required standard.
- Emptying litter bins, etc., and removing waste to designated areas.
- Cleaning of toilets and washrooms to the required standard where allocated.
- Spray cleaning, scrubbing floors and re-sealing with polish.
- Using powered equipment where necessary.
- Cleaning of working surfaces and other furniture as directed.

2.6 Outside Management Support

Elias Chuc, the owner, will play an important role in offering outside management support as a consultant to the business. Elias is a graduate of the National Cheng Chi University, Taiwan with an IMBA degree. He has worked for six years working as administrator and other management positions in the Government Service.

3.0 Customers

A customer is the most important visitor on our premises. He is not dependent on us.

We are dependent on him. He is not an interruption in our work. He is the purpose of it.

He is not an outsider in our business. He is a part of it. We are not doing him a favor by serving him.

He is doing us a favor by giving us an opportunity to do so.

- Mohandas Karamchand Gandhi (a.k.a. Mahatma Gandhi)

The most typical client of Bao Bing will be an individual shopping in the free zone, most likely Mexican. The customer will be one of the 100,000 in the Free Zone or more specifically one of the 25,000 customers that visit the Mirage Plaza on a monthly basis. They will likely be a customer who had been shopping the Mirage Plaza and now plans to take a break and have a refreshing drink or dessert. They will probably be a cost conscious consumer yet shopping for a quality product. It is likely that potential customers will know of other shops that sell frozen ice creams, sodas, and other cold products.

It is anticipated that the cold deli market can be divided into three customer segments. The first segment prefers premium ice cream and frozen yogurt products. The second segment included those that prefer sweet drinks like sodas and juices. The other segment obviously includes those that prefer fresh ice products including shaved ice. Shaved ice products are ideal for today's health-conscious consumers. They boast no fat, no cholesterol, and are relatively low in calories.

3.1 Customer Profile

Our primary target market is comprised of customers between the ages of 20 to 35 who are looking for a cold drink. Individual customers themselves typically:

1. go shopping at the free zone for cheaper bargain

2. have annual incomes of as low as USD \$5,000 and up;
3. A large majority is health conscious consumers and knows the importance of healthy eating combined with good quality.

Snow Fruits Deli meets their specific needs for a healthy and natural fruit deli with a price that matches most competitors. More than 90% of our customers will fall into these parameters and the remaining 10% are shoppers looking for product variety and occasional buyers.

3.2 Market Segment

Bao Bing follows a differentiation strategy when it comes to its target market segment. It specifically caters its unique deli to customers visiting the Free Zone who are mostly of middle income and health conscious consumers.

Table 2: Market Segment Strategy

	Offers products to only one group of customers	Offers products to many kinds group of customers
Offers low priced products to customers	FOCUSED COST LEADERSHIP STRATEGY	COST LEADERSHIP STRATEGY
Offers unique or distinctive products to customers	FOCUSED DIFFERENTIATION STRATEGY	DIFFERENTIATION STRATEGY

Key points in defining the market segment for Bao Bing’s customers are mainly income, taste and preference.

Table 3: Market Segments

Market Segments	%
High Income	15%
Middle Income	40%
Health Conscious	30%
Occasional Buyers	5%
Others	5%

We will initially target customers through:

- a. Customers Visiting Mirage International Plaza (25 thousand)
- b. Customers visiting the Casinos
- c. Word of Mouth and advertising

3.3 Demand Forecast

Bao Bing's annual demand and sales estimates are presented on the table below.

Table 4: Demand & Sales Pro Forma for 2011 to 2015

2011	2012	2013	1014	2015	Year
1,200,000	1,224,000	1,248,480	1,273,450	1,298,919	Pot. Market
0.00%	2.00%	2.00%	2.00%	2.00%	Growth rate
300,000	306,000	312,120	318,362	324,730	Target market
25.00%	25.00%	25.00%	25.00%	25.00%	% Target Market
25.00%	40.00%	50.00%	55.00%	60.00%	Expected demand %
75,000	122,400	156,060	175,099	194,838	Total demand
205	335	428	480	534	Production per Day (Units)
21	34	43	48	53	Production per Hour

These estimates are based on the following assumptions:

- a) Potential Market is based on total number of visitors in the Free Zone 1,200,000 annually (100,000/month) for base year in 2011.

- b) A constant 2% growth rate in the potential market is used, expanding the potential market to almost 1.3 million by 2015.
- c) Mirage Plaza receives 25% visitors of the potential market. A constant 25% is used to estimate our target market.
- d) In the first year of operations 2011, we expect to achieve the greatest growth in market share, 25% continuing with a trend of 15% growth in year 2, 10% in year 3 and 4 and 5% in 5th year. We intent to fulfill 60% of the demand by 5th year. For year 1 and 2, Bao Bing will invest \$5,000 in marketing, then after that we will drop our budget to \$3,000 since we will depend mostly heavily on recurring clients, and “word of mouth” marketing.
- e) Unit sales in 2011 are estimated at 75,000 growing to almost 195,000 by 2015.
- f) Day sales in 2011 estimated at 205 growing to 534 and hourly sales from 21 to 53.
- g) Sales peak months are April to July (summer) and November to December (Christmas and New Year’s Sales).

4.0 Industry

4.1 Background on the Free Zone

The Corozal Free Zone is located in the border between Belize and Mexico, with surrounding roads offering easy access to the International Airport and the rest of Belize. The Commercial Free Zone Act 1994 established a Commercial Free Zone at Corozal to attract foreign investment. The Zone provides facilities for various activities including manufacturing, processing, packaging, warehousing and distribution of goods and services.

Benefits and exemptions available to companies in the Commercial Free Zone include:

- No restrictions on foreign exchange including the sale of foreign currency or the transfer of foreign exchange into, out of or within a CFZ by CFZ businesses;
- No Government charges and taxes on the use of foreign currency within a CFZ;

- All merchandise, articles, or goods entering a CFZ for commercial purposes are exempt from import duties, stamp duties and revenue replacement duties;
- All fuel and goods including buildings materials, furniture, equipment, supplies and parts required for the proper functioning of a CFZ business are exempt from all duties and taxes;
- No quotas apply to imports or exports of a CFZ business;
- Imports or exports of a CFZ business do not require an import or export license;

CFZ businesses pay an income tax at the following rates:

- Up to BZ\$15,000 of total chargeable income, 2%;
- Over BZ\$15,000 and up to BZ\$30,000 of total chargeable income, 4%;
- Over BZ\$30,000 and up to \$100,000 of total chargeable income, 6%;
- Over BZ\$100,000 of total chargeable income, 8%.

During the first ten years of its operation, a CFZ business is exempt from income tax or capital gains tax or any new corporate tax levied by the Government of Belize, and any dividends paid by a CFZ business are exempt from tax for the first twenty years of its operation.

Where a CFZ business incurs a total net loss over the five years' tax holiday, that loss may be carried forward and deducted against profits in the three years following the tax holiday period. Any proceeds from the sale of stock or other partial or complete ownership interest in a CFZ business are exempt from the tax described above.

The CFZ is highly beneficial because it provides many financial incentives to businesses. In a recent study conducted by Bao Bing in 2009 the monthly average visitors to the Free Zone is 100,000. Presently the Free Zone boasts of government offices, banks, manufacturing and assembling plants, 2 Casino (Princess Hotel & Casino and Las Vega's Hotel & Casino).

4.2 Economic Overview of Quintana Roo State, Mexico and Belize

The highly profitable business in the Free Zones, located just around 3 miles from Quintana Roo, Mexico's southernmost city, continues to grow at exponentially high rates due to economic and population growth in Quintana Roo State, Mexico. According to "Explorando Mexico", a national newspaper in Mexico, "the state of Quintana Roo is now located fifth in the country in terms of economic size and development. Private and foreign investment within the tourism sector drives the economic growth of the state at a pace twice the national average." Moreover, "the state has grown with no interruption for the last seven years, at an annual average rate of 3.7%".

The fundamentals factor of economic growth gives Mexicans strong purchasing power with a deliberate search for more recreational facilities. The Free Zone just across the border gives them this option. In 2009, Quintana Roo was estimated just below 1 million and is expected to grow exponentially. Furthermore, Mexico and Belize enjoy friendly economic ties. Any Mexican wishing to travel to the free zone can do so freely without the use of any immigration documents.

For a business to succeed there should be positive economic growth in the host country accompanied by incentives provided by the government. Mexico and Belize enjoy friendly trading partnership and economic stability in Belize, as the host country, still prevails. In 2009, the CDB reported that despite the global economic crisis "Indications are that only four Borrowing Member Countries (BMCs) recorded positive GDP growth in 2009 – Belize, Guyana, Haiti and Montserrat." Because the Belize government depends on the economic activity created by the free zone, successive governments invest quantifiable efforts in improving the zone's infrastructure to attract even more visitors.

With the current economic growth and population size of Quintana Roo, the Free Zone represents a suitable location for Bao Bing to be initiated. Similarly, due to the political and economic stability in Belize, our business has a strong foundation. Furthermore,

the US Bureau of Labor Statistic reported that Mexicans workers “saw their wages increase 17%”.

Bao Bing sees a distinct advantage by opening its business in the Commercial Free Zone, Belize. Untouched by the current shave ice or old deli business, the Free Zone offers a first-mover advantage. The 100,000 monthly visitors at the Free Zone’s and the approximately 1 million population of Quintana Roo support the projected profitability and forecasted growth in sales of Bao Bing.

4.3 Industry Analysis

One of the best known shaved ice businesses is Helados Nestle operating in Chetumal, nearby city in Mexico. Dealerships such as Helados Nestle have demonstrated the success and feasibility of selling shave ice. The Helados Nestle business has been in existence for the last 11 years with over 3,000 individual dealerships throughout Mexico. Helados Nestle products are sold in Wal-Mart throughout Mexico. While no shaved ice business currently exists in the Free Zone or any Helados Nestle dealership, Helados Nestle product are sold in Chetumal the nearest city in Mexico with great success. Research conducted in Chetumal City, Mexico noted that the Helados Nestle dealership only sells shave ice as their primary product. Shave ice units sold for \$3.00 (small), \$3.50 (medium) to \$4.00 (large) per unit. Sales in the first year of operation were 200 units per day.

The potential success for selling shaved ice including our product Bao Bing is attributed to the following:

1. Compared to the food industry, it is less complicated and requires not much space and facility to operate.
3. Shave ice has a low food cost and is easy to prepare, which keeps speed-of-service at optimum levels to keep up with high-customer volumes.
4. Bao Bing will be easy to maintain and clean.

5. Traditional shaved ice is a product that has yielded a considerable profit in terms of cost of production to produce at \$0.16. Bao Bing has an average cost of \$0.93

Market research conducted in the Free Zone, did surface one shaved ice business on a small scale, "Helados Movil", operated on a moving trolley. Helados Movil consists of a small trolley pushed by one employee. Helados Movil is sold in cups with a price of \$1.75 (large).

Frozen ice creams were also found to be sold at A & R and Rafael Chavez and Son's in the Free Zone. Each sold ice creams in one regular size at \$2.00 each.

Research in Chetumal City, Mexico revealed that shaved ice with no brand name is sold along with other products. Several businesses sold shaved ice with prices ranging from \$1.99 (small), \$2.79 (medium) and \$2.99 (large).

Research conducted in Corozal Town, Belize, ½ hour from the Free Zone, showed that in some locations shaved ice sold as high as \$3.00 for a regular size. However, the majority of shaved ice was sold by the flavor and not necessarily by the size. For example, one flavor was \$1.79, two flavors were \$2.99, and three flavors sold for \$3.99.

5.0 Marketing Plan and Strategy

Marketing: Creating an environment where sales can occur.

~ Unknown

5.1 Objectives

Bao Bing recognizes that the key to success and building a customer base can be achieved with an aggressive and widespread promotion strategy which we intend to start on our grand opening. Our initial goal is to attract the 25,000 monthly visitors that patronize the Mirage International Plaza. Every year, Bao Bing will invest \$2500 in marketing our product. However, we believe that we will be able to build a customer

base by focusing on our quality and depending on recurring customers and referrals to new ones. After our grand opening, Bao Bing will focus its attention in attracting customers by using referrals from the Casinos. As such Bao Bing intends to invest a lot of time and effort on building a strong business relationship with the Casinos to ensure a recurring number of customers. Both Casinos have already built a strong customer base so we will build a strong partnership with these establishments to build our customer base. Bao Bing's marketing objectives:

1. Our focused advertising campaign will position our offering as —“fresh, natural, and healthy.” Our deli as- “cozy and comfortable ambience”
2. Gradually grow our target market reaching to 60% by 2015.
3. Increase sales to approximately \$487,000 by 2015
4. Obtain net profit of \$185,000 by 2015

5.2 Marketing Strategy

Bao Bing will invest US\$5000 for the first 2 years and US\$3,000 for year 3 to 5 in its marketing budget. We will promote Bao Bing to potential customers by:

- Promoting our deli with an introductory ½ price on our Grand Day and other special days, like Mother's Day and Independence Day.
- Flier distribution to consumers in and out of the Free Zone.
- Presence in the local newspapers.
- Attend the annual trade show held in January of every year.
- Partnership with Casinos

Potential Mexican customers are immediately and economically accessible via local magazine readership, through these popular media:

El Editorial	100,000 monthly circulation
Quintana Roo	50,265 monthly circulation

We plan to advertise in these publications upon entering the Free Zone and periodically thereafter, to build brand awareness. We also plans to build customer awareness through participation in the local Chambers of Commerce in the Free Zone, co-marketing partners with restaurants, casinos, and partnering with the CFZMA to attract groups visiting the free zone.

5.3 Marketing the Value of Bao Bing

To demonstrate the value of Bao Bing we can:

- Show our customers that we comply with all standards for handling foods. We will display our certifications.
- We can show our clients that our ingredients are supplied on a daily basis to guarantee highest standards of quality.
- Participate in trade shows and display our product to our customers so that they can have a look how our shaved ice is prepared by our expert food handler

5.4 Integrating the internet in our business

Having a web presence is of the utmost importance to Bao Bing because it is a way to communicate with our customers. This will be done by creating a FACEBOOK portal with basic information and pictures about our Deli Shop. Information on our business will be written in both Spanish and English.

The FACEBOOK portal gives a face to what Bao Bing is about. It will provide our address and our products. Our company will load recent post of pictures and provide updates of our product so that our customers can keep updated with what is happening around us. Customers will be able to add us as “friend” and make comments on our product. This interactive tool will offer us feedback, what our customers think about us.

5.5 Business Partners

At every level of business development, we anticipate a significant jump in business value. Each milestone achieved will give us an opportunity to increase our customer base. While we simultaneously track competitors, we also track possible partnerships with other companies. Some will want our exquisite deli to offer as part of their menu, others will see value in our strategic relationships. Some strategic partnerships include:

Las Vegas Hotel and Casino: – partners in our promotions and coupons. Casino has a daily raffle or draw for all visitors. Our deli will be featured on specific days of the week and visitors will be able to win deli treat for their family in the amount of \$25.00US.

Princess Hotel and Casino: – partners in our promotions and coupons. Casino has a daily raffle or draw for all visitors. Our deli will be featured on specific days of the week and visitors will be able to win deli treat for their family in the amount of \$25.00US.

6.0 Competition

6.1 Competitors

No other business in the Free Zone specifically caters to the shave ice business. However it is anticipated that prices will be competitive with other businesses who sell cold drinks and ice creams on a smaller basis in the nearby town across the Mexican Border.

The shaved ice business will be new to the Free Zone. One competitor is "Helados Movil" moving cart in the Free Zone. Helados Movil sells shaved ice on a small, one person trolley with limited choices of syrups. Furthermore, because of its facility, they add high-sugar content syrup to the shaved ice. Poor hygiene is also obvious. Other competitors sell frozen ice cream through A & R and Rafael Chavez which also has

limited selection of flavors. Our competitors are only distributors of the frozen ice cream since their business focus is general merchandising.

Our main competitors that are the most successful in the Free Zone are Helados Movil, A & R and Rafael Chavez & Sons. Included below is a more complete Competitive Round-Up listing additional strengths and weaknesses details on each of our competitors in the Free Zone

Our top 3 competitors are:

Table 5: Competitors

Business	Helados Movil	A&R	Rafael Chavez
Owner	Juan Soler	Aldo Urbina	Rafael Chavez
Product	Shaved Ice	Ice Cream	Ice Cream
Flavours	3	5	5
Location	Entance	Middle	Entrance
Years in Business	1	8	10
# of Locales	1	1	1
Type of Business	Moving Cart	General Merchandize	Liquor & Wines

Helados Movil

Strengths: The main strength of Helados Movil is that it is the only shaved ice business in the Free Zone. Mobility is also important to its present success. Average price is around \$1.75.

Weaknesses: The primary weakness of Helados Movil is that it does sells poor quality grind coarse ice resulting from a hand shaving ice equipment. Poor hygiene is also obvious. Syrups are of poor quality and sugar-based syrup. Finally, Helados Movil offers no accommodations for its customers

A&R

Strengths: Their main strength is their 1 stop convenience to the shopper in buying ice cream while doing their shopping.

Weaknesses: The main weakness of ice cream sold by A & R is that they are not fresh, stored for many time. Their main focus is to sell the more inexpensive brand with lower quality taste.

Rafael Chavez

Strengths: Main strength of ice sold by Rafael Chavez is the convenience to the shopper

Weaknesses: Rafael Chavez's weakness, like A & R, is that sell poor quality ice creams.

6.2 Competitive Roundup

The following chart illustrates how Bao Bing's deli compares to the competition in several different key areas.

Table 6: Product Attributes Scale

Attributes	COMPETITORS			
	Helados Movil	A & R	Rafael Chavez	Bao Bing
Market Share	10%	20%	15%	25%
Product Name (Recognition)	4	4	4	2
Product Quality	2	4	4	5
Product Variety	3	3	3	5
Product Presentation	3	4	4	5
Price	4	4	4	5
Marketing/Publicity	1	2	2	5
Establishment-comfort	0	4	4	5
Client Focus	3	3	3	5
Avg Points	2.5	3.5	3.5	4.6

It appears, from the above information, that the competitors have high product

recognition and their prices are comparatively similar. It is without a doubt that Bao Bing has many strong product attributes with the exception of product name, and on average scores 4.6 as compared to its competitors.

6.3 Indirect Competition

Potential customers may also choose to have a soda/soft drink, natural juices or even water. All, to an extent, are our indirect competitors. However, our deli does not only offer regular shaved ice. Our shaved ice concept has the added value of fresh tropical fruits topping.

7.0 Bao Bing's Strengths, Weaknesses, Opportunities, & Threats (SWOT Analysis)

7.1 Strengths

Bao Bing deli brings a new product concept to the market in the Free Zone. In terms of product strength, we have several competitive advantages over the competition.

1. First and foremost, Bao Bing's product concept is of Asian (Taiwan to be more specific) origin consisting of shaved iced topped with fresh tropical fruits. This is a new concept that is totally unexplored in the market.
2. Secondly, Bao Bing deli will market its product as a low calorie shaved ice. Most cold drinks business try to "sell" products to their clients in order to earn high profits by selling shaved ice, topped with sugar based syrup. Our positioning as a healthy shaved ice, creates this product strength
3. Thirdly, at Bao Bing, we focus on by ensuring that all our ingredients are purchased with our regular suppliers. Our vision is to be completely aligned with the clients' interest- that is focus on quality.
4. Bao Bing will create business partnerships with Las Vegas and Princess

Hotel and Casino. We will pay 100% of the expense related to this partnership since we are the ones that stand to achieve most of the benefits. Our superior management practices when it comes to developing a good business partnership give us this strength.

Bao Bing's greatest strength is the innovative approach it has taken to create its unique new product model and building its brand name. Being a new business, with our complete focus in the shaved ice business offer Bao Bing greater flexibility than any of its competitors. We are able to customize our products and frequently introduce new offerings. This means that the latest market knowledge such as seasonal fruits or new trendy flavors are quickly adopted by our business to maintain ourselves "in the season"; our competitors, who are distributors only, cannot react quickly enough since they do not have control over the product.

In marketing, our most powerful assets are:

1. Our compliance with the Food and Handling Certification in Belize will allow us to market ourselves as one of the top complying business in the area.
2. A healthy, natural and high quality shaved ice
3. Product variety and flexibility to change our menu to follow the trend.
4. Word of mouth from our customers.
5. Partnering with Casinos, restaurants and the CFZMA to build our product name.
6. Competitive price rivalving our immediate competitors. Through economies of scale, because of a solid large customer base, our product will be delivered with a competitive prices, yet to yield a high net profit.
7. Location in the Free Zone, adjacent Mirage International Plaza- a must visit plaza in the Free Zone,

7.2 Weaknesses

Because we are new in the market Bao Bing is not yet a “household” name in the Free Zone. However, with the necessary resources, Bao Bing can establish our deli name and gradually build a name for our offering. It is possible to gradually create a customer market in the Free Zone since our Mexican customer base are always anxious to try new products. It is even possible to increase our menu in order to fill the demands of our customers and even substitute our syrup with ‘0’ calorie syrup to attract an even greater “health conscious” market segment.

There are several minor handicaps inherent in the Free Zone; the beaurocracy required to introduce innovative products offerings; and finding good personnel. The only notable marketplace disadvantages caused by these weaknesses are slowed introductions of new products and high employee turnover. There is also a notable high unemployment in Belize due to lack of skilled labour.

Table 7: Labour Force Indicators for April and Sept, 2009

	Corozal	Orange Walk	Belize	Cayo	Stann	Toledo	Total
Labor Force	14,164	19,471	48,330	36,559	16,228	9,611	144,363
Employed	13,206	17,041	41,658	30,967	14,081	9,236	126,188
Unemployed population	958	2,429	6,673	5,593	2,147	376	18,176
Persons not in labor force	12,815	14,878	24,420	17,101	6,648	8,985	84,847
Unemployment rate	6.8	12.5	13.8	15.3	13.2	3.9	12.6
Labor force participation	52.5	56.7	66.4	68.1	70.9	51.7	62.9

Source: Statistical Institute of Belize

These disadvantages both result from overwhelmingly strict regulations in the food handling industry. Because, it is to our advantage to comply with all standard, time constraints should only slow our introduction process. The Free Zone act also limits the number of foreign employees that can work in a firm. In the case of food handlers this represent a definite challenge.

As far as outsourcing and acquiring our raw material, since we operate under the Free Zone regime, Bao Bing will be able to import all of its equipment and raw material from Mexico. However, the strict regulations on foreign currency acquisition will always represent a challenge to our business especially in the beginning stage of our business. We plan to obtain a line of credit with our suppliers in order to circumvent this weakness.

Other company weakness, at this time, consist only of lack of experience in the food handling industry. However, we are taking steps to obtain all necessary certifications and permits that allow us to operate in the Free Zone. Furthermore, we will trained food handler to help us overcome this challenge. Bao Bing will also create a customer data base to assist us to cater to our Mexican customers. This data base will consist of the most common flavours ordered and any recommendations offered by our customers. We feel these measures should eliminate or significantly reduce this problem. By 2015, we should be able to position ourselves to have a reputation of excellence in the local market and thereby considerably reduce this weakness.

7.3 Opportunities

Most of customers visiting the free zone regularly make their shopping in the Free Zone then travel to the nearby city in Mexico to have lunch or dinner since there is not much restaurants available in the area. Also, because of a growing number of visitors in the Free Zone, most restaurants are always full to capacity which has also led to over crowding, poor quality and poor customer service. Because of this, shoppers in the Free Zone would normally consider visiting the Casino or the restaurants in Mexico to dine or

have some cold drinks. There are also few establishments to sell any ice products except for some general merchandise stores as A & R and Rafael Chavez that distribute ice creams.

Bao Bing will capitalize in this market opportunity to introduce its new offering. This creates an enormous customer market for a natural, fresh, and low calorie ice products in the Free Zone and will support substantial revenue increases in the immediate future. With the fast-pace growth of “health conscious” consumers our business has an immense opportunity for a first mover advantage in the Free Zone. Furthermore, most of cold products in the free zone are available only in the form of frozen ice creams with a limited number of flavours.

Bao Bing’s approach to selling shaved ice is selling a high quality product that meets the demands of the most strict consumer. Bao Bing will aim at positioning our product as a “natural and healthy deli” rather than the selling an ice cream or shaved ice – as our competitors do. Based on projected market growth of 2% every year of the existing 100,000 visitors in the Free Zone, it is obvious that Bao Bing will be able to enter and penetrate in Free Zone and build a relatively large customer base and take full advantage of this ever-growing sector. By the 5th year our sales and net profits projections are estimated at \$487 thousand and \$185 thousand, respectively, with a market share of 60%. Again, with the fast-pace growth of sales in this target market, Bao Bing has an immense opportunity for a first mover advantage.

Our projections also indicate that by 2015 Bao Bing will meet its capacity of operations and will need to change our business structure, either expand its operations with more employees, and facility. Other options include opening other locales in the Free Zone. There are also unexplored opportunities beyond the Free Zone in other nearby cities in both Mexican and Belizean territories. This is a market that our competitors have entered with a shaved ice product so we will be able to initiate a first mover advantage with our unique product.

7.4 Threats

The main threats to Bao Bing's ability to succeed in Free Zone are the following:

1. foreign governmental regulations that may limit Mexicans travelling to the Free Zone; Presently Mexican visitors can travel to the Free Zone without having to present any immigration documents.
2. an uncooperative partnership with Princess and Las Vegas Casino and the CFZMA; Our business agreement and partnership is key in keeping our success in the Free Zone
3. and the falling attractiveness of business in the Free Zone because of the decrease in the US dollar.
4. Business that may copy our business model.

Belize and Mexico enjoy a long term amicable trade agreement. Both countries trade freely without restrictions of any. Any Belizean can travel in nearby cities in Mexico without the use of a passport. More importantly, customers from Mexico visiting the Free Zone can do so without any immigration document. This provides ease of convenience to any visitor thinking to visit the Free Zone. It has been noted however, that due to the amount of visitors travelling the Free Zone, Mexican Immigration authorities are trying to make limit the number of people leaving through the Belize-Mexico border. Fortunately, the CFZMA has initiated dialogue with the Mexican authorities to address this prevailing threat for all businesses operating in the Free Zone.

In order to create a viable customer base Bao Bing will partner with Las Vegas and Princess Casino. Such a strategy will allow Bao Bing to create a customer base at a relatively faster pace. However, so much depends on the this shared business relationship as such it should be approached carefully. Bao Bing believes that clear agreements as to how the discount sharing cost will be divided is of high importance and

is the best way to mitigate any problems that might arise from partnering with any establishment

Another threat is the global financial crisis and how this has impacted investor attitudes in the Free Zone. Although there has not been any drop in sales the CFZMA has embarked in a massive publicity campaign in Mexico that promotes the Free Zone as destination for shoppers looking for lower prices especially during this economic crisis.

7.5 Risks

As we enter and establish our business in the Free Zone our business risks include competition, business growth, economic factors, and government/regulatory risks. Like any operation, there is always some risk associated with operating a business. Our business will face competition from other business. A significant threat to our business would most likely derive from a business that may copy our model and compete directly with us. Changes in economic factors of the Mexican economy will also impact our business.

Our strategy for minimizing the possibility of new entrants will be to establish an amicable partnership with the CFZMA to offer us protectionism for at least 3 years. This will ensure that our business is established with a brand name. In order to face government/regulatory risk includes complying with policies in the free zone and adhering to all health policies and standards demanded by the Free Zone. We will remain a flexible company and committed to the creation of good business practices by offering quality, healthy and competitive pricing for all our products.

8.0 Regulations and Policies

Customers should always feel confident that Bao Bing is taking the correct steps to ensure a healthy and safe environment.

8.1 Environment Sustainability- Zero Waste & Greening Benefits

As part of our operations in the Free Zone, Bao Bing must adhere to the policies stipulated by the Department of the Environment (DOE) in Belize. Bao Bing takes full responsibility that appropriate resources will be made available in order to comply with our own environmental standards. Environmental policies will be reviewed annually and followed regularly.

Design for the Environment

We at Bao Bing are whole-heartedly committed to pursuing the sustainable management of materials and processes. Sustainability takes into account the waste stream, greening, as well as economic sustainability. Bao Bing actively integrates best environmental practices into our business. Environmental awareness is both a main concern and prime responsibility of our company. Through the purchasing of our raw material, sales, and disposal, we voluntarily commit ourselves to mend and protect our world.

As a bare minimum, our environmental policies strictly comply with environmental legislation and policies in Belize. But Bao Bing strives to rise above and beyond required environmental legislation. Throughout each and every step, we pledge to follow the sustainability practices of reduce, reuse and recycle, as well as, offset our carbon footprint to zero.

Our sustainability hierarchy detailed below:

1. **Reducing** allows us to specifically reduce the consumption of materials and lower the amount of energy used.
2. **Reusing** is to use an item more than once, which we will do whenever possible.
3. **Recycling** Our aim of recycling is to not waste materials that can be broken down and used again. We promise to recycle any materials that are possible to recycle.

The containers used to serve our deli and packaging of our product is environmentally cozy. Currently, all of our packaging consists of 80% recycled paper.

8.2 Government Regulations

Because Bao Bing is operating in the Free Zone it will be fully operational under the Free Zone Act established in 1985.

Furthermore, because of the nature of our product, a deli, Bao Bing will also be functional under the regulations of the Food and Beverage Industry in Belize. As such we are subject to rigorous regulations. The industry regulates all business establishments that handle any food, ranging from the purchase of food ingredients to the actual certification of the establishment. Bao Bing has obtained all necessary regulatory permits, licenses, insurances and certifications to operate. There can be no assurance that Bao Bing's operation and profitability will not be subject to more restrictive regulation by state, or local agencies in the future. Required permits, licenses and insurance include:

- Pre-approval of company name
- Registration of company in Belize
- Registration of company in Free Zone
- Capital Verification Report
- Opening of Bank Account in the Free Zone to obtain foreign currency
- Business License of Enterprise Legal Person
- Company Seal

Bao Bing's financial operations are strictly regulated by the Central Bank of Belize, whose requirements which, to date have not presented major obstacles to profitable operations. The Central Bank of Belize regulates the use of foreign currency, especially pertaining the purchase and sale of US\$ currency. Basically the Central Bank of Belize requires monthly submission of financial reports.

9.0 Financial Projections

"Show me something I can believe." – Common Venture Capitalist sentiment

9.1 Variable Costs

Total Variable costs will depend on the volume of sales that Bao Bing will generate on a specific period. These costs are calculated based on information gathered from similar business here in Taiwan, of course taking into account exchange rate and prices of raw material in Mexico. Raw materials include:

1. Disposable plate and spoon
2. Syrup
3. Fruits

Deli total average cost is US\$ 0.93.

9.2 Fixed Costs

Fixed costs have been determined by staff salaries, costs of basic services, deli shop maintenance, rent, security services, advertising and others cost. These costs are not affected by the volume sales because they are already set for the entire period. These costs are always going to incur even that there is no transactions involved.

Table 8: Pro Forma Fixed Cost by Year

Five Year Proforma Fixed Cost by Year					
	2011	2012	2013	2014	2015
Salary	\$ 7,200.00	\$ 7,200.00	\$ 7,200.00	\$ 7,200.00	\$ 7,200.00
Telephone/Internet	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Water and Power	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Repair & Maintenance	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Advertising & Promotion	5,000.00	5,000.00	3,000.00	3,000.00	3,000.00
Insurance	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Training	2,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Security Services	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Financial Expense	23,289.96	23,289.96	23,289.96	23,289.96	23,289.96
Other Expenses	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Total Expenses	\$ 118,989.96	\$ 117,989.96	\$ 115,989.96	\$ 115,989.96	\$ 115,989.96

9.3 Initial Investment

After making initial contact with suppliers, our estimate of initial capital requirements is USD \$200,000 (obtain capital by 2010) to successfully launch Bao Bing Deli. The Initial Investment is the spending that is not part of the final consumption, and it is used to generate our business. Our largest initial investments include the following:

1. Purchase of land
2. Construction of our deli establishment

Table 9: Initial Investment

INITIAL INVESTMENT		
Concepts	Cost	
	\$	
Consultant/Regisitation	5,000	5000
Ice Shavers (5)	2,600	13000
Computer Cash Register & Accessories (2)	2000	4000
Display Board (2)	2000	4000
Security Camera and accessories	4000	4000
Kitchen Equipment	5000	5000
Furniture	10000	10000
Land	75000	75000
Building	55000	55000
Total Other Applications		175000

The equipments needed to implement the preparation court are:

- Industrial kitchen equipment including knives, cutters, etc.
- A washer and dryer
- Freezer

With regard to our deli court we will need:

- Oriental dishes with decorations
- Cutlery

Other restaurant equipment regarding the infrastructure and administration of business:

- 20 sets of tables and chairs
- A central air conditioning unit
- Tablecloths
- 2 computer
- 1 desk
- An office chair

- 2 cash register
- A multifunction printer
- 2 office furniture

9.4 Funding

Bao Bing will need US\$200,000 for initial investment and working capital, which will be funded from these two sources:

1. Owner's capital: US\$75,000 designates to cover initial investment and working capital.
2. Bank Loan: US\$125,000 with an Interest rate of 14% and term of 10 years.

Table 10: Loan Pro Forma for Bao Bing

Inputs		Key Figures	
Loan principal amount	\$125,000.00	Annual loan payments	\$23,289.96
Annual interest rate	14.000%	Monthly payments	\$1,940.83
Loan period in years	10	Interest in first calendar year	\$1,458.33
Base year of loan	2010	Interest over term of loan	\$107,899.60
Base month of loan	December	Sum of all payments	\$232,899.60

Yearly Schedule of Balances and Payments							
Year	Beginning Balance	Payment	Principal	Interest	Cumulative Principal	Cumulative Interest	Ending Balance
2011	\$124,517.50	\$23,289.96	\$6,248.40	\$17,041.56	\$6,730.90	\$18,499.89	\$118,269.10
2012	\$118,269.10	\$23,289.96	\$7,181.52	\$16,108.44	\$13,912.43	\$34,608.32	\$111,087.57
2013	\$111,087.57	\$23,289.96	\$8,254.03	\$15,035.93	\$22,166.45	\$49,644.26	\$102,833.55
2014	\$102,833.55	\$23,289.96	\$9,486.70	\$13,803.26	\$31,653.15	\$63,447.52	\$93,346.85
2015	\$93,346.85	\$23,289.96	\$10,903.46	\$12,386.50	\$42,556.62	\$75,834.01	\$82,443.38
2016	\$82,443.38	\$23,289.96	\$12,531.81	\$10,758.15	\$55,088.43	\$86,592.16	\$69,911.57
2017	\$69,911.57	\$23,289.96	\$14,403.33	\$8,886.63	\$69,491.76	\$95,478.79	\$55,508.24
2018	\$55,508.24	\$23,289.96	\$16,554.36	\$6,735.60	\$86,046.12	\$102,214.39	\$38,953.88
2019	\$38,953.88	\$23,289.96	\$19,026.62	\$4,263.34	\$105,072.74	\$106,477.73	\$19,927.26
2020	\$19,927.26	\$21,349.13	\$19,927.26	\$1,421.87	\$125,000.00	\$107,899.60	\$0.00

9.5 Break Even Analysis

For Bao Bing to know its optimum volume of sales, where sales (\$) is equal to costs, we have to calculate our breakeven point. Average price (P) of \$2.50 and variable cost (VC) is \$ 0.93 are the values used.

9.5.1 Unit Contribution Margin (CM)

Formula:

$$\text{CM} = \text{P} - \text{VC} = \$1.57$$

$$\text{CM Ratio} = \text{CM}/\text{P} = 63\%$$

For every deli that Bao Bing sells, it will have **US\$1.57** in Contribution Margin, which covers all fixed costs.

9.5.2 Break Even

Fixed cost varies in year 1, 2, and 3. For our purposes, 3 break-even points are calculated.

Sales Break Even=	<u>FC</u>	#1 = US\$ 189,474.46
	CM ratio	#2= US\$ 187,882.10
		#3= US\$ 184,697.39

Break even (in Units) =	<u>FC</u>	#1= 75,790Units
	P -VC	#2= 75,153 Units
		#3= 73,879Units

Bao Bing will need to sell a maximum of **75,790** units to reach a break-even point, in term of sales corresponding to **US\$ 189,474.46**.

9.6 Income Statement

Table 11: Pro Forma Income Statement

BOA BING					
INCOME STATEMENT PROJECTION					
ENDED IN 31 DECEMBER OF EACH YEAR					
	2011	2012	2013	2014	2015
SALES					
Revenue for products sales	187,500	306,000	390,150	437,748	487,094
TOTAL SALES	187,500	306,000	390,150	437,748	487,094
COST OF GOOD SOLD	37%	37%	37%	37%	37%
TOTAL OF COST OF GOOD SOLD	69,750	113,832	145,136	162,842	181,199
GROSS PROFIT	117,750	192,168	245,014	274,906	305,895
OPERATING EXPENSES					
Salary	76,200.00	76,200.00	76,200.00	76,200.00	76,200.00
Telephone/Internet	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Water and Power	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Repair and Maintenance	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Advertising and Promotioin	5,000.00	5,000.00	3,000.00	3,000.00	3,000.00
Financial Expense	23,289.96	23,289.96	23,289.96	23,289.96	23,289.96
Insurance	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Depreciation (Equipment)	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Training	2,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Security Services	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Other Expenses	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
TOTAL OPERATING EXPENSES	123,990	122,990	120,990	120,990	120,990
INCOME BEFORE INTERETS AND TAXE	-6,240	69,178	124,024	153,916	184,905
INTEREST EXPENSES	0	0	0	0	0
INCOME BEFORE TAXES	-6,240	69,178	124,024	153,916	184,905
INCOME TAXES (0%- Free Zone Act)					
NET INCOME	\$ (6,239.96)	\$ 69,178.04	\$ 124,024.24	\$ 153,915.97	\$ 184,905.37

Assumption:

1. Free Zone offers business an exemption for business taxes.

http://www.incometaxbelize.gov.bz/PDFs/business_tax_guide2009.pdf

2. Estimates demand, sales, prices, variable cost as discussed in earlier parts are used to complete this statement.

9.7 Cash Flow and Net Present Value Analysis

9.7.1 Cash Flow

Table 12: Pro Forma Cash Flow

BAO BING CASH FLOWS STATEMENT PROJECTION						
	2010	2011	2012	2013	2014	2015
Revenues	-	187,500.00	306,000.00	390,150.00	437,748.30	487,094.47
Total cash Receipts	-	187,500.00	306,000.00	390,150.00	437,748.30	487,094.47
Cash Available from Financing	125,000.00					
Owner Investment	75,000.00					
Long Term Loan	125,000.00					
Total From Financing	200,000.00					
Total Cash Available	200,000.00	187,500.00	306,000.00	390,150.00	437,748.30	487,094.47
Cash disbursements						
Cost of good sold		69,750.00	113,832.00	145,135.80	162,842.37	181,199.14
Cost of sell and administrative						
Salary		76,200.00	76,200.00	76,200.00	76,200.00	76,200.00
Telephone / Internet		3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Water and Power		5,000.00	3,000.00	5,000.00	5,000.00	5,000.00
Repair & Maintenance		1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Advertising & Promotion		5,000.00	5,000.00	3,000.00	3,000.00	3,000.00
Insurance		1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Training		2,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Security Services		1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Other Expenses		1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Total Cash Disbursements		95,700.00	92,700.00	92,700.00	92,700.00	92,700.00
Operating Expenses		165,450.00	206,532.00	237,835.80	255,542.37	273,899.14
Other Application on Cash						
Consultant/Regisitratio	5,000.00					
Ice Shavers (5)	13,000.00					
Computer Cash Register & Accessories (2)	4,000.00					
Display Board (2)	4,000.00					
Security Camera and accessories	4,000.00					
Kitchen Equipment	5,000.00					
Furniture	10,000.00					
Land	75,000.00					
Building	55,000.00					
Total Other Applications	175,000.00	-	-	-	-	-
Principal and Interest Payments	-					
Principal	-	6,248.40	7,181.52	8,254.03	9,486.70	10,903.46
Interest	-	17,041.56	16,108.44	15,035.93	13,803.26	12,386.50
Total Principal and Interest expenses	-	23,289.96	23,289.96	23,289.96	23,289.96	23,289.96
Total Cash Disbursements	175,000.00	188,739.96	229,821.96	261,125.76	278,832.33	297,189.10
Ending Cash Position	25,000.00	(1,239.96)	76,178.04	129,024.24	158,915.97	189,905.37
Starting Cash Position	-	25,000.00	23,760.04	99,938.08	228,962.32	387,878.29
Acumulated Cash Flows	25,000.00	23,760.04	99,938.08	228,962.32	387,878.29	577,783.66

BAO BING						
CASH FLOWS STATEMENT PROJECTION						
	2010	2011	2012	2013	2014	2015
Revenues	-	187,500.00	306,000.00	390,150.00	437,748.30	487,094.47
Total cash Receipts	-	187,500.00	306,000.00	390,150.00	437,748.30	487,094.47
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Total From Financing	175,000.00					
Total Cash Available	175,000.00	187,500.00	306,000.00	390,150.00	437,748.30	487,094.47
Cash disbursements						
Cost of good sold		69,750.00	113,832.00	145,135.80	162,842.37	181,199.14
Cost of sell and administrative						
Salary		76,200.00	76,200.00	76,200.00	76,200.00	76,200.00
Telephone / Internet		3,000.00	3,000.00	3,000.00	3,000.00	3,000.00
Water and Power		5,000.00	3,000.00	5,000.00	5,000.00	5,000.00
Repair & Maintenance		1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Advertising & Promotion		5,000.00	5,000.00	3,000.00	3,000.00	3,000.00
Insurance		1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Training		2,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Security Services		1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Other Expenses		1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Total Cash Disbursements		95,700.00	92,700.00	92,700.00	92,700.00	92,700.00
Operating Expenses		165,450.00	206,532.00	237,835.80	255,542.37	273,899.14
Other Application on Cash						
Consultant/Regisitation	5,000.00					
Ice Shavers (5)	13,000.00					
Computer Cash Register & Accessories (2)	4,000.00					
Display Board (2)	4,000.00					
Security Camera and accessories	4,000.00					
Kitchen Equipment	5,000.00					
Furniture	10,000.00					
Land	75,000.00					
Building	55,000.00					
Total Other Applications	175,000.00					
Principal and Interest Payments						
Principal	-	6,248.40	7,181.52	8,254.03	9,486.70	10,903.46
Interest	-	17,041.56	16,108.44	15,035.93	13,803.26	12,386.50
Total Principal and Interest expenses	-	23,289.96	23,289.96	23,289.96	23,289.96	23,289.96
Total Cash Disbursements	175,000.00	188,739.96	229,821.96	261,125.76	278,832.33	297,189.10
Ending Cash Position	25,000.00	(1,239.96)	76,178.04	129,024.24	158,915.97	189,905.37
Starting Cash Position	-	25,000.00	23,760.04	99,938.08	228,962.32	387,878.29
Acumulated Cash Flows	25,000.00	23,760.04	99,938.08	228,962.32	387,878.29	577,783.66

9.7.2 Net Present Value and Interest Rate of Return Analysis

The Net Present Value and Internal Rate of Return are a measure of return on investment projects. The IRR is considered as the rate of interest that investors earn on the project

when the future value of it is 0. This will allow Bao Bing Deli to measure whether the project is actually viable.

NPV formula:

$$NPV = \sum_{t=1}^T \frac{CF_t}{(1+r)^t} - CF_0$$

CF₀ = Initial Investment.

CF_t = Cash Flows.

r = Discount Rate; t = time

Table 13: Discount Rate

Discount Rate	19.00%
Year 0	(200,000.00)
1	(1,239.96)
2	76,178.04
3	129,024.24
4	158,915.97
5	189,905.37
Net Present Value	\$74,070.12
IRR	31.74%

Based on the cash flow projections and calculating the NPV and IRR, it can be determined that this project will be profitable. Bao Bing has an NPV of US\$**74,070.12** which indicates that the project is viable. Also, the project will give an IRR of **31.74%** which is higher than the discount rate of 19.00%. This means that if the business is conducted, it will generate profits. The discount rate of 19% is a conservative figure

taken from the interest rate that is charged in Belize mainly by private businesses and most of the times it is unregulated by the government.

9.8 Recovery Period of Investment (payback)

The payback period refers to the period of time required for the return on an investment to "repay" the sum of the original investment. The payback period that will take for Bao Bing to repay the Initial investment of US\$200,000 is 2 years and 354 days. The table below shows the balance of the payback by year.

Table 14 Recovery Period of Investment

Period	Initial Investment	Payback Balance	Cash Flow
0	200,000.00	\$ 200,000.00	0
1		\$ 201,239.96	\$ (1,239.96)
2		\$ 125,061.92	\$ 76,178.04
3		\$ (3,962.32)	\$ 129,024.24
4		\$ (162,878.29)	\$ 158,915.97
5			\$ 189,905.37

10.0 Exit Strategy and Summary

10.1 Exit Strategy

Bao Bing deli is clearly entering a market with a new offering. This will allow us to expand exponentially, giving us a prime opportunity to attain a strong first mover advantage in the deli business. The explosive growth for this market supports Bao Bing reaching its profit levels as early as year 2.

Our exit strategy could be accomplished through a number of avenues. Bao Bing will expand its business by opening other locales in the Free Zone. This may also include moving our business model to national territory in either Belize or Mexico. Therefore,

we will mainly concentrate on creating a brand name and a customer base. Owner will also pursue short term and long term investment opportunities thus giving the business some liquidity and/or a proper exit.

Other possibilities of exit include merging with other restaurant businesses that are looking to expand their business and would require our product know how, experience and knowledge. Yet another possibility is to take our business and sell it with all its assets.

10.2 Summary of Bao Bing's Business Plan

In order to proceed with starting Bao Bing we will obtain a commercial loan in the amount of \$125,000US and initial investment of \$75,000 by October, 2010. Our highest priority is returning borrower its loaned capital.

10.2.1 Product and Market Success

Based on the attached financial projections, our research, our own personal experience, and careful scrutiny of the specific market segment and area where we are focused, we are convinced that the market for Bao Bing's deli will support the accomplishment of our goals and objectives.

We have built in specific means of measuring our effectiveness in our marketing efforts, engaged with strategic partners and reviewed regulatory requirements to support our success. We fully intend to lead the business in our market, establish and maintain the highest standards quality as it relates to the food industry and position ourselves as the experts in the shaved ice business in the Free Zone.

We fully anticipate reaching profitability by our second year of operations and we project that by year 5 we will have sales and net profits \$487 thousand and \$185 thousand.

10.2.2 Future Growth of Bao Bing

Approaching our goals aggressively will allow us to build an even stronger customer base than indicated in this plan. After establishing our deli name, Bao Bing plans to eventually

successfully open other locales in the Free Zone.

Bao Bing is also committed to introducing our high quality, healthy deli to outside the Free Zone. Our business model supports moving to other areas of the country with rapidly penetration in Belize and nearby cities in Mexico. Each market will be rigorously examined and considered for its potential profitability.

We are excited about the prospects of turning this business into a recognized business in our community, effectively meeting the needs of our clients, providing a dynamic place for our employees, limiting any effects to the environment and growing with our market as needs change.

10.2.3 What we do differently

None of our competitors in Free Zone of nearby city in Mexico are concentrating their efforts on quality, taste and health factors. Our competitors are also charging a higher price relative to the ingredients being used in their regular shaved ice or frozen ice cream. Not one of our competitors offers a unique product as Bao Bing. We focus on quality and delivering only fresh ingredients. Our price reflects our quality leadership and is aligned in the interests of our clients. We are breaking with a new product into the Free Zone geographic area unexplored by our competitors. We are exploiting a first mover advantage, with a skim pricing strategy in an ever-expanding market.

10.2.4 What builds the most value at Boa Bing

Our clients are the #1 reason for Bao Bing's existence and well-being. Clients will not only be completely satisfied with what they will be eating at our deli, but also be brave enough to recommend their friends and family after they leave our premises. This trust is not given lightly and we highly value this behavior of customer referral by ensuring to keep offering the highest standard of quality in every deli we produce.

Marketing is another serious value component. Therefore, our reputation, brand image and experience are all major components of long-term value. The size and quality of our

customer base, our business partnership with the casinos and the CFZMA and marketing relationships with local media, for example, are what our customer value. Apart from profitability Bao Bing will position itself as an exemplary corporate citizen that is concerned about the environment.

Finally, our management team is important, builders, contributors and maintainers of the value of Bao Bing. Bao Bing is therefore, committed to their growth and excellence. At Bao Bing we have budgeted \$1,000 every year, for employees to grow themselves through continued education, training in public relations and peer learning. Bao Bing will position itself in the market as the one of the best employers to effectively, and strategically, attract “hard to find” talent in the Free Zone.

10.2.5 Investing in Bao Bing

Bao Bing represents a credible and viable business opportunity in a relatively unexplored market in the Free Zone. Bao Bing will provide a product to a target market that will be growing in both size and profitability.

Bao Bing has the working team, knowledge, expertise and we are ready—our Free Zone market is waiting.

11.0 Supporting Documents

The documents that follow include supporting information relative to Bao Bing’s research, background, management, and preparedness for operating this business successfully.

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<http://www.belize.gov.bz/ct.asp?xItem=1908&ctNode=537&mp=27>

<http://www.belize.org/bcci/businessdirectorymodule/view/id/182/src/@random4a396cef605c4/>

<http://www.belizecompany.com/Regulators-and-Legislation/Commercial-Free-Zone/>

http://www.incometaxbelize.gov.bz/PDFs/business_tax_guide2009.pdf

<http://www.usmcoc.org/b-nafta9.php>



APPENDIX #1

Table A.7: Commercial Banks' Weighted Average Interest Rates

	Position as at			Percentage
	Dec 2007	Dec 2008	Dec 2009	Changes
				Dec 2008 to Dec 2009
Weighted Lending Rates				
Personal Loans	16.17	15.94	15.28	-0.66
Commercial Loans	13.80	13.55	13.52	-0.03
Residential Construction	13.14	12.78	13.26	0.48
Other	13.52	13.45	11.29	-2.16
Weighted Average	14.30	14.10	13.98	-0.12
Weighted Deposit Rates				
Demand	1.13	1.10	0.72	-0.38
Savings/ Cheque	5.16	5.09	5.00	-0.09
Savings	5.23	5.28	5.24	-0.04
Time	8.38	8.51	8.17	-0.34
Weighted Average	5.97	6.35	6.12	-0.23
Weighted Average Spread	8.33	7.75	7.86	0.11

APPENDIX #2

Table A.12: Balance of Payments - Merchandise Trade

	\$mn			
	2007	2008	2009	Change
Goods Exports, f.o.b.	851.1	960.2	763.7	-20.5%
of which: Domestic Exports	496.6	588.5	489.1	-16.9%
CFZ sales	310.5	330.3	255.5	-22.7%
Other Re-exports	44.0	41.3	19.1	-53.8%
Goods Imports, f.o.b.	1,284.0	1,576.5	1,241.0	-21.3%
of which: Free Circulation Area	1044.5	1,292.8	1,098.7	-15.0%
CFZ ⁽¹⁾	239.6	283.7	142.4	-49.8%
Merchandise Trade Balance	-432.9	-616.3	-477.3	-22.6%

(1) This CFZ item excludes fuel and goods obtained from the free circulation area.

APPENDIX #3

Table A.19: Gross Imports (c.i.f.) by SITC Categories

	\$mn				
SITC Category	2005	2006	2007	2008	2009
0 Food and Live Animals	120.7	118.2	135.6	160.4	156.5
1 Beverages and Tobacco	10.5	11.2	12.2	15.6	20.6
2 Crude Materials	9.1	10.9	12.9	12.7	14.1
3 Fuels and Lubricants	236.0	246.5	266.0	337.5	249.6
<i>Of which electricity</i>	<i>40.3</i>	<i>33.2</i>	<i>46.4</i>	<i>66.3</i>	<i>40.1</i>
4 Animal and Vegetable Oils	3.2	3.9	4.0	5.8	5.4
5 Chemicals	88.7	93.6	102.0	118.1	125.2
6 Manufactured Goods	138.9	164.2	164.2	230.9	178.2
7 Machinery and Transport Equipment	199.8	219.1	251.2	351.6	266.9
8 Miscellaneous Manufactured Goods	101.1	102.4	101.8	100.0	94.8
9 Commodities - not classified elsewhere	0.0	0.0	0.0	1.6	0.5
Export Processing Zones	124.7	157.9	98.5	91.8	104.9
Personal Goods	2.7	3.4	3.3	3.3	3.4
Total	1,035.4	1,131.4	1,151.8	1,429.1	1,220.0
CFZ Direct Imports	190.7	222.6	263.3	311.7	156.4
Grand Total	1,226.1	1,354.0	1,415.1	1,740.8	1,376.5

Sources: SIB, and CBB



APPENDIX #4

