How to Start a Coffee Shop Business

By the BizMove.com Team

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1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

This guide is a checklist for the owner/manager of a business enterprise or for one contemplating going into business for the first time. The questions concentrate on areas you must consider seriously to determine if your idea represents a real business opportunity and if you can really know what you are getting into. You can use it to evaluate a completely new venture proposal or an apparent opportunity in your existing business.

Perhaps the most crucial problem you will face after expressing an interest in starting a new business or capitalizing on an apparent opportunity in your existing business will be
determining the feasibility of your idea. Getting into the right business at the right time is simple advice, but advice that is extremely difficult to implement. The high failure rate of new businesses and products indicates that very few ideas result in successful business ventures, even when introduced by well established firm. Too many entrepreneurs strike out on a business venture so convinced of its merits that they fail to thoroughly evaluate its potential.

This checklist should be useful to you in evaluating a business idea. It is designed to help you screen out ideas that are likely to fail before you invest extensive time, money, and effort in them.

**Preliminary Analysis**

A feasibility study involves gathering, analyzing and evaluating information with the purpose of answering the question: "Should I go into this business?" Answering this question involves first a preliminary assessment of both personal and project considerations.

**General Personal Considerations**

The first seven questions ask you to do a little introspection. Are your personality characteristics such that you can both adapt to and enjoy business ownership/management?

1. Do you like to make your own decisions?
2. Do you enjoy competition?
3. Do you have will power and self-discipline?
4. Do you plan ahead?
5. Do you get things done on time?
6. Can you take advise from others?
7. Are you adaptable to changing conditions?

The next series of questions stress the physical, emotional, and financial strains of a new business.

8. Do you understand that owning your own business may entail working 12 to 16 hours a day, probably six days a week, and maybe on holidays?
9. Do you have the physical stamina to handle a business?
10. Do you have the emotional strength to withstand the strain?
11. Are you prepared to lower your standard of living for several months or years?
12. Are you prepared to loose your savings?

**Specific Personal Considerations**

1. Do you know which skills and areas of expertise are critical to the success of your project?
2. Do you have these skills?
3. Does your idea effectively utilize your own skills and abilities?
4. Can you find personnel that have the expertise you lack?
5. Do you know why you are considering this project?
6. Will your project effectively meet your career aspirations?

The next three questions emphasize the point that very few people can claim expertise in all phases of a feasibility study. You should realize your personal limitations and seek appropriate assistance where necessary (i.e. marketing, legal, financial).

7. Do you have the ability to perform the feasibility study?
8. Do you have the time to perform the feasibility study?
9. Do you have the money to pay for the feasibility study done?

General Project Description
1. Briefly describe the business you want to enter.

2. List the products and/or services you want to sell

3. Describe who will use your products/services

4. Why would someone buy your product/service?

5. What kind of location do you need in terms of type of neighborhood, traffic count, nearby firms, etc.?

6. List your product/services suppliers.

7. List your major competitors - those who sell or provide like products/services.

8. List the labor and staff you require to provide your products/services.
B. Requirements For Success

To determine whether your idea meets the basic requirements for a successful new project, you must be able to answer at least one of the following questions with a "yes."

1. Does the product/service/business serve a presently unserved need?
2. Does the product/service/business serve an existing market in which demand exceeds supply?
3. Can the product/service/business successfully compete with an existing competition because of an "advantageous situation," such as better price, location, etc.?

Major Flaws

A "Yes" response to questions such as the following would indicate that the idea has little chance for success.

1. Are there any causes (i.e., restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e., unreasonable cost, scarce skills, energy, material, equipment, processes, technology, or personnel)?
2. Are capital requirements for entry or continuing operations excessive?
3. Is adequate financing hard to obtain?
4. Are there potential detrimental environmental effects?
5. Are there factors that prevent effective marketing?

C. Desired Income

The following questions should remind you that you must seek both a return on your investment in your own business as well as a reasonable salary for the time you spend in operating that business.

1. How much income do you desire?

_____________

2. Are you prepared to earn less income in the first 1-3 years?

_____________

3. What minimum income do you require?

_____________

4. What financial investment will be required for your business?

_____________
5. How much could you earn by investing this money? 
_____________

6. How much could you earn by working for someone else? 
_____________

7. Add the amounts in 5 and 6. If this income is greater that what you can realistically expect from your business, are you prepared to forego this additional income just to be your own boss with the only prospects of more substantial profit/income in future years? 
_____________

8. What is the average return on investment for a business of your type? _______________

D. Preliminary Income Statement

Besides return on investment, you need to know the income and expenses for your business. You show profit or loss and derive operating ratios on the income statement. Dollars are the (actual, estimated, or industry average) amounts for income and expense categories. Operating ratios are expressed as percentages of net sales and show relationships of expenses and net sales.

For instance 50,000 in net sales equals 100% of sales income (revenue). Net profit after taxes equals 3.14% of net sales. The hypothetical "X" industry average after tax net profit might be 5% in a given year for firms with 50,000 in net sales. First you estimate or forecast income (revenue) and expense dollars and ratios for your business. Then compare your estimated or actual performance with your industry average. Analyze differences to see why you are doing better or worse than the competition or why your venture does or doesn't look like it will float.

These basic financial statistics are generally available for most businesses from trade and industry associations, government agencies, universities and private companies and banks.

Forecast your own income statement. Do not be influenced by industry figures. Your estimates must be as accurate as possible or else you will have a false impression.

1. What is the normal markup in this line of business. i.e., the dollar difference between the cost of goods sold and sales, expressed as a percentage of sales? 
_____________

2. What is the average cost of goods sold percentage of sales? 
_____________

3. What is the average inventory turnover, i.e., the number of times the average inventory is sold each year? 
_____________

4. What is the average gross profit as a percentage of sales?
5. What are the average expenses as a percentage of sales?

6. What is the average net profit as a percent of sales?

7. Take the preceding figures and work backwards using a standard income statement format and determine the level of sales necessary to support your desired income level.

8. From an objective, practical standpoint, is this level of sales, expenses and profit attainable?

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**ANY BUSINESS, INC.**
Condensed Hypothetical Income Statement
For year ending December 31

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>Gross sales</td>
<td>773,888</td>
<td></td>
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<tr>
<td>Less returns, allowances,</td>
<td></td>
<td></td>
</tr>
<tr>
<td>and cash discounts</td>
<td>14,872</td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>759,016</td>
<td>100.00</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>589,392</td>
<td>77.65</td>
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<tr>
<td>Gross profit on sales</td>
<td>169,624</td>
<td>22.35</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>41,916</td>
<td>5.52</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>28,010</td>
<td>3.69</td>
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<tr>
<td>General expenses</td>
<td>50,030</td>
<td>6.59</td>
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<tr>
<td>Financial expenses</td>
<td>5,248</td>
<td>0.69</td>
</tr>
<tr>
<td>Total expenses</td>
<td>125,204</td>
<td>16.50</td>
</tr>
<tr>
<td>Operating profit</td>
<td>44,220</td>
<td>5.85</td>
</tr>
<tr>
<td>Extraordinary expenses</td>
<td>1,200</td>
<td>0.16</td>
</tr>
<tr>
<td>Net profit before taxes</td>
<td>43,020</td>
<td>5.69</td>
</tr>
<tr>
<td>taxes</td>
<td>19,542</td>
<td>2.57</td>
</tr>
<tr>
<td>Net profit after taxes</td>
<td>23,478</td>
<td>3.12</td>
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</table>

**E. Market Analysis**

The primary objective of a market analysis is to arrive at a realistic projection of sales. After answering the following questions you will be in a better positions to answer question eight immediately above.

**Population**
1. Define the geographical areas from which you can realistically expect to draw customers.

2. What is the population of these areas?

3. What do you know about the population growth trend in these areas?

4. What is the average family size?

5. What is the age distribution?

6. What is the per capita income?

7. What are the consumers' attitudes toward business like yours?

8. What do you know about consumer shopping and spending patterns relative to your type of business?

9. Is the price of your product/service especially important to your target market?

10. Can you appeal to the entire market?

11. If you appeal to only a market segment, is it large enough to be profitable?

F. Competition

1. Who are your major competitors?

2. What are the major strengths of each?

3. What are the major weaknesses of each?
4. Are you familiar with the following factors concerning your competitors:

   Price structure?

   Product lines (quality, breadth, width)?

   Location?

   Promotional activities?

   Sources of supply?

   Image from a consumer's viewpoint?

5. Do you know of any new competitors?

6. Do you know of any competitor's plans for expansion?

7. Have any firms of your type gone out of business lately?

8. If so, why?

9. Do you know the sales and market share of each competitor?

10. Do you know whether the sales and market share of each competitor are increasing, decreasing, or stable?

11. Do you know the profit levels of each competitor?
12. Are your competitors’ profits increasing, decreasing, or stable?

13. Can you compete with your competition?

G. Sales
1. Determine the total sales volume in your market area.

2. How accurate do you think your forecast of total sales is?

3. Did you base your forecast on concrete data?

4. Is the estimated sales figure "normal" for your market area?

5. Is the sales per square foot for your competitors above the normal average?

6. Are there conditions, or trends, that could change your forecast of total sales?

7. Do you expect to carry items in inventory from season to season, or do you plan to mark down products occasionally to eliminate inventories? If you do not carry over inventory, have you adequately considered the effect of mark-down in your pricing? (Your gross profits margin may be too low.)

8. How do you plan to advertise and promote your product/service/business?

9. Forecast the share of the total market that you can realistically expect - as a dollar amount and as a percentage of your market.

10. Are you sure that you can create enough competitive advantages to achieve the market share in your forecast of the previous question?
11. Is your forecast of dollar sales greater than the sales amount needed to guarantee your desired or minimum income? 

_______________

12. Have you been optimistic or pessimistic in your forecast of sales? _______________

13. Do you need to hire an expert to refine the sales forecast? 

_______________

14. Are you willing to hire an expert to refine the sales forecast? 

_______________

H. Supply

1. Can you make a list of every item of inventory and operating supplies needed?

2. Do you know the quantity, quality, technical specifications, and price ranges desired?

3. Do you know the name and location of each potential source of supply?

4. Do you know the price ranges available for each product from each supplier?

5. Do you know about the delivery schedules for each supplier?

6. Do you know the sales terms of each supplier?

7. Do you know the credit terms of each supplier?

8. Do you know the financial condition of each supplier?

9. Is there a risk of shortage for any critical materials or merchandise?

10. Are you aware of which supplies have an advantage relative to transportation costs?

11. Will the price available allow you to achieve an adequate markup?

I. Expenses

1. Do you know what your expenses will be for: rent, wages, insurance, utilities, advertising, interest, etc?

2. Do you need to know which expenses are Direct, Indirect, or Fixed?

3. Do you know how much your overhead will be?

4. Do you know how much your selling expenses will be?

Miscellaneous
1. Are you aware of the major risks associated with your product? Service Business?
2. Can you minimize any of these major risks?
3. Are there major risks beyond your control?
4. Can these risks bankrupt you? (fatal flaws)

J. Venture Feasibility
1. Are there any major questions remaining about your proposed venture?
2. Do the above questions arise because of a lack of data?
3. Do the above questions arise because of a lack of management skills?
4. Do the above questions arise because of a "fatal flaw" in your idea?
5. Can you obtain the additional data needed?

2. Starting Your Business Step by Step

Things to Consider Before You Start
This guide will walk you step by step through all the essential phases of starting a successful retail business. To profit in a retail business, you need to consider the following questions: What business am I in? What goods do I sell? Where is my market? Who will buy? Who is my competition? What is my sales strategy? What merchandising methods will I use? How much money is needed to operate my store? How will I get the work done? What management controls are needed? How can they be carried out? Where can I go for help?

As the owner, you have to answer these questions to draw up your business plan. The pages of this Guide are a combination of text and suggested analysis so that you can organize the information you gather from research to develop your plan, giving you a progression from a common sense starting point to a profitable ending point.

What Is a Business Plan?
The success of your business depends largely upon the decisions you make. A business plan allocates resources and measures the results of your actions, helping you set realistic goals and make logical decisions.

You may be thinking, "Why should I spend my time drawing up a business plan? What's in it for me?" If you've never worked out a plan, you are right in wanting to hear about the possible benefits before you do the work. Remember first that the lack of planning leaves you poorly equipped to anticipate future decisions and actions you must make or take to run your business successfully. A business plan Gives you a path to follow. A plan with goals and action steps allows you to guide your business through turbulent often unforeseen economic conditions.
A plan shows your banker the condition and direction of your business so that your business can be more favorably considered for a loan because of the banker's insight into your situation.

A plan can tell your sales personnel, suppliers, and others about your operations and goals.

A plan can help you develop as a manager. It can give you practice in thinking and figuring out problems about competitive conditions, promotional opportunities and situations that are good or bad for your business. Such practice over a period of time can help increase an owner-manager's ability to make judgments.

A second plan tells you what to do and how to do it to achieve the goals you have set for your business.

What Business Am I In?

In making your business plan, the first question to consider is: What business am I really in? At first reading, this question may seem silly. "If there is one thing I know," you say to yourself, "it is what business I'm in." Hold on and think. Some owner-managers have gone broke and others have wasted their savings because they did not define their businesses in detail. Actually they were confused about what business they were in.

Look at an example. Mr. Jet maintained a dock and sold and rented boats. He thought he was in the marina business. But when he got into trouble and asked for outside help, he learned that he was not necessarily in the marina business. He was in several businesses. He was in the restaurant business with a dockside cafe, serving meals to boating parties. He was in the real estate business, buying and selling lots. He was in boat repair business, buying parts and hiring a mechanic as demand rose. Mr. Jet was trying to be too many things and couldn't decide which venture to put money into and how much return to expect. What slim resources he had were fragmented.

Before he could make a profit on his sales and a return on his investment, Mr. Jet had to decide what business he really was in and concentrate on it. After much study, he realized that he should stick to the marina format, buying, selling, and servicing boats.

Decide what business you are in and write it down - define your business.
To help you decide, think of answers to questions like: What do you buy? What do you sell? Which of your lines of goods yields the greatest profit? What do people ask you for? What is it that you are trying to do better or more of or differently from your competitors? Write it down in detail.

Planning Your Marketing

When you have decided what business you are in, you are ready to consider another important part of you business plan. Marketing. Successful marketing starts with the owner-manager. You have to know the merchandise you sell and the wishes and wants of your customers you can appeal to. The objective is to move the stock off the shelves and display racks at the right price and bring in sales dollars.

The text and suggested working papers that follow are designed to help you work out a marketing plan for your store.

Determining the Sales Potential

In retail business, your sales potential depends on location. Like a tree, a store has to draw its nourishment from the area around it. The following questions should help you work through the problem of selecting a profitable location.
In what part of the city or town will you locate?
In the downtown business section?
In the area right next to the downtown business area?
In a residential section of the town?
On the highway outside of town?
In the suburbs?
In a suburban shopping center?

On a worksheet, write where you plan to locate and give your reasons why you chose that particular location.

Now consider these questions that will help you narrow down a place in your location area.
What is the competition in the area you have picked?
How many of the stores look prosperous?
How many look as though they are barely getting by?
How many similar stores went out of business in this area last year?
How many new stores opened up in the last year?
What price line does competition carry?

Which store or stores in the area will be your biggest competitors?

Again, write down the reasons for your opinions. Also write out an analysis of the area's economic base and give the reason for your opinion. Is the area in which you plan to locate supported by a strong economic base? For example, are nearby industries working full time? Only part time? Did any industries go out of business in the past several months? Are new industries scheduled to open in the next several months?

When you find a store building that seems to be what you need, answer the following questions:
 Is the neighborhood starting to get run down?
 Is the neighborhood new and on the way up? (The local Chamber of Commerce may have census data for your area. Census Tracts on Population, published by the Bureau of Census, may be useful. Other sources on such marketing statistics are trade associations and directories).
 Are there any super highways or through-ways planned for the neighborhood?
 Is street traffic fairly heavy all day?
 How close is the building to bus lines and other transportation?
 Are there adequate parking spaces convenient to your store?
 Are the sidewalks in good repair (you may have to repair them)?
 is the street lighting good?
 Is your store on the sunny side of the street?
What is the occupancy history of this store building? Does the store have a reputation for failures? (Have stores opened and closed after a short time)?
Why have other businesses failed in this location?
What is the physical condition of the store?
What service does the landlord provide?
What are the terms of the lease?
How much rent must you pay each month?
Estimate the gross annual sales you expect in this location.

When you think you have finally solved the site location question, ask your banker to recommend people who know most about location in your line of business. Contact these people and listen to their advice and opinions, weigh what they say, then decide.

**How to Attract Customers**

When you have a location in mind, you should work through another aspect of marketing. How will you attract customers to your store? How will you pull business away from your competition?

It is in working with this aspect of marketing that many retailers find competitive advantages. The ideas that they develop are as good as and often better than those that large companies develop. The work blocks that follow are designed to help you think about image, pricing, customer service policies, and advertising.

**Image**

A store has an image whether or not the owner is aware of it. For example, throw some merchandise onto shelves and onto display tables in a dirty, dimly lit store and you've got an image. Shoppers think of it as a dirty, junky store and avoid coming into it. Your image should be concrete enough to promote in your advertising and other promotional activities. For example, "home-cooked" food might be the image of a small restaurant.

Write out on a worksheet the image that you want shoppers and customers to have of your store.

**Pricing**

Value received is the key to pricing. The only way a store can have low prices is to sell low-priced merchandise. Thus, what you do about the prices you charge depends on the lines of merchandise you buy and sell. It depends also on what your competition charges for these lines of merchandise. Your answers to the following questions should help you to decide what to do about pricing.

In what price ranges are your line of merchandise sold
High _____, Medium ___________, or Low _____?

Will you sell for cash only?
What services will you offer to justify your prices if they are higher than your competitor's prices?
If you offer credit, will your price have to be higher than if all sales are for cash? The credit costs have to come from somewhere. Plan for them.
If you use credit card systems, what will it cost you? Will you have to add to your prices to absorb this cost.

**Customer Service Policies**

The service you provide your customers may be free to them, but you pay for it. For example, if you provide free parking, you pay for your own parking lot or pick up your part of the cost of a lot you share with other retailers.

Make a list of the services that your competitors offer and estimate the cost of each service. How many of these services will you have to provide just to be competitive? Are there other services that would attract customers but that competitors are not offering? If so, what are your estimates of the cost of such services? Now list all the services you plan to offer and the estimated costs. Total this expense and figure out how you can include those added costs in your prices without pricing your merchandise out of the market.

**Planning Your Advertising Activities**

Advertising was saved until the last because you have to have something to say before advertising can be effective. When you have an image, price range, and customer services, you are ready to tell prospective customers why they should shop in your store.

When the money you can spend for advertising is limited, it is vital that your advertising be on target. Before you think about how much money you can afford for advertising, take time to determine what jobs you want to do for your store. List what makes your store different from your competitors. List the facts about your store and its merchandise that your advertising should tell shoppers and prospective customers.

When you have these facts listed and in hand, you are ready to think about the form your advertising should take and its cost. Ask the local media (newspapers, radio and television, and printers of direct mail pieces) for information about the services and results they offer for your money.

How you spend advertising money is your decision, but don't fall into the trap that snares many advertisers who have little or no experience with advertising copy and media selection. Advertising is a profession. Don't spend a lot of money on advertising without getting professional advice on what kind and how much advertising your store needs.

The following work sheet can be useful in determining what advertising is needed to sell your strong points to prospective customers.

<table>
<thead>
<tr>
<th>Form of Advertising</th>
<th>Size of Audience</th>
<th>Frequency of Use</th>
<th>Cost of a single ad</th>
<th>Est. Cost</th>
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When you have a figure on what your advertising for the next twelve months will cost, check it against what similar stores spend. Advertising expense is one of the operating ratios (expenses as a percentage of sales) that trade associations and other organizations gather. If your estimated cost for advertising is substantially higher than this average for your line of
merchandise, take a second look. No single expense item should be allowed to get way out of line if you want to make a profit. Your task in determining how much to spend for advertising comes down to the question, "How much can I afford to spend and still do the job that needs to be done?"

**In-store Sales Promotion**

To complete your work on marketing, you need to think about what you want to happen after prospects get inside your store. Your goal is to move stock off your shelves and displays at a profit and satisfy your customers. You want repeat customers and money in your cash register.

At this point, if you have decided to sell for cash only, take a second look at your decision. Don't overlook the fact that Americans like to buy on credit. Often a credit card, or other system of credit and collections, is needed to attract and hold customers. Customers will have more buying confidence and be more comfortable in your store if they know they can afford to buy. Credit makes this possible.

To encourage people to buy, self-service stores rely on layout, attractive displays, signs and clearly marked prices on the items offered for sale. Other stores combine these techniques with personal selling.

List the display counters, racks, special equipment (something peculiar to your business like a frozen food display bin or a machine to measure and cut cloth), and other fixtures. Figure the cost of all fixtures and equipment by listing them on a worksheet as follows:

<table>
<thead>
<tr>
<th>Type of equipment</th>
<th>Number</th>
<th>X Unit Cost</th>
<th>= Cost</th>
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<tr>
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Draw several layouts of your store and attach the layout that suits you to the cost worksheet. Determine how many signs you may need for a twelve month operation and estimate that cost also.

If your store is a combination of self-service and personal selling, how many sales persons and cashiers will you need? Estimate, I will need ________ sales persons at $ ________ each week (include payroll taxes and insurance in this salaries cost). In a year, salaries will cost: __________.

Personal attention to customers is one strong point that a store can use as a competitive tool. You want to emphasize in training employees that everyone has to pitch in and get the job done. Customers are not interested in job descriptions, but they are interested in being served promptly and courteously. Nothing is more frustrating to a customer than being ignored by an employee. Decide what training you will give your sales people in the techniques of how to greet customers, show merchandise, suggest other items, and handle customer needs and complaints.

**Buying**

When buying merchandise for resale, you need to answer questions such as:
Who sells the line to retailers? Is it sold by the manufacturer directly or through wholesalers and distributors?

What delivery service can you get and must you pay shipping charges?

What are the terms of buying?

Can you get credit?

How quickly can the vendor deliver fill-in orders?

You should establish a source of supply on acceptable terms for each line of merchandise and estimate a plan for purchasing as follows:

<table>
<thead>
<tr>
<th>Name of Item</th>
<th>Name of Supplier</th>
<th>Address Supplier</th>
<th>Disc. Offered</th>
<th>Delv. Time(1)</th>
<th>Freight Costs(2)</th>
<th>Fill-in Policy(3)</th>
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(1) How many days or weeks does it take the supplier to deliver the merchandise to your store.
(2) Who pays? You, the buyer? The supplier? Freight or transportation costs are a big expense item.
(3) What is the supplier’s policy on fill-in orders? That is, do you have to buy a gross, a dozen, or will the supplier ship only two or three items? How long does it take for the delivery to get into your store?

Stock Control

Often shoppers leave without buying because the store did not have the items they wanted or the sizes and colors were wrong. Stock control, combined with suppliers whose policies on fill-in orders are favorable to you, provides a way to reduce “walkouts”.

The type of system you use to keep informed about your stock, or inventory, depends on your line of merchandise and the delivery dates provided by your suppliers.

Your stock control system should enable you to determine what needs to be ordered on the basis of: (1) what is on hand, (2) what is on order, and (3) what has been sold. Some trade associations and suppliers provide systems to members and customers, otherwise your accountant can set up a system that is best for your business. Inventory control is based upon either a perpetual or a periodic method of accounting that involves cost considerations as well as stock control. When you have decided what system you will use to control stock, estimate its cost. You may not need an extensive (and expensive) control system because you do not need the detailed information such a system collects. The system must justify its costs or you will just waste money and time on a useless effort.

Stock Turnover

When an owner-manager buys reasonably well, you can expect to turnover stock several times a year. For example, the stock in a small camera shop should turnover four times to four and a half times a year. What is the average stock turnover per year of your line of merchandise? How many times do you expect your stock to turnover? List the reasons for your estimate.

Behind-the-Scenes Work
In a retail store, behind-the-scenes work consists of the receiving of merchandise, preparing it for display, maintaining display counters and shelves, and keeping the store clean and attractive to customers. The following analytical list will help you decide what to do and the cost of those actions.

First list the equipment (for example a marking machine for pricing, shelves, a cash register) you will need for: (1) receiving merchandise (2) preparing merchandise for display, (3) maintaining display counters and shelves, and (4) keeping the store clean. Next list the supplies you will need for a year, for example, brooms, price tags, and business forms. Use this format to figure these costs:

<table>
<thead>
<tr>
<th>Name of Equip./Supplies</th>
<th>Quantity</th>
<th>X Unit Cost</th>
<th>= Cost</th>
</tr>
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Who will do the back-room work and the cleaning that is needed to make a smooth operation in the store? If you do it yourself, how many hours a week will it take you? Will you do these chores after closing? If you use employees, what will they cost? On a worksheet describe how you plan to handle these tasks. For example:

Back-room work will be done by one employee during the slack sales times of the day. I estimate that the employee will spend _______ hours per week on these tasks and will cost _________ (number of hours times hourly wages) per week and ______ per year.

I will need ________ square feet of space for the back-room operation. This space will cost ________ per square foot or a total of ________ per month.

List and analyze all expense items in the same manner. Examples are utilities, office help, insurance, telephone, postage, accountant, payroll taxes, and licenses or other local taxes. If you plan to hire others to help manage, analyze these salaries.

**How Much Money Will You Need**

At this point, take some time to think about what your business plan means in terms of dollars. This section is designed to help you put your plan into dollars.

The first question concerns the source of dollars. After your initial capital investments in a retail store, the main source of money is sales. What sales volume do you expect to do in the first twelve months? Write your estimate here ________, and justify your estimate.
Whether you have the funds (say in savings) or borrow the money, your new business will have to pay back start-up costs. Keep this fact in mind as you work on estimating expenses and on other financial aspects of your plan.

**Expenses**

In connection with annual sales volume you need to think about expenses. If, for example, you plan to do sales amounting to $100,000, what will it cost you to do this amount of business? How much profit will you make? A business must make a profit or close.

The following exercise will help you to make an estimate of your expenses. To do this exercise you need to know the total cost of goods sold for your line of merchandise for the period (month or year) that you are analyzing. Cost of goods sold is expressed as a percentage of sales and is called an operating ratio. Check with your trade association to get the operating ratios for your business's. The following is the format for an Income Statement with operating ratios substituted for dollar amounts.
Now using your operating ratio for cost of goods sold and your estimated Sales Revenue, you can breakdown your expenses by substituting your ratios and dollar amounts in the Income Statement.

Notice that Gross Margin must be large enough to provide for your expenses and profit. and continue to fill out the entire Income Statement. Work out statements monthly or for the year.

### Cash Forecast

A budget helps you to see the dollar amount of your expected revenue and expenses each month. Then from month to month the question is: Will sales bring in enough money to pay for the store’s bills? The owner-manager must prepare for the financial peaks and valleys of the business cycle. A cash forecast is a management tool that can eliminate much of the anxiety that can plague you if your sales go through lean months. Use the following format.
Is Additional Money Needed? Suppose at this point that your business needs more money than can be generated by present sales. What do you do? If your business has great potential or is in good financial condition, as shown by its balance sheet, you will borrow money (from a bank most likely) to keep the business operating during start-up and slow sales periods. The loan can be repaid during the fat sales months when sales are greater than expenses.

Adequate working capital is needed for success and survival; but cash on hand (or the lack of it) is not necessarily an indication that the business is in bad financial shape. A lender will look at your balance sheet to see the business's Net Worth of which cash and cash flow are only a part. The balance sheet statement shows a business's Net Worth (financial position) at a given point in time, say at the close of business at the end of the month or at the end of the year.

Free Retail Business Plan How To.

Even if you do not need to borrow money you may want to show your plan and balance sheet to your banker. It is never too early to build good relations and credibility (trust) with your banker. Let your banker know that you are a manager who knows where you want to go rather than someone who merely hopes to succeed.

Control and Feedback

To make your plan work you need feedback. For example, the year-end profit and loss (income) statement shows whether your business made a profit or took a loss for the past twelve months.

Don't wait twelve months for the score. To keep your plan on target you need readings at frequent intervals. An income statement compiled at the end of each month or at the end of each quarter is one type of frequent feedback. Also you must set up management controls that help you insure that the right things are done each day and week. Organization is needed because you as the owner-manager cannot do all the work. You must delegate work,
responsibility, and authority. The record keeping systems should be set up before the store opens. After you're in business it is too late.

The control system that you set up should give you information about stock, sales, receipts and disbursement. The simpler the accounting control system, the better. Its purpose is to give you current useful information. You need facts that expose trouble spots. Outside advisers, such as accountants can help.

**Stock Control**

The purpose of controlling stock is to provide maximum service to your customers. Your aim should be to achieve a high turnover rate on your inventory. The fewer dollars you tie up in stock, the better.

In a store, stock control helps the owner-manager offer customers a balanced assortment and enables you to determine what needs ordering on the basis of (1) what is on hand, (2) what is on order, and (3) what has been sold.

When setting up inventory controls, keep in mind that the cost of the stock is not your only cost. There are inventory costs, such as the cost of purchasing, the cost of keeping stock control records, and the cost of receiving and storing stock.

**Sales**

In a store, sales slips and cash register tapes give the owner-manager feedback at the end of each day. To keep on top of sales, you need answers to questions, such as: How many sales were made? What was the dollar amount? What were the best selling products? At what price? What credit terms were given to customers?

**Receipts**

Break out your receipts into receivables (money still owned such as a charge sale) and cash. You know how much credit you have given, how much more you can give, and how much cash you have with which to operate.

**Disbursement**

Your management controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to be penny-wise and pound-foolish. You should pay bills on time to take advantage of supplier discounts. Your review systems should also give you the opportunity to make judgments on the use of the funds. In this manner, you can be on top of emergencies as well as routine situations. Your system should also keep you aware that tax monies, such as payroll income tax deductions, must be set aside and paid out at the proper time.

**Break-Even Analysis**

Break-even analysis is a management control device that approximates how much you must sell in order to cover your costs with no profit and no loss. Profit comes after break-even.

Profit depends on sales volume, selling price, and costs. Break-even analysis helps you to estimate what a change in one or more of these factories will do to your profit. To figure a break-even point, fixed costs (like rent) must be separated from variable costs (like the cost of goods sold).

The break-even formula is:
Sample break-even calculations: Bill Mason plans to open a shoe store and estimates his fixed expenses at about $9,000 the first year. He estimates variable expenses of about $700 for every $1,000 of sales. How much must the store gross to break-even?

\[
\text{Break-even point} = \frac{\text{Total fixed costs}}{\text{Total variable costs}} = \frac{9,000}{1 - 0.70} = \frac{9,000}{0.30} = 30,000
\]

**Is Your Plan Workable?**

Stop when you have worked out your break-even point. Whether the break-even point looks realistic or way off base, it is time to make sure that your plan is workable.

Take time to re-examine your plan before you back it with money. If the plan is not workable, better to learn it now than to realize six months down the road that you are pouring money into a losing venture.

In reviewing your plan, look at the cost figures you drew up when you broke down your expenses for the year (operating ratios on the income statement). If any of your cost items are too high or too low, change them. You can write your changes above or below your original entries on the worksheet. When you finish making your adjustments, you will have a revised projected statement of sales and expenses.

With your revised figures, work out a revised break-even analysis. Whether the new break-even point looks good or bad, take one more precaution. Show your plan to someone who has not been involved in working out the details with you. Get an impartial, knowledgeable second opinion. Your banker, or other advisor may see weaknesses that failed to appear as you went over the plan details. These experts may see strong points that your plan should emphasize.

**Put Your Plan Into Action**

When your plan is as thorough and accurate as possible you are ready to put it into action. Keep in mind that action is the difference between a plan and a dream. If a plan is not acted upon, it is of no more value than a wishful dream. A successful owner-manager does not stop after gathering information and drawing up a business plan, as you have done in working through this Guide. use the plan.

At this point, look back over your plan. Look for things that must be done to put your plan into action. What needs to be done will depend on your situation and goals. For example, if your business plan calls for an increase in sales, you may have to provide more funds for this expansion. Have you more money to put into this business? Do you borrow from friends and relatives? From your bank? From your suppliers (through credit terms?) If you are starting a new business, one action may be to get a loan for fixtures, stock, employee salaries, and other expenses. Another action will be to find and to hire capable employees.

Now make a list of things that must be done to put your plan into action. Give each item a date so that it can be done at the appropriate time.

To put my plan into action, I must:
1. Do (action) ________ By _________(date)
2. etc.

**Keep Your Plan Current**

Once you put your plan into action, look out for changes. They can cripple the best business no matter how well planned. Stay on top of changing conditions and adjust your business plan accordingly. Sometimes the change is within your company. For example, several of your sales persons may quit. Sometimes the change is with the customers whose desires and tastes shift and change or refuse to change. Sometimes the change is technological as when products are created and marketed.

In order to adjust your plan to account for such changes, you the owner-manager, must:

Be alert to the changes that come about in your line of business, in your market, and in your customers.

Check your plan against these changes.

Determine what revisions, if any, are needed in the business plan.

The method you use to keep your plan current so that your business can weather the changing forces of the market place is up to you. Read trade and business papers and magazines and review your plan periodically. Once each month or every other month, go over your plan to see whether or not it needs adjusting. Certainly you will have more accurate dollar amounts to work with after you have been in business for a time. Make revisions and put them into action. You must be constantly updating and improving. A good business plan must evolve from experience and the best current information. A good business plan is good business.
Table: Personnel ................................................................. Error! Bookmark not defined.
Table: Profit and Loss ......................................................... Error! Bookmark not defined.
Table: Cash Flow ............................................................... Error! Bookmark not defined.
Table: Balance Sheet ........................................................ Error! Bookmark not defined.
1.0 Executive Summary
The Concept
Thanks primarily to Starbucks, within the past 20 years the coffeehouse has become a familiar feature of American life. Every day, millions of Americans stop for an espresso-based coffee drink. People who would not have dreamed of spending more than 50 cents for a cup of coffee a few years ago now gladly pay $3 to $5 for their cappuccino, mocha latte or vanilla ice blended drink.

The specialty-coffee business is growing at a healthy pace. During the past 20 years, there has not been a single year, despite war and recession, in which specialty coffee sales have not grown. In many years the increase has been in double digits. In addition, no coffeehouse chains have failed during this time, although the list of casualties in other industries is quite long.

Starbucks, The Coffee Bean, Peet's, Diedrich's and other major chains serve average quality drinks in establishments that have the same generic design appearance. Indeed, Starbucks and The Coffee Bean are often referred to as "fast food" coffeehouses due to their "cookie cutter" design. Now that Americans' coffee preferences have broadened and matured, many are asking for more from their coffeehouse.

A niche exists that has yet to be filled for a high-volume, convenient, quality-driven coffeehouse with that operates as a drive-through coffee house. [Company Name] meets this need and fills this niche. The company offers high-quality products in friendly and convenient environment for the customer on the go. Furthermore, the high-profile location in Niceville, Florida provides a mixed customer base that will maintain high levels of business in every season, at all times of the day, every day of the week.

[Company Name] offers a variety of items; however the company's forte is its coffee, lattes and frappes. [Company Name] coffee is smooth without a burnt aftertaste. [Company Name] offers fresh baked cookies, homemade fresh baked daily bagels, fresh baked brownies, crumb cakes and cheesecakes. [Company Name] is a small community-oriented family owned business that caters to the local area residents and tourists in the Niceville area. [Company Name] also offers flavored iced teas and lemonades, snow cones and all natural fruit smoothies. The shop is a drive-through only operation that caters to those on the go! [Company Name] is conveniently located close to Eglin AFB, Niceville High School; the company is also directly on the main through-fare into Eglin Air Force Base.

[Company Name] is a privately held corporation owned and operated by [Name]. The company was formed in February of 2009.

The purpose of this business plan is to attain grant funding in the amount of $615,000 to expand the company to operate from more than one location and venue, provide mobile coffee service to community and entertainment events and festivals, upgrade current equipment and have adequate inventory on tap. In addition, the Niceville area is slated to have 8,000 new family members by 2012 and still growing and there a several areas that have no other coffee shop on the travel routes into Eglin AFB. This alone will add more jobs to our local community as well.
1.1 Objectives

- Make [Company Name] the number one destination for coffee in [City]
- Sales of $600,000+ the first fiscal year, $750,000+ the second fiscal year and $1 million the third fiscal year
- Achieve a 15% net profit margin within the first year and 30% by FY3
- Achieve a total net profit of $150,000+ in FY1 and $200,000+ by FY3
- Be an active and vocal member of the community, and provide continual re-investment through participation in community activities such as the Chamber of Commerce and financial contributions to local charities and youth organizations
- Create a solid concept in the industry and track performance in order to begin expanding to other markets within six months.

1.2 Mission

[Company Name]'s goal is to be the coffeehouse of choice for the local Niceville, Florida community, downtown business workers, tourists who visit the city and students by providing a higher quality experience than any competitor. As a result, [Company Name] intends to own a coffeehouse that quickly achieves higher profitability and sustains an attractive rate of return.

1.3 Keys to Success

The keys to our success will be:

- A superior-tasting product backed by a unique quality store
- A relaxing, upscale interior design
- Prime site selection with an upscale affluent population, year-round tourist activity, heavy pedestrian traffic by the site, a dynamic student population and a concentration of local businesses
- A market that exposes [Company Name] to high-profile "trend-setters" and "key influencers"
- Ongoing, aggressive marketing
- Highly trained and friendly staff
- Multiple revenue streams including gift items, gift baskets and coffee gift/frequency cards in addition to coffee, pastry, chocolates, tea, juice, water and soft drinks
- Being a convenient drive-through only establishment, standing out to be available to customers on the go.
2.0 Company Summary

[Company Name] launches with its first drive-through coffeehouse located in Niceville. [Company Name] offers residents and visitors a totally new style of coffeehouse - one offering a uniquely flavorful coffee drink that can be delivered from the drive-through window to the car for the customer on the go.

- **Variety:** No other coffeehouse in the area will provide the range of coffee drinks, tea, cocoa, juice, smoothies and other products that [Company Name] does.

- **Location:** [Company Name] is conveniently located close to Eglin AFB, Niceville High School, and directly on the main through-fare into Eglin Air Force Base.

- **Convenience:** [Company Name] is a convenient drive-through location, making it a faster and efficient way for busy clientele to get high quality and products without having to worry about parking, juggling items or time away from appointments, school, work etc.

**Better Customer Service - Service with a smile**

The [Company Name] staff members who prepare the coffee (baristas) are highly trained and experienced. They know how to prepare an excellent coffee drink and brew tasty and fresh coffee. The company uses the highest quality equipment and ingredients to deliver a noticeably superior product.

2.1 Company Ownership

[Company Name] is a privately held corporation owned and operated by [Name]. The company was formed in February of 2009.

2.2 Company History

[Company Name] offers a variety of items; however the company's forte is its coffee, lattes and frappes. [Company Name] coffee is smooth without a burnt aftertaste. [Company Name] offers fresh baked cookies, homemade fresh baked daily bagels, fresh baked brownies, crumb cakes and cheesecakes. [Company Name] is a small community-oriented family owned business that caters to the local area residents and tourists in the Niceville area. [Company Name] also offers flavored iced teas and lemonades, snow cones and all natural fruit smoothies. The shop is a drive-through only operation that caters to those on the go! [Company Name] is conveniently located close to Eglin AFB, Niceville High School; the company is also directly on the main through-fare into Eglin Air Force Base.

[Company Name]'s employee training promotes a good attitude and the company continually instills how important the customer is to Cranky J's success. Both [Name] and her staff get to know their customers and ensure they feel like they are part of the Cranky J's family. By greeting them with a friendly salutation, always thanking them and telling them to have a good day, [Company Name] stands out above the rest.
As the owner, [Name] has heard on many different occasions from customers how nice it is to stop by and get a nice smile and friendly face while getting excellent coffee.

[Name] is the owner and managing operator of this entity. Until [Name] purchased the coffee shop in 2009 she had little to no “barista” or restaurant management experience. However, [Name] prides herself on being a very loyal connoisseur of coffee. Growing up, [Name] had worked in many restaurants and bars and gained the knowledge of good customer service, quality products and cleanliness. Ms. Morrison’s passion, commitment, dedication along with her personal touch and positive energy have turned this coffee shop around and increased sales. Her positive energy and willingness to give back to the community in which she lives, are core elements in her success for this and all future [Company Name]s.

[Name] and her husband have owned their own several small businesses in the last 20 years, which has given [Name] the experience in the management of the other businesses and employees. [Name] has also been employed with the USAF as a civilian for the past 26 years. [Name] has supervised employees, obtained specialized supervisor training, managed and executed million dollar budgets. [Name] is very compassionate about any job or tasks she takes on. [Company Name] has provided [Name] with the pride of knowing that this commodity was very much needed in the community and was launched at a time when small businesses were closing down causing many people to lose their jobs. [Name] has stepped up to the plate to take this endeavor on and to make it grow.

[Company Name]

[Address]

[City, State  ZIP]

Tel. XXX-XXX-XXXX

Fax. XXX-XXX-XXXX

Email. xxxxxx@xxx.net
3.0 Products

[Company Name] sells high-quality specialty coffee beverages, fruit smoothies, juice, water, soft drinks, pastries, chocolates and baked goods. Despite being a drive-through coffeehouse, the company's prices are in line with the leading national chains.

4.0 Market Analysis Summary

[Company Name] launched with an exciting new coffeehouse experience in a receptive and steadily growing market segment—the specialty coffee drive-through business.

Despite economic downturns in recent years the specialty coffee business has been a bright spot. While literally hundreds of businesses in many categories are facing poor sales, negative balance sheets and even bankruptcy, coffee chains continue to show strong growth.

It's clear that America's love for good coffee continues during good times and bad.

By launching [Company Name] in the Niceville market, the company maximizes its' potential for success due to several factors:

- The highly affluent local population
- Year-round tourist activity
- Ever-changing student population
- Excellent auto and pedestrian traffic by our location
- Low media costs
- Prime site location

Niceville is a city in Okaloosa County, Florida, United States, located close to Eglin Air Force Base. It was previously named Boggy Bayou, but the name was changed to attract more tourists. The Boggy Bayou Mullet Festival is still held annually. The population was 11,684 at the 2000 census. The 2005 population estimate for Niceville, Florida is 12,582. Mayor Randall Wise has held the post since 1971.

As of census of 2000, there were 11,684 people, 4,637 households, and 3,385 families residing in the city. The population density was 413.1/km² (1,069.8/mi²). There were 4,907 housing units at an average density of 173.5/km² (449.3/mi²). The racial makeup of the city was 87.25% White, 4.58% African American, 0.74% Native American, 3.20% Asian, 0.11% Pacific Islander, 1.14% from other races, and 2.99% from two or more races. Hispanic or Latino of any race was 3.71% of the population.

There were 4,637 households out of which 31.5% had children under the age of 18 living with them, 59.3% were married couples living together, 10.0% had a female householder with no husband present, and 27.0% were non-families. 21.8% of all households were made up of individuals and 7.8% had someone living alone who was
65 years of age or older. The average household size was 2.49 and the average family size was 2.89.

In the city the population was spread out with 23.0% under the age of 18, 9.4% from 18 to 24, 27.4% from 25 to 44, 27.2% from 45 to 64, and 12.9% who were 65 years of age or older. The median age was 39 years. For every 100 females there were 97.3 males. For every 100 females age 18 and over, there were 94.1 males.

The median income for a household in the city was $45,685, and the median income for a family was $51,627. Males had a median income of $34,583 versus $20,987 for females. The per capita income for the city was $20,175. About 7.2% of families and 9.6% of the population were below the poverty line, including 13.8% of those under age 18 and 9.4% of those ages 65 or over.
4.1 Market Segmentation

[Company Name]'s customer base in [City] is comprised of two target groups.

1. Local residents, businesses and students
2. Tourists

These two groups are both strong customer segments. The benefit of this mix of customers is that it helps maintain consistent business throughout the year. For example, while tourism is strong all year long in Niceville, it peaks during the months when annual events are held. Conversely, the student population is not as strong during the summer as it is from September through June of each year.

Also, by appealing to both market segments, [Company Name] does not become overly dependent on any single consumer group. For example, several local coffeehouses with primarily student customers do poorly during the non-school months. They must also market themselves anew each year to the incoming students. [Company Name] will avoid these peaks and valleys in business with a mix of customers.

Tourists. More than 5,000,000 tourists visit Niceville every year. Most will pass by the [Company Name] location. Tourist comes to "America's Riviera" for the beaches, shopping and dining.

Local Population. [Company Name] is a drive through-only operation which caters to those on the go! [Company Name] is conveniently located close to Eglin AFB, Niceville High School and directly on the main through-fare into Eglin Air Force Base.

Word-of-mouth advertising represents an important aspect as well, with the quality of each customer experience holding paramount value in the furtherance of the company's good reputation.

Table: Market Analysis

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<th>Segment Name</th>
<th>Year 1</th>
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4.2 Target Market Segment Strategy

Overall, [Company Name]'s strategy is to maintain a constantly high customer count by leveraging the company's appeal to two main groups of potential customers.

Local Residents. Local customers form the loyal core of [Company Name]'s business. The company has plans in the future to reach out to them through local marketing, involvement in the Chamber of Commerce, support of local charitable organizations and sponsorship of events and youth sports teams.

Tourists. Niceville was previously named Boggy Bayou, but the name was changed to attract more tourists. Amongst other festivals, the Boggy Bayou Mullet Festival is still held annually.

With a troubled economy and fears of terrorism, more people are opting for the relatively inexpensive, easy and safe short trip to Niceville for recreation. With Cranky J's convenient location on a main through-fare in the city, many tourists are to pass by the establishment and will appreciate the convenience.

4.3 Industry Analysis

The specialty retail coffee business as we know it today began in 1982 after Howard Schultz purchased the Starbucks name and began the expansion of the modern Starbucks chain. Prior to his transformation of the business, Starbucks sold only whole bean coffee.

Coffeehouses in America have existed since the 1600's, and the coffeehouse concept is more than 400 years old. In the United States, even as recently as the 1970's, coffeehouses have been primarily independent businesses, typically with an eclectic Bohemian style.

Cafe Trieste in San Francisco is typical. It was once a gathering place for "Beats" and "Hippies." Poetry readings were held weekly. It still retains much of its original flavor. Many of these independent coffeehouses continue to enjoy a loyal following.

Starbucks' success has encouraged others to enter this potentially lucrative business. Today there are more than 13,000 coffeehouses in the U.S. However, compared with Italy, which has 200,000 espresso bars and coffeehouses; there is still much room for growth. The Specialty Coffee Retailers Association believes the market has not approached maturity and, as yet, no coffee chain has differentiated itself significantly from the others.

While overall coffee sales have not grown significantly in recent years, the specialty coffeehouse segment is growing steadily at a healthy pace every year. The low food cost of coffee drinks, relatively modest investment capital requirements, and low overhead, lead to high profit margins in the coffeehouse industry.

There are 108 million coffee drinkers in the United States, according to the National Coffee Association's report "2000 Coffee Drinking Trends." 77% of coffee
drinkers consume coffee daily. Coffee drinkers spend an average of $164.71 on coffee annually, and drink an average 3.1 cups daily. It's easy to see why coffee is second only to oil as the largest commodity in the world.

Twenty-five years ago, almost nobody consumed espresso or espresso-based drinks in the United States. Now they account, for more than half of all specialty coffee consumed. Obviously, America’s coffee-drinking habits are changing.

In the past five years the number of "gourmet" coffee drinkers has increased from 7 million to 27 million. In 2009 53% of all adults in the U.S. drank specialty coffee. By 2002 the percentage had grown to 62%. Year after year, the growth continues at sizeable rates.

Starbucks, once known for quality and customer service, has recently come under attack by customers and business commentators for becoming too big. Their size (6,300 stores worldwide) is the reason why Starbucks is now often called the "McDonald's" of coffee chains. If Starbucks' image becomes one of a "fast food" purveyor of coffee, it leaves the market open for a smaller, more nimble competitor like Dark Roast Java, where quality and service are paramount.

4.3.1 Competition and Buying Patterns

**FACT:** The coffeehouse business has grown every year since 1982.

**FACT:** Not a single coffeehouse chain has failed during the past 20 years.

Despite major economic recessions, the specialty coffee industry has grown every year. One industry observer said, "When times are good the coffeehouse industry is great. And when times are bad the coffeehouse industry is great." America's love for good coffee is stronger than ever and increasing in size faster than any other industry.

Lifestyle factors converge to make the coffee industry strong at all times. The stimulant effect of coffee is an important reason why many hard-working, fast-paced Americans consider a stop at their local coffeehouse a necessary part of their day. Conversely, coffeehouses provide calm, inviting environment for people to socialize, relax or catch up on work.

Young people under the legal drinking age are one of the fastest-growing segments of the coffee drinking market. Coffeehouses provide them with a much-needed place to meet with their friends.

Entertainment on weekend nights draws a young group of enthusiastic customers. The surge in interest in coffee drinking among young people assures a diverse, receptive, sophisticated customer base now and in the future.

Older adults also enjoy the fact that for the relatively modest price of a cup of coffee and snack, they can meet with their friends, relax or work. Instead of going to a bar and paying for an alcoholic drink or a restaurant where a meal usually comes with a hefty price tag, the coffeehouse is an inexpensive venue.
Quality is deteriorating even as the industry is growing.

Coffeehouses need to produce a quality product to back up the perceived "little luxury" image. Currently, most of the largest chains are bowing to the pressures of growth and are cutting corners on quality by introducing fully automatic espresso machines, mass bean buying and other efficiency measures.

Coffee drinking is now an all-day activity.

Once concentrated in the early morning hours or mid-afternoon, in recent years coffee drinking has become an all-day activity. Even late at night, many coffeehouses are packed with patrons. It's not unusual for a well located coffeehouse to exceed a daily average of 900 customers.

Customer guest check averages are rising.

As pastries, chocolates, tea, pre-packaged sandwiches, snacks, juice drinks and gift items are added to the menu, the average customer expenditure has risen. Many popular coffeehouses report averages in the $4 - $6 range.

5.0 Strategy and Implementation Summary

[Company Name] uses a strategy of total quality—in product and service. The company's promise is in the location, the products the company sells, the people [Company Name] attracts and the atmosphere that is created.

Strategic Assumptions:

- People want a better-tasting coffee drink
- Coffee drinkers want a more inviting coffeehouse environment
- Coffee drinks are considered an affordable luxury
- The coffeehouse industry is largely unaffected by the economy and world events
- [Company Name] offers several unique advantages over all other coffeehouses

5.1 Competitive Edge

[Company Name]'s competitive edge, compared to the other coffeehouses in the greater Niceville area includes the following:

A significantly higher quality, better tasting coffee product.

The company's current location can arguably be considered the best in the market.

The other coffeehouses in the area don't have the quality of customer service that [Company Name] offers.
A wider variety of popular drinks than our competitors, including flavored coffee drinks, tea and the company has several drink options for people who don't drink coffee: tea, cocoa, juice and smoothies.

The convenience of a drive-through for many on-the-go local customers and tourists.

5.2 Marketing Strategy

Other coffeehouses rely almost entirely on word-of-mouth marketing to generate business. [Company Name] will engage in an ongoing aggressive involvement in community events and festivals that will help the company establish profitability quickly and set the stage for continual growth.

5.3 Sales Strategy

The company's sales strategy includes:

- Hiring for attitude so that we always have a friendly, enthusiastic staff to make customers feel welcome and appreciated; constant staff training to assure the best quality possible
- State-of-the-art sales/inventory system to (A) reduce customer waiting time, and (B) create efficient product ordering
- Create a mobile kiosk to take [Company Name] into the community at special events, farmer’s markets, art shows, etc.
- Sell gift cards, frequency cards, pre-paid cards, and offer discounts to key groups
- Conduct a consistent, aggressive marketing program
- Be an active member of the community; be visible at charitable and military functions
- Solicit customer feedback to constantly improve and streamline our operation

Key Strategy:

Cranky J Coffee Shops' main goal is to open another [Company Name] in the local area. Niceville is a military community that is growing due to the Base Realignment and Closure Acts. Niceville is slated to have 8000 new family members by 2012 and growing. There a several areas in Niceville that don't have a coffee shop on the travel routes into Eglin AFB. Cranky J Coffee Shop will add more jobs to our local community as well.

5.3.1 Sales Forecast

Conservatively, [Company Name] is forecasting an average of 200 customers per day during the first year with average guest check expenditure for all items of $4.10. This figure was arrived at by surveying the customer traffic at the nearest competing
Coffeehouses which have a range of 150 - 500 customers per day and an average customer expenditure of $4.10. [Company Name] has estimated its' customer expenditure to be slightly higher (2.5%) due to the premium price the company will charge for some of our items.

[Company Name] expects growth to occur across all categories at about 10% annually as the business becomes more established and well-known, reaching 400+ customers per day within a year and more than 500+ within three years. These estimates are a likely conservative. However, it is possible the company could attain a 1,000-per-day customer count within three years.

**Table: Sales Forecast**

<table>
<thead>
<tr>
<th>Sales Forecast</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Row 1</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Row 2</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Row 3</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Sales</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Direct Cost of Sales</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Row 1</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Row 2</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Row 3</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Direct Cost of Sales</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
5.4 Milestones

The accompanying table lists important program milestones, with dates, the owner of the company in charge and budgets for each. The milestone schedule indicates the company's emphasis on planning for implementation. A similar milestone development program will be developed for [Company Name] additional location to insure its timely execution. What the table doesn't show is the commitment behind it. [Company Name]'s business plan includes complete provisions for plan-vs.-actual analysis, and the company will hold follow-up meetings every month to discuss the variance and course corrections.

Table: Milestones

<table>
<thead>
<tr>
<th>Milestones</th>
<th>Start Date</th>
<th>End Date</th>
<th>Budget</th>
<th>Manager</th>
<th>Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name me</td>
<td>12/8/2011</td>
<td>1/7/2012</td>
<td>$0</td>
<td>NAME</td>
<td>Department</td>
</tr>
<tr>
<td>Name me</td>
<td>12/8/2011</td>
<td>1/7/2012</td>
<td>$0</td>
<td>NAME</td>
<td>Department</td>
</tr>
<tr>
<td>Name me</td>
<td>12/8/2011</td>
<td>1/7/2012</td>
<td>$0</td>
<td>NAME</td>
<td>Department</td>
</tr>
<tr>
<td>Name me</td>
<td>12/8/2011</td>
<td>1/7/2012</td>
<td>$0</td>
<td>NAME</td>
<td>Department</td>
</tr>
<tr>
<td>Name me</td>
<td>12/8/2011</td>
<td>1/7/2012</td>
<td>$0</td>
<td>NAME</td>
<td>Department</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td></td>
<td>$0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
6.0 Management Summary

The expansion of the [Company Name]'s concept will be managed by owner [Name]. [Name] will be responsible for the site development, construction supervision, equipment ordering, marketing/PR, website design/development and government issues.

[Name] will also be responsible for staffing, menu development, training, product ordering, interior design and accounting supervision.

6.1 Personnel Plan

The personnel plan is included in the following table.

It shows the owners’ salaries after the first year in this plan and seven part-time salaries for baristas. As the company expands, there will be a need for additional employees.

**Table: Personnel**

<table>
<thead>
<tr>
<th>Personnel Plan</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name or Title or Group</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Name or Title or Group</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Name or Title or Group</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total People</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total Payroll</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
7.0 Financial Plan

Sales growth will be a minimum of 5% annually and margins excellent.

Marketing will remain far below 5% of sales.

The company will invest residual profits into financial markets or real estate.

7.1 Important Assumptions

- The 20-year record of positive growth for specialty coffee drinking will continue at a healthy rate. The Specialty Coffee Association says that the market is far from saturation and will not reach maturity until at least 2019.

- The resilience of the coffeehouse industry to negative national and world events will continue. Despite recession and war the coffeehouse industry has shown strong growth every year for the past two decades.

- The quality of national chains will remain the same or decline slightly rather than improve as they standardize their stores, increase automation of espresso drinks and mass-produce the roasting process.

- Coffee drinks will continue to be considered an "affordable luxury."

- 5% minimum sales growth rate over the next three years as [Company Name] becomes well known.
7.2 Projected Profit and Loss

We project high net profits starting in the first year. Our growth rate is based upon industry averages, factoring in the local conditions. We expect growth of 15% annually for the first three years before leveling off at the 800 - 900 customers per day average traffic rate.

First fiscal year gross revenues are expected to exceed $600,000 and after-tax net profits of approximately $99,000—increasing to more than $X by the third fiscal year-end.

Our margins are very good. This is due in large part to the low direct cost of sales as well as the low operating costs in general for coffeehouses.

Higher staff salaries, owner/operator salaries, marketing costs and rent for a premium location depress profits but, conversely, they also ultimately contribute to higher earnings and profits.

Table: Profit and Loss

<table>
<thead>
<tr>
<th>Pro Forma Profit and Loss</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Direct Cost of Sales</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Costs of Sales</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Cost of Sales</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Gross Margin %</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Marketing/Promotion</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Depreciation</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Rent</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Category</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----</td>
<td>-----</td>
<td>-----</td>
</tr>
<tr>
<td>Utilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Insurance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Operating Expenses</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Profit Before Interest and Taxes</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Interest Expense</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Taxes Incurred</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Profit</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Profit/Sales</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
</tr>
</tbody>
</table>
7.3 Projected Cash Flow

[Company Name] has positioned itself in the market as a low to medium risk concern with relatively steady cash flows. Fifty percent of cash above $X will be invested into semi-liquid stock portfolios to decrease the opportunity cost of cash held.

**Table: Cash Flow**

<table>
<thead>
<tr>
<th>Pro Forma Cash Flow</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Received</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Cash from Operations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Sales</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Cash from Operations</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Additional Cash Received</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax, VAT, HST/GST Received</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>New Current Borrowing</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>New Other Liabilities (interest-free)</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>New Long-term Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Sales of Other Current Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Sales of Long-term Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>New Investment Received</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Cash Received</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenditures from Operations</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Spending</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Description</td>
<td>Amount1</td>
<td>Amount2</td>
<td>Amount3</td>
</tr>
<tr>
<td>-----------------------------------------------------------------</td>
<td>---------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>Bill Payments</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Spent on Operations</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Additional Cash Spent</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales Tax, VAT, HST/GST Paid Out</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Principal Repayment of Current Borrowing</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Liabilities Principal Repayment</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Long-term Liabilities Principal Repayment</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Purchase Other Current Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Purchase Long-term Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Dividends</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Cash Spent</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Cash Flow</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Cash Balance</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
### 7.4 Projected Balance Sheet

All of [Company Name]'s tables will be updated monthly to reflect past performance and future assumptions. Future assumptions will not be based on past performance but rather on economic cycle activity, regional industry strength, and future cash flow possibilities. [Company Name] expects solid growth in net worth beyond the year 2012.

**Table: Balance Sheet**

<table>
<thead>
<tr>
<th>Pro Forma Balance Sheet</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current Assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Long-term Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Long-term Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Liabilities and Capital</strong></td>
<td>Year 1</td>
<td>Year 2</td>
<td>Year 3</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Current Borrowing</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Other Current Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Subtotal Current Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Long-term Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Paid-in Capital</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Earnings</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Capital</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total Liabilities and Capital</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Net Worth</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>
7.6 Business Ratios

[Company Name] expects the net profit margin, gross margin, and Return on Assets to increase steadily over the three-year period. Return on Equity will decrease due to lower equity needs and higher cash inflow. Net working capital generated by the business will increase steadily each year, proving that [Company Name] has the cash flows to remain a going concern independent of outside capital infusion.

While the company's ratios are not all in sync with those of the industry, due to the unique nature of our business, it's important to point out that in key areas the numbers are excellent. The only industry ratio category currently available, SIC Code 5812.0304, includes cafes, restaurants and other businesses serving coffee.

Table: Ratios

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>Industry Profile</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Growth</td>
<td>226.09%</td>
<td>29.78%</td>
<td>29.81%</td>
<td>5.52%</td>
</tr>
<tr>
<td>Percent of Total Assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>1.40%</td>
<td>1.08%</td>
<td>0.79%</td>
<td>11.03%</td>
</tr>
<tr>
<td>Other Current Assets</td>
<td>2.08%</td>
<td>1.59%</td>
<td>1.15%</td>
<td>35.75%</td>
</tr>
<tr>
<td>Total Current Assets</td>
<td>81.97%</td>
<td>86.70%</td>
<td>90.67%</td>
<td>55.11%</td>
</tr>
<tr>
<td>Long-term Assets</td>
<td>18.03%</td>
<td>13.30%</td>
<td>9.33%</td>
<td>44.89%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Current Liabilities</td>
<td>5.02%</td>
<td>3.36%</td>
<td>2.33%</td>
<td>25.84%</td>
</tr>
<tr>
<td>Long-term Liabilities</td>
<td>10.94%</td>
<td>7.91%</td>
<td>5.43%</td>
<td>23.92%</td>
</tr>
<tr>
<td>Total Liabilities</td>
<td>15.96%</td>
<td>11.27%</td>
<td>7.77%</td>
<td>49.76%</td>
</tr>
<tr>
<td>Net Worth</td>
<td>84.04%</td>
<td>88.73%</td>
<td>92.23%</td>
<td>50.24%</td>
</tr>
</tbody>
</table>

Percent of Sales
<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Gross Margin</td>
<td>77.09%</td>
<td>82.17%</td>
<td>86.13%</td>
<td>23.91%</td>
</tr>
<tr>
<td>Selling, General &amp; Administrative Expenses</td>
<td>56.32%</td>
<td>66.62%</td>
<td>56.54%</td>
<td>8.29%</td>
</tr>
<tr>
<td>Advertising Expenses</td>
<td>0.00%</td>
<td>0.00%</td>
<td>0.00%</td>
<td>1.42%</td>
</tr>
<tr>
<td>Profit Before Interest and Taxes</td>
<td>50.01%</td>
<td>52.93%</td>
<td>62.93%</td>
<td>2.16%</td>
</tr>
<tr>
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<tr>
<td><strong>Main Ratios</strong></td>
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<td></td>
</tr>
<tr>
<td>Current</td>
<td>16.33</td>
<td>25.82</td>
<td>38.90</td>
<td>1.33</td>
</tr>
<tr>
<td>Quick</td>
<td>16.05</td>
<td>25.50</td>
<td>38.56</td>
<td>0.76</td>
</tr>
<tr>
<td>Total Debt to Total Assets</td>
<td>15.96%</td>
<td>11.27%</td>
<td>7.77%</td>
<td>60.69%</td>
</tr>
<tr>
<td>Pre-tax Return on Net Worth</td>
<td>34.78%</td>
<td>34.68%</td>
<td>37.59%</td>
<td>12.91%</td>
</tr>
<tr>
<td>Pre-tax Return on Assets</td>
<td>29.23%</td>
<td>30.78%</td>
<td>34.67%</td>
<td>5.07%</td>
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<tr>
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</tr>
<tr>
<td><strong>Additional Ratios</strong></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Net Profit Margin</td>
<td>39.40%</td>
<td>41.91%</td>
<td>50.03%</td>
<td>n.a</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>27.82%</td>
<td>27.75%</td>
<td>30.07%</td>
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</tr>
<tr>
<td><strong>Activity Ratios</strong></td>
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<td></td>
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<tr>
<td>Inventory Turnover</td>
<td>12.00</td>
<td>9.78</td>
<td>9.78</td>
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<tr>
<td>Accounts Payable Turnover</td>
<td>19.82</td>
<td>24.33</td>
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<td>Payment Days</td>
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<td>16</td>
<td>14</td>
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<tr>
<td>Total Asset Turnover</td>
<td>0.59</td>
<td>0.59</td>
<td>0.55</td>
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</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt to Net Worth</td>
<td>0.19</td>
<td>0.13</td>
<td>0.08</td>
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<tr>
<td>Current Liab. to Liab.</td>
<td>0.31</td>
<td>0.30</td>
<td>0.30</td>
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<tr>
<td>Liquidity Ratios</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>----------------------------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
<td></td>
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<tr>
<td>Net Working Capital</td>
<td>$772,830</td>
<td>$1,097,237</td>
<td>$1,600,016</td>
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<tr>
<td>Interest Coverage</td>
<td>66.22</td>
<td>96.97</td>
<td>160.76</td>
<td>n.a</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Additional Ratios</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets to Sales</td>
<td>1.69</td>
<td>1.70</td>
<td>1.80</td>
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<tr>
<td>Current Debt/Total Assets</td>
<td>5%</td>
<td>3%</td>
<td>2%</td>
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<tr>
<td>Acid Test</td>
<td>16.05</td>
<td>25.50</td>
<td>38.56</td>
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<td>Sales/Net Worth</td>
<td>0.71</td>
<td>0.66</td>
<td>0.60</td>
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<tr>
<td>Dividend Payout</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

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