

How to Start a Convenience Store 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 advice 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 lose 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 than 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?

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

| Item | Amount | Percent |
|---|---------------|-------------|
| Gross sales | 773,888 | |
| Less returns, allowances, and cash discounts | 14,872 | |
| Net sales | <hr/> 759,016 | 100.00 |
| Cost of goods sold | 589,392 | 77.65 |
| Gross profit on sales | <hr/> 169,624 | <hr/> 22.35 |
| Selling expenses | 41,916 | 5.52 |
| Administrative expenses | 28,010 | 3.69 |
| General expenses | 50,030 | 6.59 |
| Financial expenses | 5,248 | 0.69 |
| Total expenses | <hr/> 125,204 | <hr/> 16.50 |
| Operating profit | 44,220 | 5.85 |
| Extraordinary expenses | 1,200 | 0.16 |
| Net profit before taxes | <hr/> 43,220 | <hr/> 5.69 |
| taxes | 19,542 | 2.57 |
| Net profit after taxes | <hr/> 23,678 | <hr/> 3.12 |

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?

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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 your 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.

| Form of Advertising | Size of Audience | Frequency of Use | Cost of a single ad | Est. Cost |
|---------------------|------------------|------------------|---------------------|-----------|
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ |
| Total | | | | _____ |

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:

| Type of equipment | Number | X Unit Cost | = Cost |
|-------------------|--------|-------------|--------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

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:

| Name of Item | Name of Supplier | Address Supplier | Disc. Offered | Delv. Time(1) | Freight Costs(2) | Fill-in Policy(3) |
|--------------|------------------|------------------|---------------|---------------|------------------|-------------------|
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ | _____ | _____ | _____ |

(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 decided 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:

| Name of Equip./Supplies | Quantity | X Unit Cost | = Cost |
|-------------------------|----------|-------------|--------|
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |
| _____ | _____ | _____ | _____ |

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.

Start-Up Costs:

List the following estimated start-up costs:

| | |
|-----------------------------|-------|
| Fixtures and equipment* | _____ |
| Starting inventory | _____ |
| Decorating and remodeling | _____ |
| Installation of equipment | _____ |
| Deposits for utilities | _____ |
| Legal and professional fees | _____ |
| Licenses and permits | _____ |
| Advertising for the opening | _____ |
| Accounts receivable | _____ |
| Operating cash | _____ |
| Total | _____ |

*Transfer your figures from previous worksheets.

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.

Summary of Operating Ratios of 250 high Profit Hardware Stores

| | | |
|---|-------|-----------------|
| Sales | | Percent of sale |
| Cost of Goods Sold | | 100.00 |
| | | -64.92 |
| Margin | | <hr/> 35.08 |
| Expenses | | |
| Payroll and other employee expenses | 16.23 | |
| Occupancy expenses | 3.23 | |
| Office supplies and postage | 0.40 | |
| Advertising | 1.49 | |
| donations | 0.08 | |
| Telephone and telegraph | 0.24 | |
| Bad Debts | 0.30 | |
| Delivery | 0.47 | |
| Insurance | 0.66 | |
| Taxes (other than realestate and payroll) | 0.46 | |
| Interest | 0.61 | |
| Depreciation (other than real estate) | 0.57 | |
| Supplies | 0.37 | |
| Legal and accounting expenses | 0.31 | |
| Dues and subscription | 0.08 | |
| Travel, buying, and entertainment | 0.19 | |
| Unclassified expenses | 0.64 | |
| Total operating expense | <hr/> | -26.33 |
| Net operating profit | | 8.75 |
| Other income | | 1.65 |
| Net profit before income taxes | | <hr/> 10.40 |

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.

| | Expressed in Percent | Expressed in dollars | Your Percentage | Your Dollars |
|--------------------------|-------------------------|-------------------------|--------------------|-----------------|
| 1. Sales | 100 | \$100,000 | 100 | \$__ |
| 2. Cost of Goods Sold | -66 | -66,000 | ____ | -\$__ |
| 3. Gross Margin | <hr/> 34 | <hr/> \$34,000 | <hr/> ____ | <hr/> \$__ |

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.

Estimated Cash Forecast

| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Total |
|--|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-------|
| (1) Cash in Bank (Start of Month) | — | — | — | — | — | — | — | — | — | — | — | — | — |
| (2) Petty Cash (Start of Month) | — | — | — | — | — | — | — | — | — | — | — | — | — |
| (3) Total Cash (add (1) and (2)) | — | — | — | — | — | — | — | — | — | — | — | — | — |
| (4) Expected Accounts Receivable | — | — | — | — | — | — | — | — | — | — | — | — | — |
| (5) Other Money Expected | — | — | — | — | — | — | — | — | — | — | — | — | — |
| (6) Total Receipts (add (4) and (5)) | — | — | — | — | — | — | — | — | — | — | — | — | — |
| (7) Total Cash and Receipts (add (3) and (6)) | — | — | — | — | — | — | — | — | — | — | — | — | — |
| (8) All Disbursements (for month) | — | — | — | — | — | — | — | — | — | — | — | — | — |
| (9) Cash Balance at end of Month in Bank Account and Petty Cash (subtract (8) from (7))* | — | — | — | — | — | — | — | — | — | — | — | — | — |

*This balance is your starting figure for the next month

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 owed 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:

$$\text{Break-even point (in sales dollars)} = \frac{\text{Total fixed costs}}{1 - \frac{\text{Total variable costs}}{\text{Corresponding sales volume}}}$$

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?

$$\text{BE point} = \frac{\$9,000}{1 - \frac{700}{1,000}} = \frac{\$9,000}{1 - 0.70} = \frac{\$9,000}{0.30} = \$30,000$$

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.

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3. Complete Convenience Store Business Plan Template

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1.0 Executive Summary

Introduction: As a direct result of the ongoing South Dakota oil boom, the state's economy is booming as well, with the lowest state jobless rate in the country of [3.6% in July](#), and recent jobs gains that completely offset all of the jobs lost during the recession, bringing South Dakota's employment to a record high in July of 373,500. With this type of job growth there is a record amount of people moving into the state of South Dakota. The increase in population the opportunity to create a Dollar Store is immensely great. As new people move in and new neighborhoods are being created people will need the grocery stores to feed their families. Even with low unemployment, people are still looking to save much of their income and a dollar store will offer those potential customers the savings they are looking for.

The Company: [COMPANY NAME] is a start-up retail that will be franchisee of the Dollar Store Inc. The Dollar Store provides interesting merchandise options at bargain prices. The Dollarstore, Inc. is one of the few Dollar Store franchisers that owns and operates a corporate store. Being a volume distributor Dollar Store passes on the best price to its franchisees. Dollar Store, Inc. is committed to providing the assistance you need to tap into your share of this growing market. Our name alone wins you a following of loyal customers who count on the Dollar Store to provide the products and service they need for their daily use. The Dollar Store is the only corporation, which provides everything you need to run a Dollar store.

Our Services: Dollar Store sells a variety of quality discount merchandise. The types of merchandise we will carry will include items such as dishware, household goods, toys, cosmetics, candy, greeting cards, and a list of items too exhaustive to list here. A dedicated staff is committed to providing excellent customer service. The merchandise is purchased from a variety of well-known manufacturers such as Procter & Gamble, General Mills, American Greetings as well as a number of other generic branded companies. Shipments arrive on a daily basis. We will continue to find new product lines that can be added to our inventory. We are able to sell products at very low prices, because we will purchase items from discontinued lines, seconds, over runs, etc., that cannot be sold to a manufacturer's usual retail customers.

The Market: The Dollar and Variety Stores industry has capitalized on the recession, with more consumers turning to its stores for deep discounts. Over the next five years, dollar and variety stores are expected to continue performing well by targeting low-income households and thrifty customers.

Financial Considerations: [COMPANY NAME] is seeking grant funds in the amount of \$363,000. This business plan and all the financial data is based on [NAME] and [NAME]

receiving these grant fund The Dollarstore inc. Franchising offers a host of benefits no other business opportunity can match:

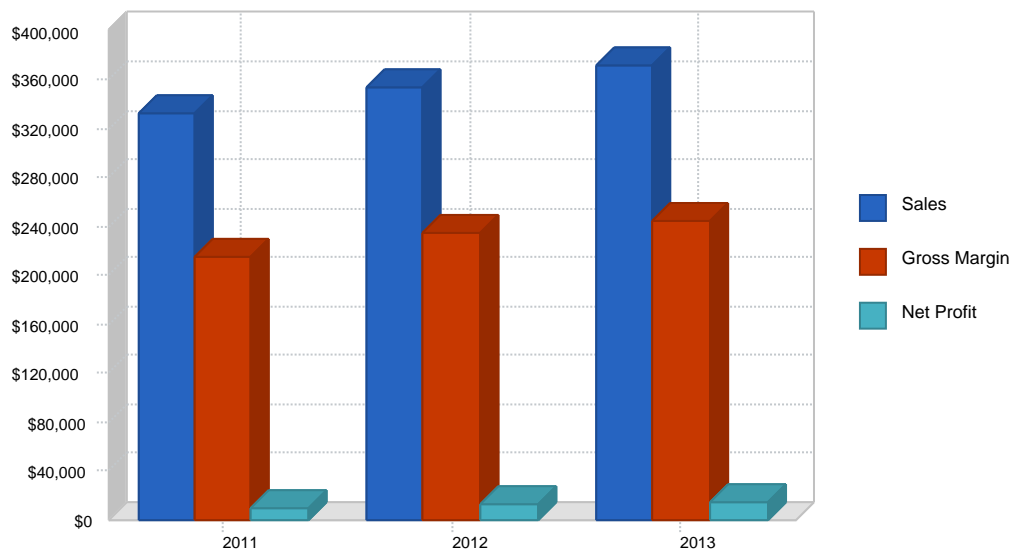
- Immediate product and brand recognition
- Established distribution channels
- Store Operation System (POS)

The major focus for grant funding is as follows:

- Marketing/advertising fees for designing our grand opening.
- Purchase Inventory
- Hire additional personal
- Legal fees for corporate organization filings
- Secure building
- 100% woman owned business

Chart: Highlights

Highlights



1.1 Objectives

The primary objectives of [COMPANY NAME] are:

1. To provide a wide range of merchandise at reasonable prices.
2. To achieve a healthy profit margin within the first year.
3. To achieve a modest net profit by year two.
4. To be an active and vocal member of the community.

1.2 Mission

[COMPANY NAME] provides a variety of interesting merchandise options at bargain prices. Dedicated to customer service [COMPANY NAME] will give its patrons the kind of service that is respectful and prompt. Employees of [COMPANY NAME] will also be treated in a professional manner with a rewarding work environment and fair compensation. [COMPANY NAME] wants each customer to feel as though he/she has gotten Fifth Avenue treatment at a bargain price.

1.3 Keys to Success

- To succeed in this business we must:
- Sell a broad range of products.
- Provide for the satisfaction of 100% of our customers.
- Be an active member of the community.
- Encourage customer input.

2.0 Company Summary

[COMPANY NAME] sells products and provides excellent customer service for the public. They have located a space that they will lease for a retail store, which will be use to market and merchandise the stores products. [COMPANY NAME] is formed as a sole prop and formed in November of 2010 by [NAME] and [NAME].

2.1 Company Ownership

[NAME] and [NAME] are both 50% partners in [COMPANY NAME].

2.2 Start-up Summary

[COMPANY NAME] will be established in the State of South Dakota in the fourth quarter of 2010. The Company estimates starting operations and receiving grant funding in the amount of \$363,000 first quarter 2011.

Start-up expenses are from incorporation to start of operations in the amount of \$202,500 including legal fees, initial advertising campaign and operating costs for the first three-month period. Additionally, the Company will need a start-up inventory of \$125,000 and working capital of \$35,000

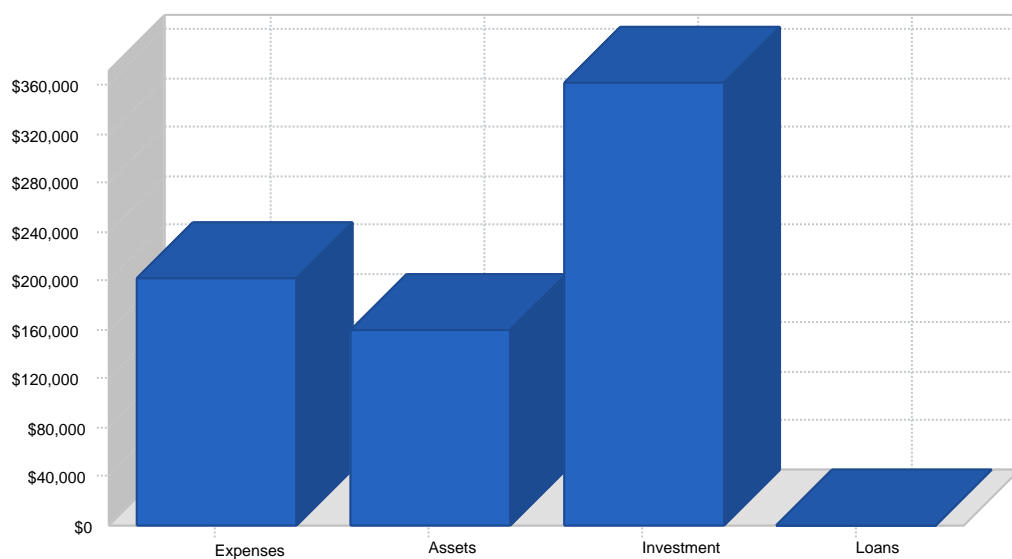
Table: Start-up

| <i>Start-up</i> | |
|-----------------------------|----------|
| Requirements | |
| Start-up Expenses | |
| Legal | \$5,000 |
| Stationery etc. | \$12,500 |
| Insurance | \$20,000 |
| Rent | \$75,000 |
| Computer | \$5,000 |
| Building renovations | \$50,000 |
| Equipment | \$25,000 |

| | |
|--------------------------------|------------------|
| Marketing | \$10,000 |
| Total Start-up Expenses | \$202,500 |
| Start-up Assets | |
| Cash Required | \$35,500 |
| Start-up Inventory | \$125,000 |
| Other Current Assets | \$0 |
| Long-term Assets | \$0 |
| Total Assets | \$160,000 |
| Total Requirements | \$363,000 |

Chart: Start-up

Start-up



3.0 Products

[COMPANY NAME] sells a variety of quality discount merchandise. The types of merchandise we will carry will include items such as dishware, household goods, toys, cosmetics, candy, greeting cards, and a list of items too exhaustive to list here. A dedicated staff is committed to providing excellent customer service.

The merchandise is purchased from a variety of well-known manufacturers such as Procter & Gamble, General Mills, American Greetings as well as a number of other generic branded companies. Shipments arrive on a daily basis. They will continue to find new product lines that can be added to our inventory. [BUSINESS NAME] is able to sell products at very low prices, because they will purchase items from discontinued lines, seconds, over runs, etc., that cannot be sold to a manufacturer's usual retail customers.

4.0 Market Analysis Summary

Sales are expected to increase steadily as consumers find that they can purchase a variety of quality items at bargain prices. [BUSINESS NAME] intend to tap into the retail market with pricing that will encourage quantity buying, and our pricing will attract consumers on fixed budgets. The target market is the lower income portion of the local community. This includes working class individuals, the elderly, and students, many of whom are price conscious and looking to find a value for their dollar.

4.1 Market Segmentation

The market analysis pie chart shows potential customers and the company's target markets. [COMPANY NAME] intends to provide affordable shopping alternatives to working class families with incomes under \$25,000, for elderly people on fixed incomes, and also a large student population that tend to be on strict budgets. [BUSINESS NAME] expect this market to grow at a rate of 8% per year. This market constitutes the general public who are looking for affordable merchandise at bargain prices. The local market constitutes the second largest market with a fast growing retirement community. There are also many bedroom communities that shop in the local area that will add to the percentage of consumers.

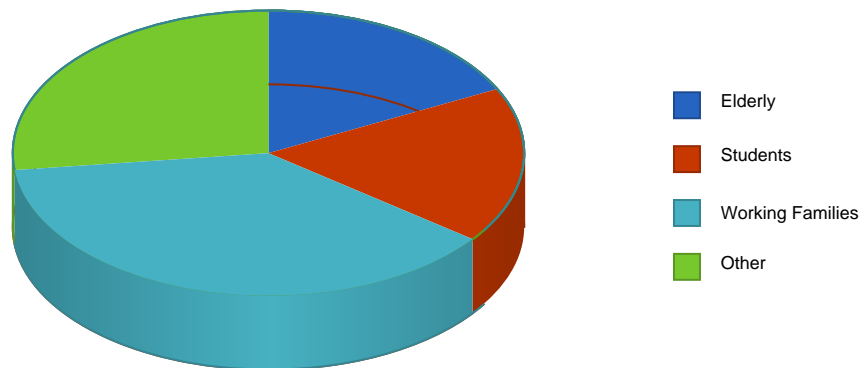
Table: Market Analysis

| Market Analysis | | | | | | | | |
|---------------------|----------|------|---------|---------|---------|---------|---------|-------|
| Potential Customers | | 2011 | 2012 | 2013 | 2014 | 2015 | | |
| | Growth | | | | | | CAGR | |
| | Elderly | 4% | 123,564 | 128,507 | 133,647 | 138,993 | 144,553 | 4.00% |
| | Students | 6% | 125,470 | 132,998 | 140,978 | 149,437 | 158,403 | 6.00% |

| | | | | | | | |
|-------------------------|-------|---------|---------|---------|---------|---------|-------|
| Working Families | 9% | 265,897 | 289,828 | 315,913 | 344,345 | 375,336 | 9.00% |
| Other | 8% | 189,542 | 204,705 | 221,081 | 238,767 | 257,868 | 8.00% |
| Total | 7.37% | 704,473 | 756,038 | 811,619 | 871,542 | 936,160 | 7.37% |

Chart: Market Analysis (Pie)

Market Analysis (Pie)



4.2 Target Market Segment Strategy

The focus will be on the price conscious consumer who is looking for value as well as quality. In the South West South Dakota market, potential customers will be marketed to as they are isolated populations which do most of their shopping in the south west area. If [BUSINESS NAME] can attract and keep these consumers the word will continue to spread about what our store has to offer.

4.3 Industry Analysis

The Dollar and Variety Stores industry has capitalized on the recession, with more consumers turning to its stores for deep discounts. Over the next five years, dollar and variety stores are expected to continue performing well by targeting low-income households and thrifty customers. While competition from big box retailers continues to challenge industry operators, consumers will rely on the stores for inexpensive discretionary purchases. There are several different types of stores within the discount retail industry, and for comparison's sake, the industry is further broken into many

segments. DG is in the market segment known as the dollar store category. As a result, competitors such as Wal-Mart are in the same industry but not the same peer group. Comparisons will be made throughout this report to Wal-Mart and other big firms because they tend draw some of the same customers.

4.3.1 Competition and Buying Patterns

Consumers demand quality customer service, fair pricing, and a convenient location. Competition is very tough with customer service and location key components. The selection of merchandise a store provides is also very important.

5.0 Strategy and Implementation Summary

The [COMPANY NAME] uses a strategy of total market service.

Assumptions:

- Every person is a potential customer and all our potential markets will experience growth.
- Marketing to one segment of the population will lead to an expansion in overall market growth.

5.1 SWOT Analysis

The following SWOT analysis captures the key strengths and weaknesses within the company, and describes the opportunities and threats facing Interior Views.

5.1.1 Strengths

- Strong relationships with suppliers that offer credit arrangements, flexibility, and response to special product requirements.
- Excellent and stable staff, offering personalized customer service.
- Great retail space that offers flexibility with a positive and attractive, inviting atmosphere.
- Strong merchandising and product presentation.
- Good referral relationships with complementary vendors.

- In-store complementary products through "The Window Seat" that add interest, stability and revenue.
- High customer loyalty among repeat customers.

5.1.2 Weaknesses

- Access to additional operating capital.
- Owners are still climbing the "retail experience curve."
- Challenges of the seasonality of the business.

5.1.3 Opportunities

- Growing market with a significant percentage of our target market still not knowing we exist.
- Strategic alliances offering sources for referrals and joint marketing activities to extend our reach.
- Promising activity from high levels of new home construction.
- Changes in design trends can initiate home updating, and therefore, generate sales.
- Increasing sales opportunities beyond our "100-mile" target area including several smaller communities that have produced a faithful following of customers.

5.1.4 Threats

- Expansion of national discount stores into the local market: including Target, Wal-Mart.
- Competition from a national store; or a store with greater financing or product resources could enter the market.
- Continued price pressure due to competition or the weakening market reducing contribution margins.

5.2 *Competitive Edge*

[BUSINESS NAME] will have a location that will be a very important competitive edge. [BUSINESS NAME] will be located on a popular road, which has a high appeal to

many different kinds of consumers. There is a good mix of high and low end shops with several quality restaurants near by. Another competitive edge they will have over the competition is the large variety of merchandise they will carry. With the sources [BUSINESS NAME] is working with, it will be possible to carry many name brand items at a discount price. Add a staff committed to providing great customer service and [COMPANY NAME] will be an attractive stop for the consumer.

5.3 Marketing Strategy

[COMPANY NAME] uses a strategy of total market service. The promise is in our location and the products they sell, the people they attract, and the atmosphere

[BUSINESS NAME] create. [BUSINESS NAME] will present a store that is pleasant to shop in with a large variety of merchandise to choose from. Ultimately, they are selling more than just merchandise; [BUSINESS NAME] is selling themselves. [BUSINESS NAME] want to provide the kind of customer service that will provide an atmosphere that creates a positive shopping experience for our customers.

Strategic Assumptions:

1. Every person with income limitations or on fixed incomes is a potential customer.
2. Marketing to these segments of the population will lead to an expansion in overall market growth.

5.4 Sales Strategy

Employees are paid a straight wage but can achieve a semi-yearly bonus based on profits and customer satisfaction rates. All potential sales will be attended to in a timely fashion and long-term salesperson-customer relationships will take precedence over sales closure. A marketing strategy will be essential to bring customers into the store.

5.4.1 Sales Forecast

The following table and chart give a run-down on forecasted sales. The expected sales are to increase at a rate of 10% by April. We would like to see another increase of 10% by August. [BUSINESS NAME] expects to experience a steady growth throughout our first year even though we are a new business enterprise. As [BUSINESS NAME] becomes more familiar to the public they expect to gain more market share and would like to see progressive growth as we head into the following year. [COMPANY NAME], with an aggressive marketing approach expects to increase its share of the market by offering a unique option to discount shopping.

Table: Sales Forecast

| <i>Sales Forecast</i> | | | |
|--------------------------------------|-----------|-----------|-----------|
| | 2011 | 2012 | 2013 |
| Sales | | | |
| Perishable Items | \$111,977 | \$121,321 | \$131,023 |
| Non-Perishables Items | \$221,363 | \$232,812 | \$241,098 |
| Total Sales | \$333,340 | \$354,133 | \$372,121 |
| Direct Cost of Sales | 2011 | 2012 | 2013 |
| Perishable Items | \$47,256 | \$45,000 | \$48,000 |
| Non-Perishable Items | \$70,989 | \$74,000 | \$79,000 |
| Subtotal Direct Cost of Sales | \$118,245 | \$119,000 | \$127,000 |

Chart: Sales Monthly

Sales Monthly

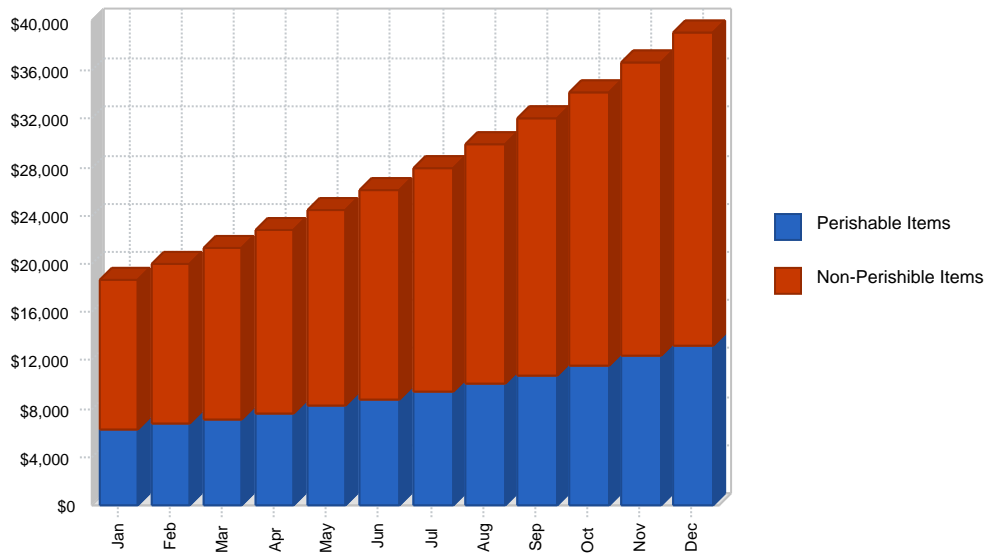
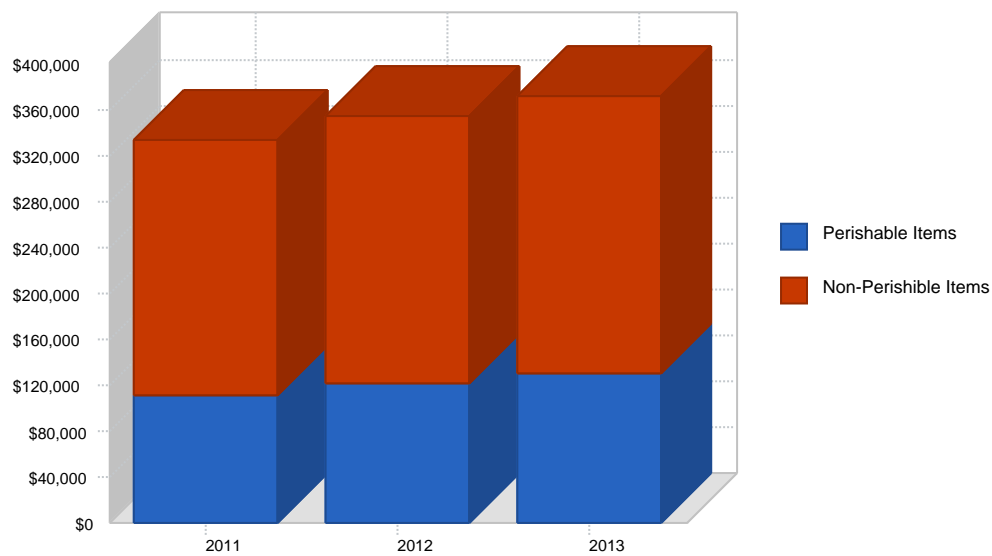


Chart: Sales by Year

Sales by Year



5.5 Milestones

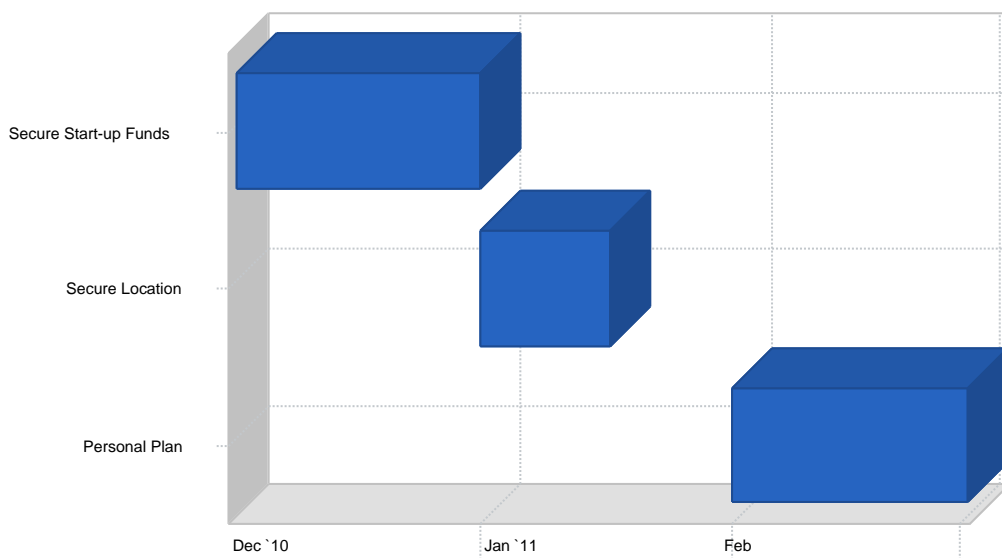
The accompanying milestone chart highlights our plan with specific dates. This schedule reflects our strong commitment to organization and detail.

Table: Milestones

| Milestones | | | | | |
|------------------------------|------------|------------|----------|---------|------------|
| Milestone | Start Date | End Date | Budget | Manager | Department |
| Secure Start-up Funds | 12/1/2010 | 12/31/2010 | \$5,000 | [NAME] | CEO |
| Secure Location | 12/31/2010 | 1/16/2011 | \$10,000 | [NAME] | CEO |
| Personal Plan | 1/31/2011 | 3/1/2011 | \$3,500 | [NAME] | CEO |
| Totals | | | \$18,500 | | |

Chart: Milestones

Milestones



6.0 Management Summary

[NAME] and [NAME] are the management that will handle all daily operations as well as strategic planning for future business. The dollar store head office will supply the training that [NAME] and [NAME] will go through before the store opens.

6.1 Personnel Plan

The personnel plan is included in the following table below. [NAME] and [NAME] will have one full-time non-management employee and three part-time employees working 20-30 hours per week. The full-time employee will be paid at a rate of \$10.00 per hour and the two part-time employees will be paid at a rate of \$8.00 per hour. All employees will benefit from a one-day paid holiday on their respective birthdays and one week of paid vacation after twelve months of employment. At this time medical benefits will not be offered to employees. As profits increase in the future medical benefits will be offered to all employees.

Table: Personnel

| Personnel Plan | | | |
|-------------------------|-----------|-----------|-----------|
| | 2011 | 2012 | 2013 |
| Salaries | \$96,000 | \$105,000 | \$110,000 |
| Accounting/Legal | \$6,000 | \$6,000 | \$6,000 |
| Total People | 6 | 6 | 6 |
| Total Payroll | \$102,000 | \$111,000 | \$116,000 |

7.0 Financial Plan

The growth of [COMPANY NAME] will be moderate and the cash balance will always be positive. Being a retail environment we will not be selling on credit. We will accept cash, checks, and all major credit cards. TeleCheck Services will be used as the check guaranty system to help reduce the percentage of loss on bad checks. Marketing and advertising will remain at or below 5% of sales. We will continue to reinvest residual profits into company expansion, and personnel.

The following sections of this plan will serve to describe the Company's financial plan in more detail:

- General Assumptions
- Break-even Analysis
- Profit and Loss
- Cash Flow
- Balance Sheet
- Ratios

7.1 Start-up Funding

Start-up costs will be financed through a combination of owner investment and grant funding. The start-up chart shows the distribution of financing. Other miscellaneous expenses include

- Marketing/advertising consultancy fees for assistance in designing our grand-opening.
- Purchase Inventory.
- Legal fees for corporate organization filings

Table: Start-up Funding

| <i>Start-up Funding</i> | |
|----------------------------------|-----------|
| Start-up Expenses to Fund | \$202,500 |
| Start-up Assets to Fund | \$160,500 |

| | |
|--|------------------|
| Total Funding Required | \$363,000 |
| Assets | |
| Non-cash Assets from Start-up | \$125,000 |
| Cash Requirements from Start-up | \$35,500 |
| Additional Cash Raised | \$0 |
| Cash Balance on Starting Date | \$35,500 |
| Total Assets | \$160,500 |

| | |
|---|-------------|
| Liabilities and Capital | |
| Liabilities | |
| Current Borrowing | \$0 |
| Long-term Liabilities | \$0 |
| Accounts Payable (Outstanding Bills) | \$0 |
| Total Liabilities | \$0 |
| Capital | |
| Planned Investment | |
| Owner | \$0 |
| Grant | \$363,000 |
| Additional Investment Requirement | \$0 |
| Total Planned Investment | \$363,000 |
| Loss at Start-up (Start-up Expenses) | (\$202,500) |
| Total Capital | \$160,500 |
| Total Capital and Liabilities | \$160,500 |
| Total Funding | \$363,000 |

7.2 Important Assumptions

The personnel burden is very low because benefits are not paid to employees. [BUSINESS NAME] does not sell on credit nor do they offer layaways at this time. [BUSINESS NAME] does accept cash and checks, Visa, MasterCard, Discover

and American Express. All sales paid via credit cards will be deposited in our business checking account within 48 hours.

7.3 Break-even Analysis

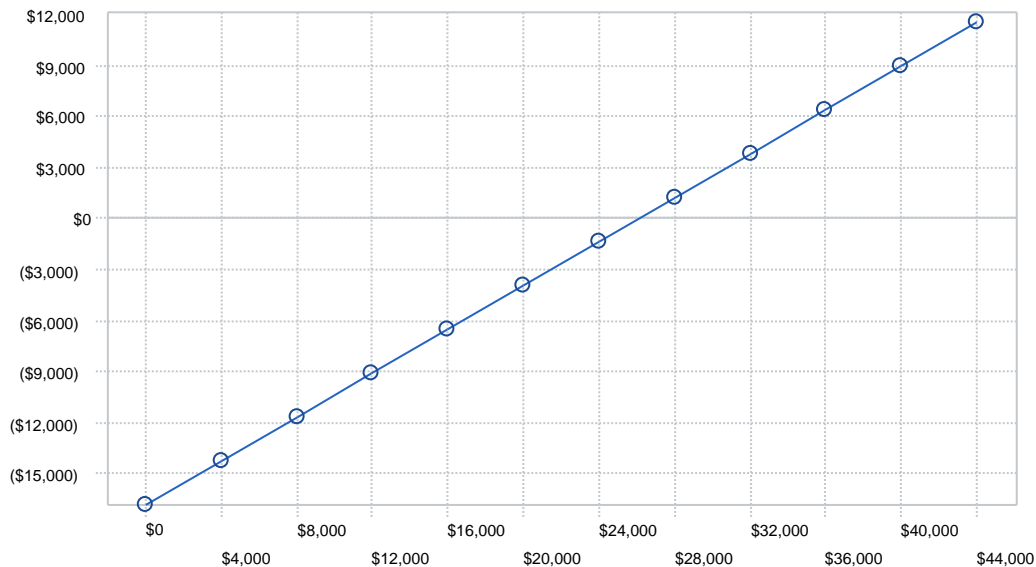
A Break-even Analysis table has been completed on the basis of average costs/prices. With fixed costs, average sales, and average variable costs, the table and chart show what we need per month to break-even.

Table: Break-even Analysis

| <i>Break-even Analysis</i> | |
|--------------------------------------|----------|
| Monthly Revenue Break-even | \$26,074 |
| Assumptions: | |
| Average Percent Variable Cost | 35% |
| Estimated Monthly Fixed Cost | \$16,825 |

Chart: Break-even Analysis

Break-even Analysis



7.4 Projected Profit and Loss

The Company predicts advertising costs will go down in the next three years. [BUSINESS NAME] will be able to find what has worked well for us and concentrate on those advertising methods. Normally, a start-up concern will operate with negative profits through the first two years. [BUSINESS NAME] will avoid that kind of operating loss by knowing our target markets. There are many factors to include when determining a projected profit and loss statement; these are included in the following table.

The sales for 2011, 2012 and 2013 are \$333,340, \$354,133 and \$372,121, respectively. Gross Profit will be 64.53% in 2011, 66.40% in 2012 and 65.87% in 2013. The Company will show a Net Profit for 2011, 2012 and 2013 of \$9,237, \$13,498 and \$14,365, respectively due to the internal expansion of the Company to launch the marketing, sales and operation efforts needed to take advantage of the market and growth in the future years. The Company will show an EBITDA of \$13,195 in 2011, \$19,283 in 2012 and \$20,521 in 2013. The percentages of the net profit to sales for this period were 2.77%, 3.81% and 3.86%, respectively. The Operating Expenses and Net Profit to Sales for the 2011, 2012 and 2013 period are affected by the internal expansion of the Company. Gross Profit will remain in the 66% range in 2014/2015 and future years. Net Profit and Net Profit to Sales Percentage will continue to rise in future years as the internal expansion and investments in Marketing and Advertising bear fruit.

Table: Profit and Loss

| Pro Forma Profit and Loss | | | |
|----------------------------------|-----------|-----------|-----------|
| | 2011 | 2012 | 2013 |
| Sales | \$333,340 | \$354,133 | \$372,121 |
| Direct Cost of Sales | \$118,245 | \$119,000 | \$127,000 |
| Other Costs of Sales | \$0 | \$0 | \$0 |
| Total Cost of Sales | \$118,245 | \$119,000 | \$127,000 |
| Gross Margin | \$215,095 | \$235,133 | \$245,121 |
| Gross Margin % | 64.53% | 66.40% | 65.87% |

| | |
|--|--|
| | |
|--|--|

| | | | |
|---|-----------|-----------|-----------|
| Expenses | | | |
| Payroll | \$102,000 | \$111,000 | \$116,000 |
| Marketing/Promotion | \$14,400 | \$15,000 | \$15,000 |
| Depreciation | \$0 | \$0 | \$0 |
| Rent | \$48,000 | \$51,000 | \$53,000 |
| Utilities | \$9,000 | \$10,000 | \$11,000 |
| Insurance | \$7,200 | \$7,200 | \$7,200 |
| Payroll Taxes | \$15,300 | \$16,650 | \$17,400 |
| Other | \$6,000 | \$5,000 | \$5,000 |
| Total Operating Expenses | \$201,900 | \$215,850 | \$224,600 |
| Profit Before Interest and Taxes | \$13,195 | \$19,283 | \$20,521 |
| EBITDA | \$13,195 | \$19,283 | \$20,521 |
| Interest Expense | \$0 | \$0 | \$0 |
| Taxes Incurred | \$3,959 | \$5,785 | \$6,156 |
| Net Profit | \$9,237 | \$13,498 | \$14,365 |
| Net Profit/Sales | 2.77% | 3.81% | 3.86% |

Chart: Profit Monthly

Profit Monthly

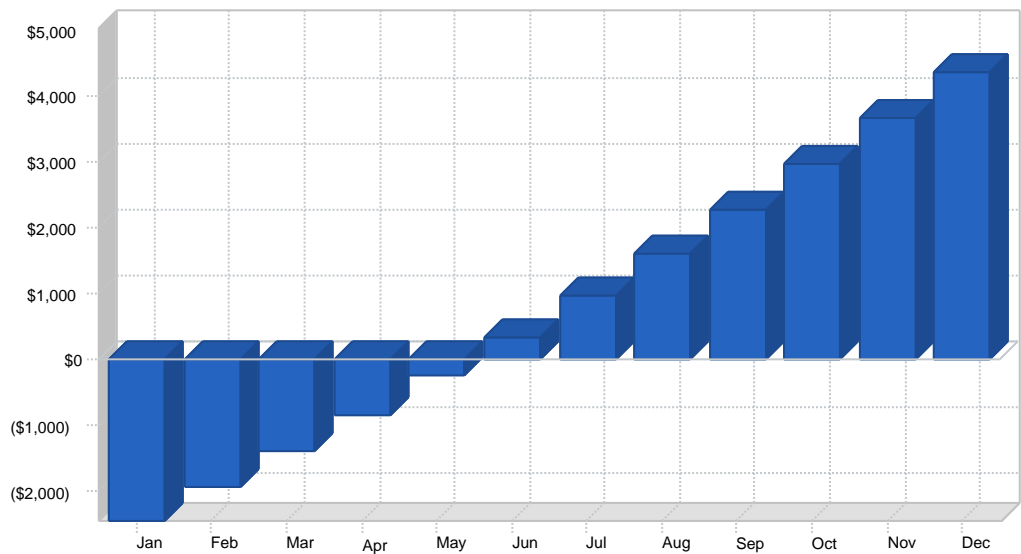


Chart: Profit Yearly

Profit Yearly

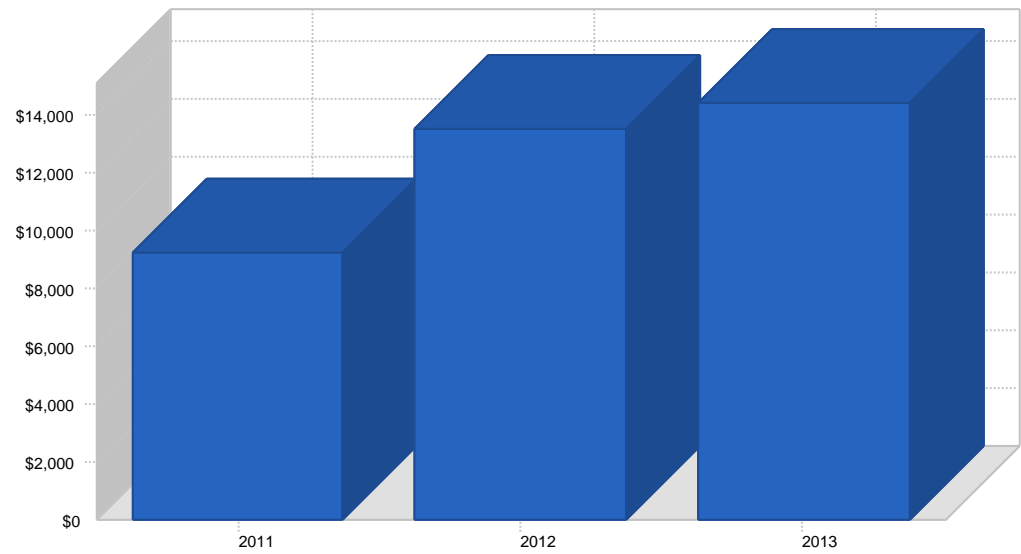


Chart: Gross Margin Monthly

Gross Margin Monthly

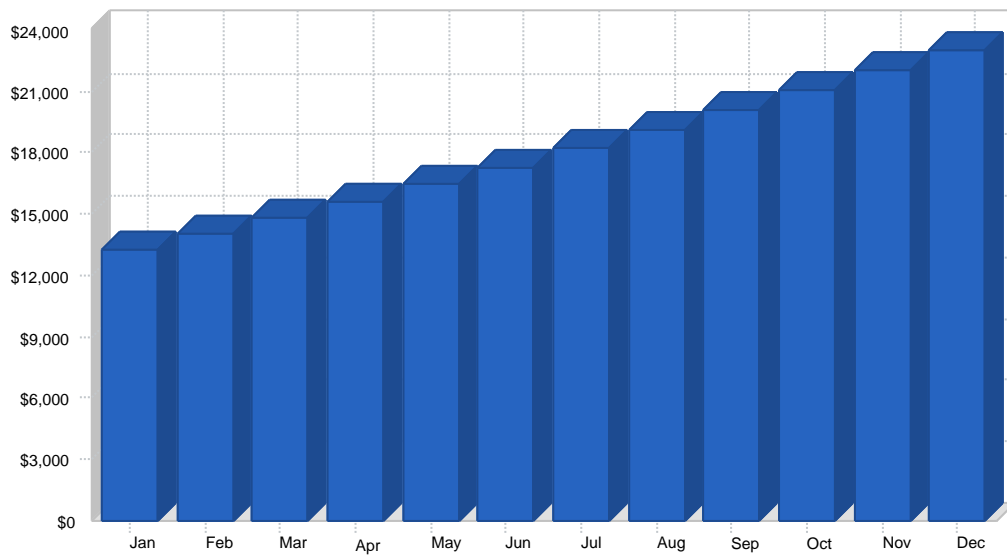
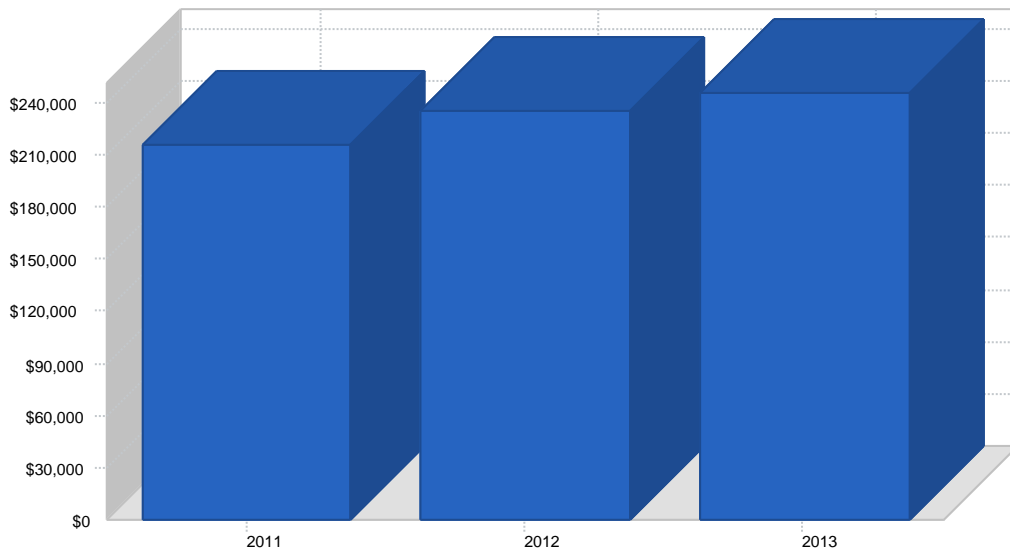


Chart: Gross Margin Yearly

Gross Margin Yearly



7.5 Projected Cash Flow

The Company has applied for a grant of \$363,000. The Company forecast that it will receive \$363,000 in the month of January 2011.

[COMPANY NAME] is positioning themselves in the market as a medium risk concern with steady cash flows. Accounts payable is paid at the end of each month, while sales are in cash, giving the Dollar Store an excellent cash structure. These cash flows are only possible with the successful acquisition of grant funds in the amount of \$363,000.

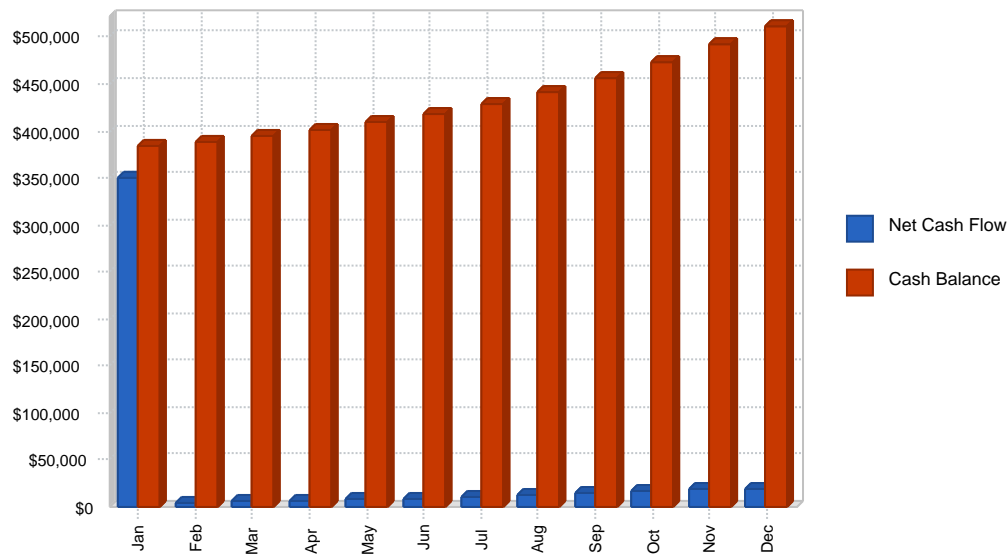
Table: Cash Flow

| Pro Forma Cash Flow | | | |
|--|-----------|-----------|-----------|
| | 2011 | 2012 | 2013 |
| Cash Received | | | |
| Cash from Operations | | | |
| Cash Sales | \$333,340 | \$354,133 | \$372,121 |
| Subtotal Cash from Operations | \$333,340 | \$354,133 | \$372,121 |
| Additional Cash Received | | | |
| Sales Tax, VAT, HST/GST Received | \$0 | \$0 | \$0 |
| New Current Borrowing | \$0 | \$0 | \$0 |
| New Other Liabilities (interest-free) | \$0 | \$0 | \$0 |
| New Long-term Liabilities | \$0 | \$0 | \$0 |
| Sales of Other Current Assets | \$0 | \$0 | \$0 |
| Sales of Long-term Assets | \$0 | \$0 | \$0 |
| New Investment Received | \$0 | \$0 | \$0 |
| Subtotal Cash Received | \$333,340 | \$354,133 | \$372,121 |
| | | | |
| Expenditures | 2011 | 2012 | 2013 |
| | | | |

| | | | |
|--|-----------|------------|-----------|
| Expenditures from Operations | | | |
| Cash Spending | \$102,000 | \$111,000 | \$116,000 |
| Bill Payments | \$95,667 | \$288,127 | \$251,866 |
| Subtotal Spent on Operations | \$197,667 | \$399,127 | \$367,866 |
| Additional Cash Spent | | | |
| Sales Tax, VAT, HST/GST Paid Out | \$0 | \$0 | \$0 |
| Principal Repayment of Current Borrowing | \$0 | \$0 | \$0 |
| Other Liabilities Principal Repayment | \$0 | \$0 | \$0 |
| Long-term Liabilities Principal Repayment | \$0 | \$0 | \$0 |
| Purchase Other Current Assets | \$0 | \$0 | \$0 |
| Purchase Long-term Assets | \$0 | \$0 | \$0 |
| Dividends | \$0 | \$0 | \$0 |
| Subtotal Cash Spent | \$197,667 | \$399,127 | \$367,866 |
| Net Cash Flow | \$135,673 | (\$44,994) | \$4,255 |
| Cash Balance | \$171,173 | \$126,179 | \$130,434 |

Chart: Cash

Cash



7.6 Projected Balance Sheet

All of the 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. [BUSINESS NAME] expects solid growth in net worth beyond the year. The Company's net worth is \$532,236, \$545,735 and \$560,099 for 2011, 2012 and 2013, respectively. The Company's Total Assets at the end of 2011, 2012 and 2013 will be \$590,428, \$566,326 and \$580,810, respectively.

Table: Balance Sheet

| Pro Forma Balance Sheet | | | |
|---------------------------------|-----------|-----------|-----------|
| | 2011 | 2012 | 2013 |
| Assets | | | |
| Current Assets | | | |
| Cash | \$171,173 | \$126,179 | \$130,434 |
| Inventory | \$56,755 | \$77,647 | \$87,877 |
| Other Current Assets | \$0 | \$0 | \$0 |
| Total Current Assets | \$227,928 | \$203,826 | \$218,310 |
| Long-term Assets | | | |
| Long-term Assets | \$0 | \$0 | \$0 |
| Accumulated Depreciation | \$0 | \$0 | \$0 |
| Total Long-term Assets | \$0 | \$0 | \$0 |
| Total Assets | \$227,928 | \$203,826 | \$218,310 |
| Liabilities and Capital | 2011 | 2012 | 2013 |

| | | | |
|--------------------------------------|-------------|-------------|-------------|
| Current Liabilities | | | |
| Accounts Payable | \$58,191 | \$20,591 | \$20,711 |
| Current Borrowing | \$0 | \$0 | \$0 |
| Other Current Liabilities | \$0 | \$0 | \$0 |
| Subtotal Current Liabilities | \$58,191 | \$20,591 | \$20,711 |
| Long-term Liabilities | \$0 | \$0 | \$0 |
| Total Liabilities | \$58,191 | \$20,591 | \$20,711 |
| Paid-in Capital | \$363,000 | \$363,000 | \$363,000 |
| Retained Earnings | (\$202,500) | (\$193,264) | (\$179,765) |
| Earnings | \$9,237 | \$13,498 | \$14,365 |
| Total Capital | \$169,737 | \$183,235 | \$197,599 |
| Total Liabilities and Capital | \$227,928 | \$203,826 | \$218,310 |
| Net Worth | \$169,737 | \$183,235 | \$197,599 |

7.7 Business Ratios

[BUSINESS NAME] expects their net profit margin and gross margin, to increase steadily over the three-year period. Our net working capital will increase handsomely by year three, proving that we have the cash flows to remain a going concern. The following table shows these important financial ratios, based upon NAICS industry code 452112, Discount Department Stores.

Table: Ratios

| Ratio Analysis | | | | |
|--------------------------------|---------|---------|---------|------------------|
| | 2011 | 2012 | 2013 | Industry Profile |
| Sales Growth | n.a. | 6.24% | 5.08% | 1.89% |
| Percent of Total Assets | | | | |
| Inventory | 9.61% | 13.71% | 15.13% | 13.61% |
| Other Current Assets | 1.35% | 1.41% | 1.38% | 43.45% |
| Total Current Assets | 97.46% | 97.35% | 97.42% | 76.47% |
| Long-term Assets | 2.54% | 2.65% | 2.58% | 23.53% |
| Total Assets | 100.00% | 100.00% | 100.00% | 100.00% |
| Current Liabilities | 9.86% | 3.64% | 3.57% | 32.47% |
| Long-term Liabilities | 0.00% | 0.00% | 0.00% | 48.24% |
| Total Liabilities | 9.86% | 3.64% | 3.57% | 80.71% |
| Net Worth | 90.14% | 96.36% | 96.43% | 19.29% |
| | | | | |

| Percent of Sales | | | | |
|---|---------|---------|---------|---------|
| Sales | 100.00% | 100.00% | 100.00% | 100.00% |
| Gross Margin | 64.53% | 66.40% | 65.87% | 21.37% |
| Selling, General & Administrative Expenses | 61.76% | 62.59% | 62.01% | 8.13% |
| Advertising Expenses | 4.32% | 4.24% | 4.03% | 0.17% |
| Profit Before Interest and Taxes | 3.96% | 5.45% | 5.51% | 2.39% |
| Main Ratios | | | | |
| Current | 9.89 | 26.77 | 27.32 | 1.61 |
| Quick | 8.91 | 23.00 | 23.08 | 1.19 |
| Total Debt to Total Assets | 9.86% | 3.64% | 3.57% | 80.71% |
| Pre-tax Return on Net Worth | 2.48% | 3.53% | 3.66% | 79.39% |
| Pre-tax Return on Assets | 2.23% | 3.40% | 3.53% | 15.32% |
| Additional Ratios | | | | |
| | 2011 | 2012 | 2013 | |
| Net Profit Margin | 2.77% | 3.81% | 3.86% | n.a |
| Return on Equity | 1.74% | 2.47% | 2.56% | n.a |
| Activity Ratios | | | | |
| Inventory Turnover | 1.54 | 1.77 | 1.53 | n.a |
| Accounts Payable Turnover | 2.64 | 12.17 | 12.17 | n.a |
| Payment Days | 27 | 57 | 30 | n.a |
| Total Asset Turnover | 0.56 | 0.63 | 0.64 | n.a |
| Debt Ratios | | | | |

| | | | | |
|----------------------------------|-----------|-----------|-----------|-----|
| Debt to Net Worth | 0.11 | 0.04 | 0.04 | n.a |
| Current Liab. to Liab. | 1.00 | 1.00 | 1.00 | n.a |
| Liquidity Ratios | | | | |
| Net Working Capital | \$517,236 | \$530,735 | \$545,099 | n.a |
| Interest Coverage | 0.00 | 0.00 | 0.00 | n.a |
| Additional Ratios | | | | |
| Assets to Sales | 1.77 | 1.60 | 1.56 | n.a |
| Current Debt/Total Assets | 10% | 4% | 4% | n.a |
| Acid Test | 8.91 | 23.00 | 23.08 | n.a |
| Sales/Net Worth | 0.63 | 0.65 | 0.66 | n.a |
| Dividend Payout | 0.00 | 0.00 | 0.00 | n.a |

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