

--- Business of the Month ---

Kosher Bakery Taps into Unique Market Niche Prepares for Grand Opening in Pittsburgh

Tamara Berkowitz describes how she identified a market gap, devised a distribution network and secured startup financing for her bakery set to open Labor Day Weekend.

By Jason Feirman

Since she was a little girl, Tammy Berkowitz had dreams of opening up her own bakery. It wasn't until she moved to Pittsburgh in 2006, that she began to turn her dreams into reality.

While Berkowitz was selling baked goods at her local synagogue and developing a plan for opening a bakery, the city's only two kosher bakeries shut their doors and a sudden void in the market provided Berkowitz with the perfect opportunity.

Berkowitz lives in Pittsburgh's Squirrel Hill neighborhood, which she describes as a melting pot of sects and culture. And of particular importance to the success of her bakery – which will serve kosher, non-dairy goods – is the large and diverse Jewish community consisting of Orthodox, Conservative, and Reform Jews. Berkowitz however, will not limit her target audience to the kosher population.

"I will be marketing my bakery to the entire Pittsburgh community," she says. "We are very unique in that we're going for a more upscale, trendy bakery." She notes that the large student population from nearby universities such as Carnegie Mellon will bring in important business too.

By not using any milk products, Berkowitz will also be able to cater to people who don't consume milk products or have certain allergies. Berkowitz has spent years ensuring that her dairy-free baked goods are just as tasty as products that contain milk. Some of the common ingredients she uses include margarine, soy milk, and sour cream.

"It's possible to use the ingredients that I use and make goods that are really tasty," she says. "I love experimenting with new ingredients and am always testing out new recipes."

Construction of the bakery began in May and Berkowitz hopes to be up and running by Labor Day. She says the most difficult part has been securing all of the permits and preparing for mandatory health and fire department inspections. It was only a few months ago that Berkowitz was faced with the dilemma of how to finance her bakery. With the help of her husband, who has experience in starting businesses, she was able to secure small business loans which provided her with



Tammy Berkowitz and her husband, Daniel.

the necessary funds. Once the bakery opens, she hopes to keep costs to a minimum.

"My husband is going to help out for the first few months, and I'll also hire an assistant baker and someone to work at the counter," she explains. "Eventually, I'd like to hire a head baker so I can focus on the business operations."

Those plans include developing a nationwide web distribution platform, which will allow Berkowitz to ship her products to customers throughout the country. She doesn't believe that there is currently a good option for people who want to order kosher baked goods online -- a void that Berkowitz hopes to fill.

In the meantime, Berkowitz is focusing on getting the word out in her local community about her new venture.

"I've had a couple of articles written about me in our local Jewish newspaper and a local magazine has been in touch with me so hopefully that will turn into some good press," she says. "I also

plan on taking out ads in major newspapers and working on developing relationships with event planners and hotels in the area."

Although the price of ingredients has risen, Berkowitz isn't too concerned that the slumping economy will have a major impact on business.

"As the only kosher bakery in town, lots of people and organizations don't have another option for when they're going to get their baked goods," she says. "After all, birthdays come around every year and now residents will have a new place to pick up the most delicious cakes in town." ■

"I will be marketing my bakery to the entire Pittsburgh community,"

– Tammy Berkowitz

Financing Advice from Citibank

1

Good Personal Credit

In today's credit environment it is critical to maintain a healthy personal credit history. The banks view how you handle your personal credit as a direct reflection on how you would handle your business obligations.

2

Establishing Business Credit

It is important to establish a borrowing relationship with your bank early on however small so that as your borrowing needs grow, the bank will already have an understanding of proven payment history.

3

Retained Earnings

Make sure you reinvest in your business. While banks lend on cash flow, banks also evaluate how much you reinvest in your company. A bank does not want to feel that they have more invested in your company than you do.

Stephanie D. Pierce, SVP, Commercial
Banking Region Manager.



Disability and the American Business

By Louis A. Tucci

That Won't Happen to Me!

If you were to suffer a sudden disability, how would you pay for all of the expenses related to your lifestyle? Would your business be able to continue generating income for you? Do you have money in liquid savings to support yourself and your family during a six-month disability or an extended disability? In addition, if an employee suffered a sudden disability, would you be able to fund disability income for that employee out of ongoing cash flow? What if a partner suffered a sudden disability? Does your Buy/Sell Agreement stipulate to a Disability? Is it funded with Disability Insurance?

The Cost-Effective Solution

There is a reasonably simple and cost-effective solution to this problem. Business owners should consider setting up a wage continuation plan for themselves and their employees. Such plans can help ensure that owners and employees will continue to receive salaries despite long-term disability. They carry the following advantages:

- If structured properly, the payment of benefits to a disabled employee or owner may qualify as "necessary business expenses" and be tax deductible to the firm under Section 162 of the Internal Revenue Code.
- A wage continuation plan can earn the goodwill of current employees and serve as an inducement for attracting new employees.

Customizing a Plan

Disability income policies can be tailored to meet specific needs, and cost is generally driven by the type and extent of coverage (flexible to meet budget)

The length of the elimination period (the waiting period that must elapse before benefit payments begin) and the maximum benefit provided (stipulated by either dollar amount or length of time, or a combination of both) are other significant variables in plan design and cost.

One area often overlooked in business disability planning is the completion of

retirement funding for a disabled owner. What happens when there are no earnings (because of disability) to continue funding retirement? This problem can be addressed by designing a disability plan that can help fund a shortfall in retirement planning.

Key person disability insurance and disability overhead expense policies are two other important protective options. Key person disability insurance (DI) will pay a monthly benefit as determined by the key employee's pre-disability earned income. The monthly DI benefit can then be used to provide revenue to hire and train a replacement, or to strengthen the company's cash flow. The second option, a disability overhead expense policy, can help pay for overhead expenses should you become disabled under the terms of the policy. Thus, if you are temporarily unable to generate revenue, bills will continue to be paid without interruption.

The real key to plan design begins with a realistic understanding of the risks involved. The right policy can then provide financial security for you and your business to help mitigate the potentially devastating effects of a major accident or long-term illness. ■

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Biz2Credit's Deal Structuring 101:

A Creative Financing Solution

Distributor uses Citibank financing to expand business, grow revenues by \$1 million

Biz Profile

An entrepreneur owns and operates a company that distributes discounted health, beauty, and food products to retail stores and government entities. The New Jersey based company generated \$15 million in revenue for 2007.

Financial Need and Obstacles

To service large government contracts, the company must purchase inventories in bulk. However, receivables from the distribution business's 200 retail clients accounted for about 60 percent of the company's total revenue. The

distribution company wanted to maintain inventory purchasing power and cash flow stability.

Solution

After reviewing the financials of the business, Biz2Credit recommended using a line of credit from Citibank and transferring business banking to Citibank to build a solid relationship with the lending institution.

Benefits

- Received a \$250,000 line of credit at prime plus 1 from Citibank

- Expanded banking relationship and future financing options with Citibank
- Grew business revenue by over \$1 million

