

# The Compost Kings

## Business Plan

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## Executive Summary

Our social entrepreneurship team consists of five principals: Matt Barnes, Sheila Carroll, Dan Krzykowski, Kristin Fischetti, and Dexter Sanchez Roda. Each of the five members are in their senior year of school attending the University of Albany. The respective fields of experience studied by the named principals are all within the business field and include management, marketing, finance, and sustainability. Previous business experience by the entrepreneurs additionally pertains to the food, marketing, sustainability and retail industries.

The Compost Kings business venture is currently in its most early stages of concept and formulation. This business plan is with purpose to provide scope and additional information pertaining to the plan and to aid in funding decisions. Given the increased attention towards the environment and sustainability, this business venture is truly new and important (as described) due to its compatibility with the initiative to Go Green. The environment itself, as well as the consumers occupying said environment will benefit from this business model as it focuses on the current and future footprint left on our environment and a targeted effort to decrease our overwhelming waste disposal.

Our plan for the business is to truly make an environmental impact on our immediate community and with time, to hopefully continue these efforts onto a larger region based on growth model of dissemination. With the current waste epidemic we are experiencing worldwide, we hope to stop this problem at the source and create valiant efforts to combat the problem. If we can stop the experiential growth of waste at its source, we can have a lasting impact. Success will be constituted by numerical proof that we have made an impact on the current conditions of waste disposal. If in the years to come, we can see a decrease in the waste holdings our environment incurs, we will consider our initiative a success.

Of course, a goal is not enough to make our business model a reality. We plan to heavily leverage our relationship with Tyler at Empire Zero and utilize his credentials, his current customer base, his experience, his knowledge and all the others aspects encompassed by his years running a compost based business. Most especially in our primary years, when other businesses would normally be experiencing the effects of the learning curve of first operating a business, we will have the advantage of working with a

current industry operator and using his sage advice to push our efforts and impact further than we could on our own. Additionally, on top of Tyler's experience in the composting field, our team of resources will aid in our previous professional experience. We each pose a different plethora of skills, majors, work experience and personal experience that will aid in our business venture's operations and activities.

As much as we will be made better by Tyler's partnering with our company, and our own experiences, we will need support that spans beyond that of the principals and partners of the business. Primarily, following the age-old mantra of "cash is king", we will need to rely initially on the start up cash that will be provided by the SEED fund. The \$35,000 microloan will be the basis for which we can acquire the rest of our resources. The second most important factor making up our resources are the materials and machinery needed to operate a readily working compost facility. Included in this genre is our business location, the machinery needed to run our company (skid steer, scale), materials (bags, liners, bag sealers, bag cutters, concrete, miscellaneous materials) and the costs associated with incorporation of an LLC. Additional costs will be incurred along the way that come as unplanned to the company but based on our modest use of the loan money, we will provide ourselves with a cushion to protect ourselves in the event of such instance.

Further detail of the above topics will be drawn out and discussed through our concrete sections below.

## **The Business Model**

The Compost Kings formed with the social purpose of making an impact on the environment as it stands today. Research shows time and time again that we as a culture, are not properly disposing of our waste or recycling properly. For example, the following statistics are just a sample collection of our wasteful efforts as a culture:

- The average American produces 4.4 pounds of waste a day, or 1,600 pounds a year.
- The amount of wood and paper we throw away each year is enough to heat 50,000,000 homes for 20 years.
- 96 Billion pounds of food is wasted every year in America.

- In 2010, people, on average generated about 4.43 pounds of trash per day and only recycled on average 1.51 pounds

These statistics are alarming in their usage to show how poorly we manage our waste efforts as a whole. Worse, these statistics are only a small collection of the total standings and research in existence currently, and the problem is only growing. We as a group, wish to lament these foul statistics and stop the problem before it grows even further. As with all problems, you have to start somewhere and generally, you have to start small. We are aware that collectively our group only accounts for five people but we believe that each person counts and that we represent five additional people making a concerted effort of change. Starting small, we believe we can make a preliminary impact on our immediate area, Albany County, and further disseminate our business model with proven success. Our area is currently in high demand for alternative options for waste disposal with the impending closure of the Albany landfill. This creates an increased need for our area and allows for our business model to be seen as a vital, as well as necessary, opportunity for change. Immediately benefitting from our existence as a business is Tyler from Empire Zero. When we first reached out to him in proposal with this idea, he was quite optimistic about the chance for aiding in his business model. Currently, Tyler collects compost materials from his current established customers and drops them off to running facilities. His business is plagued with having more drop off materials than places to drop off and our business would allow him an additional area to drop the materials off as well as the ability to collect materials in highly diluted amounts, greater than any of his other current options. Additionally, beyond Tyler and his business, our immediate surrounding location will benefit from our existence as a business. In one year's time alone, our business model would allow for the prevention of 103 pounds of CO<sub>2</sub> from entering the atmosphere. This means that not only will we be bettering the physical landscapes around us from being overrun with garbage and waste, we will also be starting an initiative that will protect the quality of our breathing air.

We have formed the Compost Kings with the mission to create partnerships within the community to reduce food waste while simultaneously providing compost materials to businesses and individuals. Our main product as a result of our operations will be finished compost material available for purchase mainly to landscapers, farmers,

and other agriculturally based local businesses, but we can also cater to individual sales if there is a need for such.

As a group, we have decided to incorporate our business under the terms and conditions of an LLC. The reasons that we find an LLC formation to be attractive to our business model are that it allows us to bring a profit, generated from the sales of our compost material, back into the company and utilize this money for our supplies, overhead, employee and miscellaneous costs. Secondly, incorporation as an LLC allows for the avoidance of double taxation otherwise associated with corporations in their business practices. Thirdly, as LLC stands for “Limited Liability Company”, it allows for the principals (myself, Kristin, Dan, Dexter, and Matt) to experience decreased risk and liabilities. Should the business go under, our personal assets are not at risk. Finally, should our business model prove profitability and our growth plan succeed, formation as an LLC would allow for the ability to transfer the business easily to latter successors whereas if we did not incorporate, the business would essentially end with us. Incorporation costs have been primarily budgeted around \$280. Most of the efforts of incorporation as an LLC will be dependant on time, which carries no monetary cost but still a source of cost as it results in the depletion of our time. The monetary portions of incorporation are as follows:

1. Incorporation: \$200
  2. Publication in 2 Newspapers to advertise our incorporation: \$15 (x2 newspapers) = \$30
  3. Certificate of publication: \$50
  4. Articles of Incorporation: No Cost
  5. Time: No monetary price
- Total: \$280**

In order to pursue our actions of running a compost facility, the area in which we operate our business is of vital importance. The type, size, and condition are the land each play a huge part in our ability to successfully compost. We have researched the conditions in which we have to pay accordance to and have opted to choose land located on Bozenkill Road in Guilderland, NY. The land is listed as having a Guilderland address but can be

found in the Altamont/Berne-Knox area. While the listing was sourced online<sup>1</sup>, we have conducted an in-person, onsite visit in effort to formalize the existence of the land. The land is still listed as active, so it is open for purchase at this moment in time and within our budgeted amount. The land consists of 27.9 undeveloped, natural forestland. The land has no residence on it and is no irrigated. The land has pre-established access, off of Westfall Road. The 27.9 acres are described as being “rugged with woods, gullies, and a stream” and there are no improvements on the site. The total cost of the land would amount to \$28,000, a price of about \$1,400 per acre. The land not only fits within our pre-budgeted amount but fits within the scope of what we were looking for qualitatively as well. The land is a wooded, forest area and in a non-residential or populated area. The location on Bozenkill Road and centrally located in the Altamont/Berne-Knox area allows for far superior seclusion from residential or commercial conflicts. The section of Bozenkill we are located in is actually quite desolate. The land has previously been made available with road access, which was a cost that we have budgeted for in case we had to clear the area. Additionally, the area is more open and flatter than we had budgeted for as well, so we will incur less costs than originally expected in terms of our efforts to make the land operationally-efficient.

The core of our business model is the process. Because of the partnership we will maintain with Empire Zero, we have changed the game of how we will be operating and achieve a competitive advantage as a result. Originally, The Compost Kings had formed with a completely different business model plan in our minds, one that with further thought and research proved inherently difficult and beyond our means. Our first model was centered around the idea that we would personally be tasked with the efforts of collecting waste from suburban homes in a targeted area as well as local restaurants. From here, we would then make the compost material on site, which would then be delivered by us upon completion to local farms. These efforts were squashed after our original *Scope and Scale* presentation and we had the realization that while our thoughts were encompassing a social mission, they were beyond our means. Despite having the best intentions, in order for social missions to succeed, they need to be feasibly based and functional. It was here that our direction changed paths and we were formally steered to

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<sup>1</sup> [http://www.landandfarm.com/property/Wooded\\_Land-389456/](http://www.landandfarm.com/property/Wooded_Land-389456/)

our current model. Through changes and efforts, our business model now starts with our partnership working with Empire Zero. Where our original plan specked us being the pick up artists, our collection of waste materials will now be facilitated through Empire Zero, who collects from schools as well as residential spots. After collection, Tyler and his prospective associates will drop off the materials at The Compost Kings facility where the compost material will be harvested and made by the principals of The Compost Kings. After the completed outputs are ready for sale and usable, we will then sell the finished product to local landscapers, farmers, or other local agriculturally based businesses. Additionally, the compost would be made available for purchase in the way of individual sales, rather than bulk, should we have individual requests from any potential purchaser opting for a smaller need for the compost.

Since we have chosen to incorporate as an LLC and have the ability to garner a profit, we have built in a cost and profit model to our business. For the first 6 months of our business cycle, we will be accepting food and yard waste at a tipping rate of \$10 per ton. This amount is well below the local and national level (typically seen at a rate of \$25 or more). At this time, we will not be generating profits from sales of compost due to the necessary investment of about 6 months to make the material. After this time period of 6 month, we will increase the tipping rate to \$20 per ton after the discounted period has expired and we will begin to generate revenues from the sale of our finished compost product, sold at a rate of \$25 per cubic yard. The rate for compost sales as well as our tipping rate have been budgeted at below industry averages in effort to appear as a cost-effective option among our potential customers.

As a large emphasis of our business model is encompassing the partnership and stakeholder value of Empire Zero, it is important to expand on their business model as well. Empire Zero Waste was started in 2012 by Tyler Quinn Holloway and his father. The business is registered as an LLC and they incurred costs of about \$500 to do so. The company earns most of their revenue from commercial ventures but have also additionally just added a residential service to their business model. Empire Zero does not personally host their own composting facility, which is the basis for why we are able to work together. At this point in time, Empire Zero currently drops their materials to Schenectady County Composting Facility where he pay a tipping fee based upon the



weight of the materials he drops off. While the number does vary, Tyler has informed us that typically his minimum average of tipping fees rounds out to about \$25 a ton. For his commercial portion of the business, 32-gallon totes with compostable liners are utilized, while residentially 5 gallon buckets with compostable liners are used. For his own business model growth, Tyler sees down the line the potential to purchase a food waste dump truck as he is picking up about two to three times per week but everything is specific to the customer. For example, for his Albany routes, he is currently picking up on a daily basis. Through his business experience, Tyler sees a need and potential demand for a composting facility in Albany. For this reason, Tyler's interest in partnering with us on behalf of his business was born. From his initial recommendation of purchasing inexpensive land to carry out our operations, set up, and grow here, our idea was formed.

As with all successful operations, formulating a concise and well thought plan of action can typically allow for much precaution and assessment of future needs for a business. We have developed a short-term timeline broken into two parts: first six months and the next six months. Our longer-term plan encompasses a milestone of two years and five years. While plans will be constantly upgraded, assessed and edited, these plans are merely an outline for our future operations and utilized in effort to keep us in line and on track for our future. As mentioned previously, our breaking between the first six months and the second six months is as a result of the fact that it takes six months to generate compost material and we have split these two to formalize a change in our revenue and business model as a result. In the first six months, our sole source of income will be generated from the tipping fees incurred by those dropping off compost materials. While the bulk of our drop offs will be through our partnership with Empire Zero, we also plan to accept both food and yard waste drop offs from businesses, individuals, or residential companies. Part of the attractiveness of our business model inherently lies in this factoid: many alternative compost facilities only offer the ability to compost either food or yard waste, not both. While food waste does encompass further regulatory efforts and increase the efforts associated with the composting process, we have opted to hold this dual basis to entice customer's potential business with us, in addition to our lower rates. The first six months will be the most expensive as budgeted due to the fact that our potential income will be devoid of our higher allocated basis and we also will incur all of the

preliminary formulation costs and purchases. To help ease this burden, we principals have chosen to utilize the resource of our own assets to supplement the added costs we will see in this time period and allow for an interest free source of capital that is not expected to be paid back.

The next six months are posed to bring in additional revenue to the business for two reasons: we will increase the price of our tipping fee charged at the point of drop off as well as we will then be able to see revenue generated from sales of the finished compost product.

In our immediate stage, we see year two as being a feasible point for having gained market recognition. We hope to have become a reputable and recognized contender in our area by this point in our business life cycle and be seen as a trustworthy, creditable, and legitimate source for composting practices in Albany County. We expect to see our profits reaching a stage of increased incurrence's as well as seeing a stage of constant sales and operational growth.

Our long-term evaluation begins with year five. We predict this point to be when we have become steady and systemized in our practices and operations. We expect to see a steady stream of drop offs and revenues through our most in-demand customer base. After five years in the business, we expect to have gained a strong knowledge base from our experience in the industry and plan to be seen as the industry leaders due to our knowledge leadership. Based on our conditions throughout the five years, we see a growth model for the future beyond the five-year mark being feasible through dissemination. Operating towards dissemination would mean making our services, business model and intellectual property available to both people and organizations interested in carrying out our mission. The reasons we sought out a ideal of dissemination are because it is fast and simple, cheap in cost to achieve, provides us with the ability to maximize our social mission base, and also the prospect to foster strategic relations through the sharing of our knowledge and experience with other interested parties. Typically, the growth strategy is seem as having two disadvantages lack of control, and no I.P. protection. What is beneficial to us in this situation is that we see neither of these potentials as being harmful to our business model. First off, is the idea of lack of control; the business model of The Compost Kings is one that can be malleable and edited to best

fit the social entrepreneur in charge all the while still not changing too much in original project scope. In order to operate a social mission designed in similarity to The Compost Kings, the inherent ideal of running a composting facility in effort to reduce our waste efforts will always be an encompassed factor, for which the idea of lack of control is not of main concern to our model.

The second factor, no I.P. protection, similarly does not inherently affect the dissemination strategy of The Compost Kings because we do not have a strong foundation built off of an I.P. based business model. Had our business been based in the technology sector, this may come into more consideration.

We plan to go about our dissemination efforts through a set of steps. First, on a local scale, we plan to host compost training workshops as well as other educational seminars at our business location. Interested parties may be current customers looking to start composting on a small scale in their own homes, eco-friendly businesses, or schools looking to educate students on eco-friendly practices; the possibilities for education are nearly endless and we welcome all opportunities to spread our mission to “do-gooders” looking to have a positive impact on their environment. Second, we plan to publish our business model to make our practices widely available to the public and in effort to inspire similar practices. After all, imitation is the sincerest form of flattery and what could be more flattering than helping out the environment? Thirdly, and in mirror to our second strategy, we plan to operate under an open book policy and allow for the discovery of honest and experienced information from the result of our business operations. We plan to utilize marketing communications through social media platforms such as Facebook, Twitter and Pinterest not only to advertise our business, business model, and existence but also to provide for brand recognition. We also plan to blog about our experiences and provide educational content to be published as well. All will be similarly featured on our website as well.

Should our plan for growth and dissemination prove to be inefficient and in error, our exit strategy has been formulated as well. Should all efforts work out to be different than our original plan, our micro loan obtained from the SEED fund based on the amount of \$35,00 will be paid back on a basis of 7% per seven years. An alternate form of potential exit strategy can be achieved through selling off our portion of the venture.

While Tyler has mentioned he would prefer to remain on the smaller end of the business as well as operate as more of a middleman in the form of an intermediary, conditions could change for which it may turn to be of more interest for him to take on more functions within the business and occupy a more centralized role. But, given our interest and investment in the model of the company, as well as the inherent reliance of assumption this would encompass, we are in no way counting on this as a future expectation for the company.

When assessing the realistic chance of success for this type of venture, our team of principals feels quite confident in the ability to succeed in the current market with our proposed business model. Current industry expert, Tyler Quinn, feels as though this type of business venture is necessary for our area and could prosper in the current conditions. Currently, the Albany area is in need to find a suitable and sustainable alternate to the Albany landfill expected to occur in 2016. The use of landfills alone could be drastically changed from the usage of compost facilities such as ours due to the data stating that more than 72% of all materials entering into landfills could instead be applicable for compost. In terms of the Albany landfill, of the 360,000 tons of waste incurred annually, 259,200 tons could instead be composted. With environmental issues coming to much attention at this current point in our history, we would be operating at a time of much attention towards the green movement, which would provide for much support for our business model. In fact, “green” social causes are currently at peak attention and market acceptance when weighing concepts of bricolage and catalytic innovation.

In related current events and showing the available capacity for recycling and green initiatives in the capital region is a recent article featured by the Albany Business Review featuring a proposed recycling center coming to the area grounded by a \$25 million investment. The shredding facility was chosen to operate in the Albany area based on the findings that business is much stronger in this location than initially expected. Specifically stating: “”We definitely underestimated the business climate in Albany,” Weitsman said. “There has been a lot more business in Albany than we had anticipated.”” The observations and research of alternative businesses show an agreement with our view that the Albany County area is a prime location for this time of business is exemplified by these statements.

## The Market

The demand for a food composting facility in the Albany area is very high. While there are many composting sites for yard waste, a facility must be certified to compost food. According to the New York State Department of Environmental Conservation, the only certified food composting facilities in New York are in Millerton, Nedrow, Amboy, and Milton, with the closest one being approximately 65 miles away. Our strategic partner, Tyler Quinn, currently picks up food waste and drives it to one of these said compost facilities hours away. Empire Zero is picking up 103,000 pounds of food waste a year from just one commercial customer, along with dozens of other customers. It would be extremely beneficial to Empire Zero and every other consumer to have a compost facility in the capital region that composts food waste.

Not only does our demand rely on the current absence of competition, but operating in an eco-friendly way is a new and exciting market trend. In fact, “green” issues are at peak attention in the current market scope; this provides the perfect time for an eco-conscious business to join the market. Compost facilities’ goals are to save the environment, and consumers are anxiously waiting for more ways to do so.

Porter’s five forces model explains that in order to understand the market opportunity, five externalities should be examined. These five forces are: the rivalry among current competitors, the ability for new competitors to join the market, substitute, the influence of suppliers and the influence of buyers. Rivalry among current competitors does not exist in our target market. The biggest threat to our company would be the ability for new competitors to join the market. There are not many barriers to entry, other than the New York State regulations on compost facilities. It would be fairly easy for a competitor to begin operations. However, our strategic relationships with Empire Zero, various landscapers and farmers, would stop our current suppliers and customers leaving us to support another company. The only customers that would be potentially lost would be new customers, or those that have not worked with us before.

There are a few substitutes to our composting facility. Any person can run a small composting pile in their backyard without government regulation. However, that limits how much composting can be done. If too much compost is made, the composter will

then have to follow New York State regulations. There are also compost-at-home materials that anyone can buy online and compost themselves. This method also has a size limitation that would make it inefficient to compost at a large enough scale to compete with us. There are also substitutes to our finished compost. Most landscapers and home-gardeners go to a chain store to buy fertilizer. Yet it has been proven that compost is better for the earth than fertilizer, and our compost will be priced competitively. The benefits of using local, live compost will attract customers who are educated on land care. We will also distribute information to potential customers informing them of these benefits. On the other side of the spectrum, suppliers have a great impact on our operations as well. Without local suppliers, we would not have a product to sell. We have taken precautions to this problem and formed relationships with them before operations to ensure a strong supplier relationship.

## **The People**

In order to sufficiently follow through on a business plan focused on a positive social impact, The Compost Kings requires a qualified and skilled staff. Consisting of Sheila Carroll, Dan Krzykowski, Matthew Barnes, Kristin Fischetti, Dexter Sanchez-Roda as the main operating team, and Tyler Quinn from Empire Zero as a strategic partner, The Compost King's variety of talents make us capable of achieving the our mission of creating operational partnerships in our immediate community with the goal of providing compost materials to businesses and individuals while simultaneously reducing the waste our community sees.

There are various intangible assets that make our staff a cohesive group in terms of our ability to help the community with ridding of its current and future excess waste. Beginning with Sheila, she posses four years of retail experience along with two years of marketing experience. She'll be able to coordinate the marketing efforts, utilizing different strategies that will help bring the company potential partners and customers.

Next, is Dan Krzykowski. Dan has a minor in sustainability, and has prior experience working on a farm. His prior time spent on a farm will be great as we are looking to establish our company headquarters Bonzenkill Road in Guilderland, NY. On top of this, both Sheila and Dan have grown up in the capital region, this can help for

instant connections as both have a great understanding of potential places that could use the composting help the most.

With running a profitable business, comes a hefty need for analytics. Being a finance major, Matt has a great understanding of how to measure the actual results tied to the feasibility of our projections. With his expertise we'll be able to understand how the company is doing, compared to any potential competition and personal goals we have modeled our activities after.

Kristin has seen five years of retail experience in her life, two of these years involving a leadership role. From this position, she further developed her skills in sales, while also giving her an overall understanding on what it takes to oversee a successful business. With her management abilities we will be able to work as quickly and efficiently as possible to maximize the satisfaction of our partners and customers.

Dexter has two years of telemarketing experience, who along with Sheila, will be expected to raise awareness of the company's goals and social expectations, while leading to more partners and clients. Dexter's previous telemarketing experience will be leverage in order to optimize public awareness of our business' existence.

The jumpstart to our plan is through the help of Tyler Quinn. Tyler's role is extremely important to our organization, as he is the current manager of Empire Zero, a company that has pre-established clients and partners. In business meetings held with Tyler, he informed The Compost Kings of his current and past struggles to find a compost facility nearby and that he would be happy to form a partnership.

At first, it was our combined passion for the "go green" mentality that brought us together; but combined with our unique portfolio of different experiences and talents, we expect to see success within the market. On top of this notion, when combined with Tyler's strong and established network and his desire for a local composting partner, The Compost Kings will be able to gain immediate clients to begin our social goal of ridding the area of waste. As a result of this, we will be granted the ability to provide for a potential impact that many alternate businesses are not capable of achieving when beginning in a new market due to their amateur status.

## The Marketing Plan

While being young certainly has its disadvantages when starting a business, the youth of our management team actually works to our advantage in terms of the potential marketing advantages it encompasses. No age group is more in tune to social media than our generation, so in terms of marketing, we will be putting a substantial amount of effort into our social strategy. The main hubs of our activity will be our website and Facebook page where we will link out to our Twitter and Instagram. Our Twitter feed will be linked onto our website with a live ticker updating our tweets. These tweets can range from facts about composting to promotions for other local businesses we are partnering with. By constantly updating our feeds, we will keep ourselves relevant in the social sphere even though our business is not deemed to be traditional.

Instagram is one area where our rural setting and natural approach to business can be documented rather easily. We will post updates of compost piles every week until the batch is ready and have photo contests for our customers. By having a dynamic relationship with our partners and customers, both current and potential, we will be able to connect with our customer base and promote our product at the same time. The advantages of social media are obvious, it's inexpensive, easy to manage, easy to update, efficient, and cutting edge. However, an aspect of this that must be taken into consideration is the idea that the majority of our customer base is not currently active on these social platforms.

Since we are mainly selling to landscapers and farmers we have to take into consideration older, more traditional forms of marketing in order for our company to be able to connect to the older customer base. Our main way of being connected is going to be through strategic partnerships. We have partnered with Empire Zero with the purpose of gaining exposure to Tyler's customers but, we will additionally need to expand further and not solely rely on this sole customer base. Operative places for us to post advertisements would be in local garden stores such as Hewitt's, which has 8 locations around the Capital Region. For example, a physical flyer to start would be a great way to get the word out about our business. Ideally after establishment Hewitt's could also become a partner in selling our product. Certainly, this would be down the line as they are an established store with existing connections but with our competitive pricing and



local following this could be a possibility in our company's later years. Besides garden stores we also are looking to partner with local CSA's (Community Supported Agriculture) and the Honest Weight Food Co-op. The local food movement is growing quickly and by getting in with both small farms and the grocery store we can find like-minded people who are already interested in going green. While this may not expand our customer base immediately, it will allow us to better use our social platform mentioned above as a lot of progressive shoppers are of a younger age demographic. They will be more in touch with technology and therefore more likely to like us on Facebook and follow us on Twitter. This two-fold approach will allow us to gain a following with both our direct market of landscapers and gardeners and our indirect and future market of informed consumers.

Events are another way to gain exposure. Currently there are over 20 farmers markets in the Capital Region and surrounding areas and by going to these weekly events we can showcase our product to local farmers, an important demographic. Even if we get one or two to start using our compost that would be a great start in widening our customer base. Once they see the improvement in their soil health and the yield of their crops, word of mouth will inevitably take off from there. All our product needs is a chance, and once it's on the ground the results will speak for themselves.

The activities outlined above are a great way to build buzz around our brand but once we are established it becomes harder to stay relevant and that's where our seminars and workshops will come into play. By having people come to our site and learn more about composting at home and the general process of waste breakdown, we are educating and creating a new customer base, which will be important in the later years of our business as we begin to look for new markets. The composting clinics are the final step of the marketing plan as we move from an upstart to an established company in the Capital Region.

Here is a sample proposed timeline for our marketing promotions:

January- Early March 2014- Launch of website, Facebook, Twitter and Instagram. Start teasing promotional events and letting people know about our company.

March-April 2014- Continue social network push with event at Honest Weight Food Co-op. Start physically distributing flyers to local garden stores and the co-op.

April-June 2014- Heavy Social promotion with our first batch of compost nearing completion, photo contest for best veggies, be on Tyler's site by this time and mentioned with other contractors (Young Landscaping out of Delmar are willing to work together for this).

June-September 2014- Continue social push now start email blast campaign with people who have expressed interest at co-op. Farmers market info brochure's out and general promotion at the summer farmers markets.

Fall 2014- Start questionnaires asking what our customers would like to see in the coming year, continue to update social platforms, new ad campaign under way for spring batch along with college campus promotion (sustainability council here at school).

Through the use of these sample marketing tactics, we plan to leverage the reach our business has on potential and current customers to effectively spread our message and mission.

## **The Finance Plan**

Due to its low overall costs, composting is deemed to be a suitable business to invest our time, money and efforts into. In the first 6 months of operation, our expenses will be at the highest. We will have to purchase land costing \$28,000, and equipment; such as a skid steer costing \$5,000, concrete costing \$2,749.69, scale costing \$1,000, bag sealer/cutter costing \$255 and decomposable bags costing \$260. By the end of the first year we will have incurred other expenses such as employee expenses of \$12,870 as we expect to employ 1 employee for the first half of the year and later, two during the second half of our first year. Employees can expect to receive a wage of around \$8.25 an hour working around 30 hours a week. We will also have to take into consideration insurance policies in the event that anyone potentially incurs an injury or gets hurt, costing us \$4,150 a year. Finally, there will be other smaller expenses such as \$1,000 inspection expenses, the expenses associated with becoming an LLC, expectantly costing \$280 minimum and property taxes costing \$492.80. We will also put \$4,000 aside the first year just in case for miscellaneous expenses, along with \$2,450 for our interest expense. Based on all these expenses we will need a cash intake of \$62,311.49 in the first year.

By the third year, our expenses will decrease substantially, due to the consideration that we will have previously taken to initiatives to have in stock what we

would need to have to operate. The only two large expenses will be employee expenses which rise from \$12,870 from year one to \$25,740, because now both employees have to work for a full year instead of half. Our insurance will also increase \$450 due to our two employees now working for the full year. We would need to buy a second skid steer costing \$5,000 and more concrete costing \$2,749.69 to keep up with our growth. The rest of our expenses would be consistent besides a decrease in miscellaneous expense from \$4,000 to \$1,250 because by year three we will know more about what we need. We would need an overall intake of \$41,157.49 to cover our expenses during year three, which we can easily cover with our revenue we make.

Completing our prospected financials, by year five, our expenses should stabilize and decrease even further from our previous years totals. By year five we should know the best and most efficient ways of doing things and we currently foresee having no more equipment purchases decreasing our expenses greatly. Expenses that are projected to increase are those that would be tagged to our growth as a company. The expenses that could potentially increase are a greater bag expense, increased to \$487.50 and miscellaneous expense increased to \$1,687.50. The rest of our expenses will remain constant resulting in a cash intake need of \$34,007.80, which we could easily cover with our revenues.

To cover our expenses over the years we will not need much external assistance. The main time we will incur a need for an outside source of cash will be in our first 6 months of operations. We plan on obtaining cash for the first 6 months in two different ways. First and foremost, as a group, we as principals of the company have decided to chip in \$5,000 each, serving as our initial buy in to the company. There are 5 of us serving a principal role in the company so this investment would amount to \$25,000, this cash would be used for any equipment need for the business plus towards our employee expense. The second source of cash we plan on obtaining would be directly incurred from the SEED loan from the University at Albany. This loan is a \$35,000 microloan and would be used towards the buying of land and additionally towards our purchasing of equipment and the employee expenses we are prospected in incur. These two sources of cash together would equal \$60,000 dollars, which would be enough to cover our projected expenses of \$62,311.49, when additionally considering our potential revenues;

We have projected revenues to be at an amount of \$63,004.69. In other words, we would have the ability to pay for our incurred expenses while additionally having a usable amount left over.

Our company, like all companies, plans to be a profitable company. While for many companies this proves to be no more than an incorrect assumption, we believe we are unlike others in this domain due to our low costs. Because of this factor, we could feasibly become profitable as early as the end of our first year of business operations, a projection unachievable by many other failed startups. Our revenue will come from two main sources: the first source being from our tipping fee charge, a rate of \$10 a ton in the first 6 months, and then an increased rate of \$20 a ton seen after the first sixth months. Of course, in keeping with standard business practices, we will adequately warn the customers of this change upon the time of their first drop off. Despite this minimal increase, our prices are still at a level that is 4-5 dollars below the local and national averages our competitors are currently charging. Additionally, counting as the second main source of income will be from our sales of compost, at a rate of \$25 per cubic ton to be sold after the first six months, as the have budgeted for the time it would take for the materials to come to term. This number, much like the expected tipping rate, is based on a cost that is currently below the averages seen by our competitors.

Provided for analysis of the business are the proposed Income Statements and Balance Sheets serving a purpose to show projections for our first five years in business. Five years have been projected as a means of analyzing our long- term commitments; after five years, we will again formulate projections in order to adequately assess the conditions we will incur. Financial projections have been supplemented in the Appendix section.

## **Risk & Reward**

Looking ahead for our company, we must be wary of a few different potential factors our business could run into. Most importantly are the threats our business could see in the near future. One major and main threat uniquely comes from our business partner, Empire Zero. We must be careful in the beginning of our business agreement to stress the importance that we are each on the same page with one another and ensure that minute detail associated with our agreement is properly put into writing. Our business

relies upon Tyler's material so essentially there is no guarantee down the line that once he has expanded and our business has come to a more mature state that he won't attempt to take our business model over. A succession plan should therefore be put in place where after 5 years, Tyler will have the option to buy 40% of our company. The next buy in for him will be another 3 years down the line where he could buy us out if need be and we feel this is a suitable option for us as the principals of the company, collectively. By enacting on this type of plan, we are ensuring our social mission will continue to be met even if the founding members of our business do not in the area or for some reason can no longer be tied to the efforts of achieving our social mission.

Besides Tyler, there are also other external threats to our business. For example: what if sales do not go as planned and we cannot find landscapers to buy our product? This is the worst-case scenario for our company and one we have to be prepared for. If sales drop we will still have income coming in from our tipping fees, which is one major advantage of revenue coming from inputs and outputs. We can't let our compost go to waste so we can give it away to both farmers and individuals for free for a limited time period. Yes, we would lose revenue, but we are getting our foot in the door at sample places of business. This practice could be used as a promotional event that will free up our compost and increase our exposure at the same time. Our revenues will drop as a result, but this practice will allow for new and increasing amounts of people to learn about us, and that's a tradeoff we are willing to take as a team.

In terms of our assessment, we will assess our company both on quantitative and qualitative domains. Our physical impact on the environment will be felt immediately. In the first six months we will be taking in over 103,000 pounds of food waste from SUNY Albany, which equates to roughly 103,000 pounds of CO<sub>2</sub> equivalently not being released into the atmosphere. This 1:1 ratio model will be a great way for us to show customers how we are impacting the earth. We will also be actively involved with Pine Bush maintenance and restoration projects as we are hoping to save this unique ecosystem from the overflowing Rapp Road landfill. From volunteering our time to donating proceeds to restoration effort we hope to protect this landmark from further environmental damage.

On the qualitative side of our business, we want to create an atmosphere of sustainability in the Capital Region and further through our partnerships and workshops, we hope to disseminate our knowledge through to the surrounding community. We not only will be able to see our impact in our company's inherent growth, but also through the growth of Empire Zero as a result of our partnership, which will give us a physical number of households and business composting in the area. There are around 838,000 individuals living in the Capital Region currently and we hope to reach 15% by our fifth year of operations. This would result in an amount of 125,700 individuals composting in our area. Initially, this number may seem high, but we have to then take into account area businesses and schools. With Empire Zero having the compost rights to every major college in the area, we are already composting for over 30,000 individuals. While the 15% mark is high, we hope to create a cultural shift in the Capital Region as we spread the news about the benefits of composting. Our marketing and publicity will be key for our company if we want to have a large impact in the region.

## Conclusion

Through an effective formation, The Compost Kings holds the potential to bring a great realm of change to our community and further on in the future to come. Our initial concern for the health of our environment is what served as the reason for our formation but upon the research and chronicling associated with the formation of our business model, realizing the potential impact tied with our business model is what has driven our concern and ambitions. We have the chance to provide for a vast impact on our community, both environmentally and socially. Our business has been formed under the notion of good will and concern for the generations to come and a hope to cure the current ailment our community is feeling in terms of our failing waste management efforts. We hope to provide for a systematic and actable means for change that will be adopted by those that our business model comes into contact with.

Our team has been moved by two currently enacted business models and strives to achieve results similar to theirs on a smaller scale. First, and most similarly, is the mission behind the brand Seventh Generation. Seventh Generation is a company that produces environmentally sound products with the notion of what their effect would be not only on our generation, but those seven generations after us. For us, we have created

a business model that not only encompasses the environmental health of our current environment seen by today's generations, but also paves a healthier path for the next generations to come.

Our second inspiration comes from the actions and policies of the brand ONE Water. A company following a socially driven mission of providing clean water to third world countries through the sale of ONE Water in our present wealthier companies. While they currently have achieved a profitable status, they too had to start somewhere and on a smaller basis. The guiding light behind their business that got them to the scale they see today is that if you want to change the world, you have to do it one small step at a time. As young entrepreneurs, we do not have the means to change the world, and with age we still may never have this ability. But, if we start small and concentrate our efforts first on our surrounding area, we have the potential to make a difference, and no matter how big or small that difference may be, it's the act of change itself that matters to The Compost Kings.

# *Appendix*



## Financial Projections

### Income Statements

#### **Compost Kings**

**Year 1**

#### **Income statement**

#### **Revenue**

Subscription Fee (SUNY + Landscapers)

\$ 16,529.91

Sales of Compost (\$25 1 cubic yard)

\$ 46,474.77

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#### **Total Revenue**

\$ 63,004.68

#### **Expenses**

Property

\$ 28,000.00

Property Tax

\$ 492.80

Skid Steer

\$ 5,000.00

Employee Expense

\$ 12,870.00

Scale

\$ 1,084.00

Interest Expense

\$ 2,450.00

Miscellaneous

\$ 4,000.00

Insurance Cost

\$ 4,150.00

LLC Fee

-

Bags Price

\$ 260.00

Bags Sealer/Cutter

\$ 255.00

Inspector Expense

\$ 1,000.00

Concrete Price

\$ 2,749.69

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#### **Total Expense**

\$ 62,311.49

**Net Income**

**\$ 693.19**

**Compost Kings**  
**Income Statement**

**Year 3**  
25% growth

**Revenue**

Subscription Fee (SUNY + Landscapers) \$ 24,794.87

Sales of Compost (\$25 1 cubic yard) \$ 69,712.15

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**Total Revenue** \$ 94,507.02

**Expenses**

Property \$ -

Property Tax \$ 492.80

2nd Skid Steer \$ 5,000.00

Employee Expense \$ 25,740.00

Interest Exp.

Scale \$ -

Miscellaneous \$ 1,250.00

Insurance Cost \$ 4,600.00

LLC Fee 0

Bags Price \$ 325.00

Bags Sealer/Cutter 0

Inspector Expense \$ 1,000

Concrete Price \$ 2,749.69

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**Total Expense** \$ 41,157.49

**Net Income** \$ 53,349.53

<b>Compost Kings</b>	<b>Year 5</b>
<b><u>Income Statement</u></b>	15% growth
<b><u>Revenue</u></b>	
Subscription Fee (SUNY + Landscapers)	\$ 34,216.92
Sales of Compost (\$25 1 cubic yard)	\$ 96,202.77
<b>Total Revenue</b>	<b>\$ 130,419.68</b>
<b><u>Expenses</u></b>	
Property	\$ -
Property Tax	\$ 492.80
Skid Steer	\$ -
Employee Expense	\$ 25,740.00
Scale	\$ -
Miscellaneous	\$ 1,687.50
Insurance Cost	\$ 4,600.00
LLC Fee	\$ -
Bags Price	\$ 487.50
Bags Sealer/Cutter	\$ -
Inspector Expense	\$ 1,000.00
Concrete Price	\$ -
<b>Total Expense</b>	<b>\$ 34,007.80</b>
<b>Net Income</b>	<b>\$ 96,411.88</b>

<b>Compost Kings</b>	<b><u>Balance Sheets</u></b>	<b>Years 1</b>
<b><u>Balance sheet</u></b>		
<b><u>Assets</u></b>		
Cash		\$ 85,655.99
Land		\$ 28,000.00
Equipment		\$ 9,348.69
<b>Total assets</b>		<b>\$ 123,004.68</b>
<b><u>Liabilities</u></b>		
Seed Loan (\$35,000*1.07)		\$ 37,450.00
Land and Equipment Exp.		\$ 37,088.69
Employee Exp.		\$ 12,870.00
Insurance Exp.		\$ 4,150.00
Miscellaneous Exp.		\$ 4,000.00
Inspector Exp.		\$ 1,000.00
Property Exp.		\$ 492.80
Bag Exp.		\$ 260.00
<b>Total Liabilities</b>		<b>\$ 97,311.49</b>
<b><u>Equity</u></b>		
Cash Investment		\$ 25,000.00
Retained earnings		\$ 693.19
<b>Total Equity</b>		<b>\$ 25,693.19</b>
<b>Total liabilities + equity</b>		<b>\$ 123,004.68</b>

**Compost Kings**  
**Balance sheet**

**Years 3**

**Assets**

Cash	\$ 110,840.53
Land	\$ 28,000.00
Equipment	\$ 17,423.30
<b>Total assets</b>	<b>\$ 156,263.82</b>

**Liabilities**

Seed Loan (\$35,000*1.07)	\$ 36,756.81
Land and Equipment Exp.	\$ 7,749.69
Employee Exp.	\$ 25,740.00
Insurance Exp.	\$ 4,600.00
Miscellaneous Exp.	\$ 1,250.00
Inspector Exp.	\$ 1,000.00
Property Exp.	\$ 492.80
Bag Exp.	\$ 325.00
<b>Total Liabilities</b>	<b>\$ 77,914.30</b>

**Equity**

Cash Investment	\$ 25,000.00
Retained earnings	\$ 53,349.53
<b>Total Equity</b>	<b>\$ 78,349.53</b>
<b>Total liabilities + equity</b>	<b>\$ 156,263.83</b>

**Compost Kings****Years 5****Balance sheet****Assets**

Cash	\$ 110,176.38
Land	\$ 28,000.00
Equipment	\$ 17,243.30

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**Total assets** \$ 155,419.68**Liabilities**

Seed Loan (\$35,000*1.07)	\$ -
Land and Equipment Exp.	\$ -
Employee Exp.	\$ 25,740.00
Insurance Exp.	\$ 4,600.00
Miscellaneous Exp.	\$ 1,687.50
Inspector Exp.	\$ 1,000.00
Property Exp.	\$ 492.80
Bag Exp.	\$ 487.50

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**Total Liabilities** \$ 34,007.80**Equity**

Cash Investment	\$ 25,000.00
Retained earnings	\$ 96,411.88

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**Total Equity** \$ 121,411.88

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**Total liabilities + equity** \$ 155,419.68

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# **The Compost Kings' Individual Resumes**