

How to Start a Fashion 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 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	759,016	100.00
Cost of goods sold	589,392	77.65
Gross profit on sales	169,624	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	125,204	16.50
Operating profit	44,220	5.85
Extraordinary expenses	1,200	0.16
Net profit before taxes	43,220	5.69
taxes	19,542	2.57
Net profit after taxes	23,678	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 100.00
Cost of Goods Sold		-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 real estate 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 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:

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

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 Fashion Business Plan Template

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1.0 Executive Summary

Overview

[Company Name] is an upscale casual women's clothing boutique that will open this year. [Company Name] defines the boutique and its essence of inclusion. [Company Name]'s clothing selections and exclusive personal style services, which include a detailed Style Assessment, will ensure that all customers are well dressed. [Company Name] is a woman-owned business with future plans for incorporation in the State of New York.

Clothing for stylish women

[Company Name] will carry Ready-to-Wear (RTW) designer and casual/contemporary apparel & accessories for women. In addition to the fabulous clothing lines and selections, [Company Name] will feature other choice selections by American and European designers. [Company Name] customer is a busy professional woman who lives in Long Island with a household income over \$ 90,000. She enjoys the boutique fashions and wants a place where she can go to get services that meet her busy lifestyle and needs. She also enjoys that when frequenting neighboring eatery and bar establishments in the same vicinity for business or for pleasure she can rest assured that she can pick up that perfect fashion piece for an event or meeting at the last minute that will tie her whole look together.

Unique & innovative

[Company Name] will provide services such as Style Assessments, personal shopping and special ordering to customers during store hours and by personal appointments. [Name], who is trained within the image industry, will be available to customers on a daily basis. [Company Name]'s innovative Style Assessments and educational emphasis in helping women develop their personal styles will enhance the Company's reputation as a truly unique boutique in Long Island. [Name] wants to emphasize what is lost in today's market when it comes to quality customer service and will also branch out into planning fashion and skin care for events and parties. Ms. Jones' vision is to tailor the look of the store to give the customer the feeling of walking into her very own luxury walk-in closet.

Getting the word out

[Company Name] will generate awareness and sales by utilizing PR tactics and the referral networks of personal stylists. Additionally, [Company Name] will meet customers in the storefront's location, focusing on how women approach shopping by obtaining mentions and reviews in the top fashion publications, travel guides and local papers. [Name], the owner of [Company Name], will personally meet with adjacent business owners and managers in order to cross-market businesses in Rockville Centre and beyond.

Management

With many years of experience in marketing and retail, owner [Name] has gathered the expertise to complement and grow the business. She has been known for her fashion styling expertise and currently freelances her craft with clientele across the country that come to her for her advice and expertise. Her advisory team holds expertise in retail accounting, retail merchandising, legal contracts and fashion and design. A detailed project plan has been created and all tasks will be scheduled.

Chart: Highlights

1.1 Objectives

1. To turn inventory five times and generate high dollar amounts in sales per square foot
2. To maintain profit margins at or over 15-20% through close attention to expenses and cost of goods sold
3. To drive awareness and build sales through mentions in both local print and the city's top fashion magazines

1.2 Mission

1. To provide women with a boutique that offers a comfortable and approachable environment
2. To showcase quality, well-constructed fashions from prominent and cutting-edge designers
3. To offer a variety of beautiful casual and high-end fashion accessories
4. To help women learn what clothing and styles go best with their unique personalities
5. To generate buzz and sales through top-notch exclusive services

1.3 Keys to Success

- Having a good location in a high-traffic area
- Quality product and good relationships with vendors
- Outstanding customer service

2.0 Company Summary

[Company Name] is an upscale women's clothing boutique that intends to open in Long Island, New York. [Company Name] is not just a name; this defines the boutique and its essence of inclusion. [Company Name] will carry beautiful designer labels for women, such as major labels to the more obscure and luxurious handbags. [Company Name]'s clothing selections and exclusive personal style services, which include a detailed Style Assessment that features nine different style personalities, will ensure that [Company Name]'s customers are always well dressed.

2.1 Company Ownership

[Company Name] has been established as a Sole Proprietorship due to the ease of formation, and simplicity of the structure and tax record keeping. In the future, [Company Name] will look at forming an S Corporation when another location is opened.

2.2 Start-up Summary

This business plan will be used for three purposes:

- To map out all the necessary components to create a successful and well-run boutique
- To provide management with a blueprint to follow
- To secure financing through private institutions and investors

The Start-up Table which follows details the Start-up Requirements, including Start-up Inventory and Long-term Assets in the form of Fixtures and POS Equipment. Start-up Funding will consist largely of investment and a long-term loan from a small business lender. The Start-up Period for this plan runs from May through December of 2011.

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Website E-commerce Set-up and Design	\$20,000
Rent for First Year of Operation	\$36,000
Inventory	\$10,000
Professional Fees	\$2,500
Insurance	\$2,400
General Startup Costs	\$6,900
Marketing: Packaging, PR, Design	\$20,000
Total Start-up Expenses	\$97,800
Start-up Assets	
Cash Required	\$7,500
Other Current Assets	\$0
Long-term Assets	\$0
Total Assets	\$7,500

Total Requirements	\$105,300

Chart: Start-up

3.0 Products and Services

[Company Name] will carry Ready-to-Wear (RTW) designer diffusion lines and casual/contemporary apparel & accessories for women. [Company Name] will carry main RTW lines along with various independent American & European labels.

[Company Name] will also carry designer fashion accessories such as handbags, scarves and wardrobe accessories such as Tosca Delicate, sachets, lint brushes and, in the future, various [Company Name] branded items.

- Wardrobe Accessories:
 - Lint Brushes
 - Stylist-in-a-box
 - Sachets
 - Hangers
- Fashion Accessories:
 - Local designer jewelry

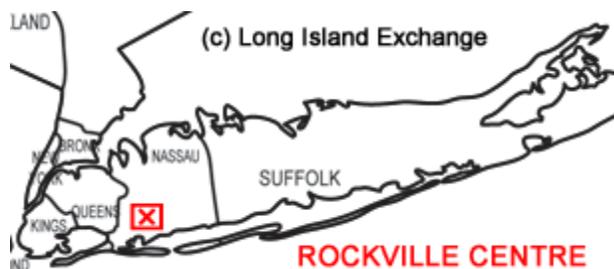
- Handbags
- Belts, Scarves, Gloves, Hats
- Lingerie

[Name] wants [Company Name] to feel like the customer is walking into her very own luxurious walk-in closet. Any customer can walk in with confidence knowing that Leni or her assistant stylist will be there to meet all of her needs from styling to make-up to accessories. Word will get around Long Island very quickly about [Company Name].

4.0 Market Analysis Summary

A **fashion stylist** is someone who selects the clothing for published editorial features, print or television advertising campaigns, music videos, concert performances, and any public appearances made by celebrities, models or other public figures. Stylists are often part of a larger creative team assembled by the client, collaborating with the fashion designer, photographer/director, hair stylist and makeup artist to put together a particular look or theme for the specific project. A fashion stylist can also be referred to as a fashion stylist, fashion editor, or celebrity stylist. This service is not readily available to the average consumer; however, [Company Name] seeks to make this service more accessible.

Rockville Centre, Long Island



Rockville Centre is an incorporated village located in Nassau County, on the South Shore of Long Island, New York. It is in the southwest part of the Town of Hempstead and 25 miles east of mid-town Manhattan. As of the 2000 census, there were 24,568 people, 9,201 households and 6,468 families residing in the area. The median income for a household in the village is \$79,345, and the median income for a family is \$103,315. Males have a median income of \$70,149 and only \$43,800 for females.

Despite the popularity of regional shopping centers and strip malls, Rockville Centre's business district continues to prosper. The occupancy rate downtown is about 90 percent and a growing number of professionals, small corporations and financial services companies are renting office space in the buildings that ring the commercial area.

The location, upscale demographics and easy access to major roads and public transportation are key factors in attracting businesses to the village. Additional incentives are the quality and variety of municipal services and the low electric rates.

The confidence of the business community in the village's economy is reflected in its willingness to invest improving downtown property. In the past 16 months the building department issued 48 permits for commercial improvements valued at \$1.9 million.

A substantial portion of that renovation work involved restaurants and other food services facilities. At last count, there were about 150 such businesses in the village,

everything from gourmet food retailers and delicatessens to full-service restaurants and specialty take-out shops.

It is the rapid expansion of the restaurant business that prompted the board of trustees early this spring to enact a 90-day moratorium on new food service locations. This gives the town the time needed to assess the impact of future expansion on public parking and the growing need for village services in the downtown area. With an estimated 3,000 residents and visitors shopping, eating or going to the movies on an average day, calls for police and emergency services are increasing and extra time and money are required to maintain and clean the streets and parking fields.

Members of the village staff and traffic engineering specialists are reviewing the village's options and researching actions taken successfully by other communities to meet similar challenges.

Despite the growth of restaurants and the high traffic for the multiplex theatres, downtown remains a diversified and vibrant business district. There are some one-of-a-kind specialty boutiques, yet there are choices galore to meet the needs of any family -- supermarkets, dry cleaners, hair stylists and barbers, hardware stores, florists, drug stores and gift shops.

The area provides jobs for 7,000 people and about one of seven of those employees are in retail businesses. There are 10 banks with 12 locations in the village, and there are services to meet most business needs -- printing, office supplies, computers and cleaning services.

Commercial property is an important part of the Rockville Centre tax base, and it is for just that reason that the village government pays attention to keeping the business district a safe, clean and attractive place to operate a business that will attract customers from other communities as well as our own.

Keeping the business district vibrant is a high priority that prompts us to work closely with the chamber of commerce to keep current businesses successful and to attract new investment in this compact commercial area.

4.1 Market Segmentation

Market Needs

If you were to overhear women talking in a dressing room, you would more than likely hear them comment on something they've tried on and question how they should wear it or what it will go with in their closet. Research has shown that women are stressed, have little time to shop, and would generally like help in determining the right clothes and styles to wear. With over 61 million U.S. women between the ages of 25-54 spending over \$34 billion in apparel each year, there are sure to be some mistakes made in clothing choices. Television shows such as BBC's "What Not to Wear" and Style's "Fashion Emergency" clearly speak to a woman's confusion about what looks best on her. Even women who can afford a professional stylist feel helpless and often

jokingly request that their stylist come to their home every morning to help them get dressed.

"Within a decade, the companies that do the best job of marketing to women will dominate every significant product and service category." -Faith Popcorn

One gender in particular influences the majority of the retail marketplace: women. Women comprise 51% (145 million) of the U.S. population and control or influence 81% of all household purchase decisions. Women are now earning more college and master's degrees than men, which translates into more senior positions & higher pay. Overall, women represent 47% of the total U.S. civilian workforce and as that continues to grow, demands for their time also increase. Balancing work and family are the #1 concerns for women and almost half "hardly ever" take care of their personal needs; one out of five women would like to have time to do a little shopping!

Research indicates that women approach retail shopping uniquely by evaluating purchases based on product and company information derived from both personal and expert sources. Additionally, surveys consistently reveal that women buy based on the relationship they forge with a brand. Statistics, studies, and our own personal experiences show us again and again that excellent customer service lowers customer attrition rates, fosters excellent word of mouth and most importantly, increases sales. The table below shows that out of the ten characteristics consumers find important in deciding where to shop, four were attributed to customer service.

Top Ten Factors in Deciding Where to Shop:

<u>Reason</u>	<u>2008</u>	<u>2010</u>	<u>Change</u>
1. Has reasonable prices	78%	85%	+7
2. Treats customers with respect	66	74	+8
3. Carries quality merchandise	66	72	+6
4. Doesn't pressure me to buy anything	61	70	+9
5. Convenient store hours	61	68	+7
6. Handles merchandise returns fairly	60	66	+6
7. I can always find what I want	61	65	+4
8. Carries a wide variety of items (e.g. colors, sizes)	57	64	+7
9. Has outstanding customer service	55	63	+8
10. Makes it quick and easy to shop	53	61	+8

Table: Market Analysis

Market Analysis							
	Year 1	Year 2	Year 3	Year 4	Year 5		
Potential Customers	Growth						CAGR
High-Income Women, 30+, in this area	5%	2,400	2,520	2,646	2,778	2,917	5.00%
Personal Stylist Customers	30%	10	13	17	22	29	30.50%
Total	5.15%	2,410	2,533	2,663	2,800	2,946	5.15%

Chart: Market Analysis (Pie)

4.2 Target Market Segment Strategy

The Primary Customer

The primary [Company Name] customer is a professional woman with a household income over \$100K. Her main characteristics are listed below:

- **Demographics**
- Professional woman (ages 18-45)
- Household income over \$100,000
- College-educated
- Lives in a higher-income Long Island neighborhood

Psychographics

- Looks for bargains (seasonal fashion) but willing to spend money on quality, core items
- Would like more time or help in understanding what clothing is right for her
- She wants to look her best because she wants to feel good about herself as well as make a good impression at her job

Leisure Activities

- Supports the Arts
- Reads Vogue, New Yorker, Bon Appetit, Lucky
- Watches Bravo, BBC, HBO
- Internet savvy
- Travels, owns a passport
- She enjoys eating out as well as taking time for herself at the spa or getting a mani-pedi

Clothes Shopping Behaviors

- Spends over \$2,500 for clothes each year
- Shops at Boutiques, Nordstroms, and Banana Republic
- Wears a size 6, 8, or 10
- Buys mostly tops and pants

- Looks for classic, basic items each season, with 1-2 trendy items
- She cares about how she presents herself, enjoys fashion, and looks for quality over quantity

Customer needs, expectations and buying patterns

The [Company Name] customer loves to shop and enjoys going to boutiques. She is knowledgeable about designer fashions and tends to shop for seasonal wardrobes twice a year plus picks up various fashion and basic pieces throughout the year. Many times she shops to "browse." By offering fashionable accessories and wardrobe organization items, [Company Name] will be able to grab a larger share of her wardrobe budget. She is used to coming into the store and browsing through the clothing items and trying on what interests her. She expects a warm and comfortable environment and nice dressing rooms. She enjoys being left alone but also enjoys the special touches of personal shopping assistance and having the ability to special order items. She wants fun and catered shopping events in the evening and also enjoys receiving special notices on sales and participating in trunk shows to garner more savings.

4.3 Service Business Analysis

[Company Name] is considered a luxury walk-in closet boutique within the Women's Clothing Store Industry (NAICS 448120 or SIC code 5621). Women's Clothing Store sales represent 20% of the Clothing Store Industry Group, which translates to \$27.2 billion during 2009 and \$34.4 billion in 2010.

The retail sector is the second-largest industry in the United States, both in number of establishments and number of employees. It is also one of the largest industries worldwide. The retail sector employs over 23 million Americans and generates more than \$3 trillion in retail sales annually. Retail sales usually see a 2-5% growth each quarter. Although 2010 was difficult, sales have slowly grown from 1.4% in Q1, to 3.1% in Q2 to an estimated 5.8% in Q3 according to the NRF. Overall retail sales account for two-thirds of the nation's economic activity, and the holiday season accounts for 20-40 percent of total retail sales.

The Clothing & Accessories Stores subsector of Retail has seen sales growth of 19% over the last five years. Businesses in the Clothing and Clothing Accessories Stores subsector sell new clothing and clothing accessories merchandise from fixed point-of-sale locations. Establishments in this subsector have similar display equipment and staff that is knowledgeable regarding fashion trends and the proper match of styles, colors, and combinations of clothing and accessories to the characteristics and tastes of the customer.

Current Trends

- People are shopping online for convenience & value; growth of sales on the Internet
- Overbuilding by specialty stores and other chains
- Repositioning of full-price/multi-line department stores
- Supremacy of the discount store chains
- Category-killer superstores
- Continuous changes in demographics, tastes and fashions
- Easy availability of consumer credit
- Dwindling appeal of the major mall

4.3.1 Competition and Buying Patterns

[Company Name] has local competition with the many wonderful boutiques in Long Island. Direct competitors include those boutiques that carry some of the brands that [Company Name] plans on carrying or could move easily into carrying, and are located in Long Island. Indirect competitors are those boutiques in Long Island that focus on a different target market or do not carry lines that [Company Name] will carry, in addition to well-known boutiques in other metropolitan areas.

On Long Island, the fashion pendulum has swung in recent years back to the frugal 1950s. This was a time when even women who pinched pennies owned a pocketbook for every season for lives, perhaps more imagined than real. If the occasion arose, chances were, mothers and grandmothers had the perfect pocketbook for it. Today women are collecting handbags again- sporty, for office, for special occasions, for every day. Just take a look at the huge number of stores that just sell or specialize in selling handbags. Almost all of the upscale neighborhoods in Manhattan and many of the shopping districts in New York City have handbag boutiques shops. Styles of handbags reflect interests as well as personality.

[Company Name] will not have direct competition in the chosen location that Ms. Jones seeks to operate in. This gives [Company Name] the chance to help the community and neighboring businesses flourish by cross-marketing efforts in addition to being the one-stop shop for women visiting the neighboring establishments.

5.0 Web Plan Summary

The website will serve as a source of information for online visitors in addition to being a virtual storefront where clients may place orders for [Company Name] merchandise online. [Company Name] plans to correspond its web site launch with the official launch of the boutique. Plans for year 1 include search engine optimization and development of editorial content throughout year 2. In year 3, [Company Name] will evaluate including ecommerce into its business model.

5.1 Website Marketing Strategy

Because [Company Name] is based in the Long Island area, the online strategy will focus on both celebrity endorsements and email marketing. Given current federal regulations (CAN-SPAM), [Company Name] will incorporate strict guidelines in managing customer data and ensure that a customer will not receive more than 2 emails per month.

As word-of-mouth and email marketing have proven effective for retail boutiques of [Company Name]'s nature, [Company Name] will implement these strategies at the beginning of operations. Research shows that the number one reason people log on to the Internet is for information. [Company Name]'s strategy is to provide as much information as possible on their current designers, fashions and style tips, as well as to utilize the appropriate search terms to deliver the most relevant click-throughs. Awareness of the website will be provided in local advertising, public relations efforts, customer emails, in-store signage & receipts as well as direct mail and word-of-mouth.

5.2 Development Requirements

Development costs include the following:

- Site Design - \$20,000.

Ongoing Costs

- Domain registration for the website for 5 years - \$95
- Site Hosting - \$30 per month with SBC Yahoo!
- Search Engine Registration - \$200 per year
- Site Design Changes - Changes in the site, such as photography costs (estimated at \$150-\$200 per shot), are considered to be part of Marketing and Advertising

6.0 Strategy and Implementation Summary

Based on extensive research conducted on women's shopping behaviors as well as [Company Name]'s own research among Long Island women, the following marketing strategies will be employed:

- Develop strong relationships with customers by utilizing Style Assessment and offering services to help each woman determine the right clothes for her.
- Provide educational materials and programs that enable customer's greater decision-making confidence.
- Build awareness of brand and services to exemplify strong store reputation.
- Provide customers with a sense of access to "inside information" and harness the power of a woman's personal network by leveraging marketing collateral designed for sharing and encouraging referrals.
- Utilize personal referrals and stylists to build traffic.

6.1 SWOT Analysis

The SWOT analysis provides us with an opportunity to examine the internal strengths and weaknesses [Company Name] must address. It also allows to examine the opportunities presented to [Company Name] as well as potential threats.

6.1.1 Strengths

1. **Knowledgeable and friendly staff.** Ms. Jones will go to great lengths at [Company Name] to find people with a passion for fashion and sharing their experiences. Ms. Jones' staff will be both knowledgeable and eager to please.
2. **Up-scale ambiance.** When you walk into [Company Name], you'll feel the luxury. Every woman will feel like she is walking into her own personal luxury walk-in closet with every clothing item, shoes, accessory, and make-up item at her fingertips.
3. **Clear vision of the market need.** Ms. Jones knows what it takes to build an upscale fashion boutique. She knows the customers and she knows fashion. She knows how to build the service that will bring the two together.

6.1.2 Weaknesses

- Access to additional operating capital.
- Cash flow continues to be unpredictable, and since 2008, a periodic problem.
- Owner will be climbing the "retail experience curve."
- Location is not in a heavily traveled, traditional retail area for fashion boutiques.
- Challenges of the seasonality of the business.

6.1.3 Opportunities

- Growing market with a significant percentage of the target market still not knowing [Company Name] will exist.
- Strategic alliances offering sources for referrals and joint marketing activities to extend reach.
- Changes in design trends can initiate wardrobe updating, and therefore, generate sales.
- Increasing sales opportunities beyond a "100-mile" target area including several communities in the New York area that have produced a faithful following of customers.

6.1.4 Threats

- The downturn in the economy has impacted store sales.
- Expansion of national discount stores into the local market.
- Competition from a national store; or a store with greater financing or product resources could enter the market.

6.2 Competitive Edge

Although [Company Name] will bring high-quality clothing and value to Long Island women, the most significant competitive advantage [Company Name] will have over all competitors is dedication to providing an approachable retail atmosphere with top-notch customer service. [Company Name]'s unique selling proposition is the integrated concept of personal style services: from events and bios that educate shoppers on designers, to personalized Style Assessments, on-site alterations, and the Company's own unique Style Concierges and wardrobe accessories. In contrast to many other boutiques, [Company Name] will become a corporate member of the Association of Image Consultants so that any stylist will learn from the nation's best on image consulting.

6.3 Marketing Strategy

Positioning Statement

[Company Name] provides professional women with upscale designer clothing and exclusive personal services. The main competitive advantage is the unique Style Assessment and education emphasis in helping women develop their personal style.

BRAND PERSONALITY

Innovative | Stylish | Contemporary | Modern | Fresh | Approachable | Elegant

The overall brand personality of [Company Name] aspires to be fashionable, customer-oriented, innovative, refreshing, stylish and educational. The boutique is a place where women can go to transform themselves with beautiful clothes and take advantage of the Style Assessment and other services that help them determine the right clothes for their unique selves. [Company Name] will be a shop that educates. [Company Name] will help women learn about the designers, gather with their friends and have fun during the process. The Company will not only carry items that help them look good, but will also help our customers maintain these items. Owner [Name] will work to create the atmosphere, colors and wording that encapsulates these thoughts.

Promotion

The following promotional tactics for generating buzz and awareness about [Company Name] will be implemented:

- Personal selling and word of mouth via networks of friends, stylists and customers
- Unique visual displays in storefront on a weekly basis
- PR (local and national)
- Boutique email newsletters
- Direct mail such as postcard notices that are targeted specifically to the customer
- Sales Promotion such as store events and bi-annual sales
- [Company Name] Web Site
- Advertising will be at a minimum with regular ad placements in the Long Island PULSE Magazine

Other important marketing strategies, such as developing strong customer relationships (retention), will utilize a different mix of marketing programs.

6.4 Sales Strategy

Product/Service Selection

To overcome seasonality concerns, [Company Name] will carry 20 percent of merchandise in fashion and wardrobe accessories. Additionally, [Company Name] will provide alterations, personal shopping services and special ordering for our customers. Special Orders are a huge benefit as [Company Name] obtains full-price sell-through and there is no floor space needed to sell the article.

Pricing

42% of households with a \$75K income agree, "When I really want something, price is no object." At [Company Name], owner [Name] is very committed to bringing high quality clothing to women and the prices will reflect a range of mid-to-high pricing. Average price points will be around \$50. To maintain profit margins of 20%, [Company Name] will negotiate and focus on obtaining an average 61% retail markup for all merchandise classifications.

Location

[Company Name] will be located in a neighborhood in Long Island. A significant proportion of the target market lives in this area. [Company Name] will work with the local merchants association as well as local publications to generate PR and shopping in the neighborhood. [Company Name] will also attract women from throughout other New York neighborhoods as well as the few women who come to Long Island from out of town to shop. [Company Name] will launch in 2011 and have a website presence where fashionable customers throughout the country can go to learn more about the boutique, the Style Assessment, how to wear certain items for day, evening and weekend, and make personal shopping appointments.

Stylist

Most women are intimidated by upscale fashion boutiques, as many sales associates can come across rude and snobby. Additionally, the sales pressure from an associate can be a huge turn-off to a potential customer as it doesn't allow a woman to browse and get to know the store's products at her own pace. [Company Name] will have [Name] as senior stylist and others on staff that are friendly, well trained in their professions and very approachable for clients to feel at home in the establishment.

6.4.1 Sales Forecast

See Sales Strategy.

Table: Sales Forecast

Sales Forecast			
	Year 1	Year 2	Year 3
Sales			
Casual Tops	\$47,880	\$55,288	\$55,841
Blouses	\$41,356	\$48,039	\$48,519
Sweaters	\$37,343	\$43,721	\$44,377
Knits	\$39,160	\$45,622	\$46,534
Pants	\$43,707	\$50,972	\$51,737
Skirts	\$33,839	\$39,904	\$40,703
Dresses	\$26,110	\$30,710	\$31,017
Denim	\$29,974	\$35,737	\$36,451
Separates	\$20,024	\$23,824	\$24,301
Jackets/Blazers	\$25,450	\$30,679	\$31,292
Coats/Outerwear	\$22,211	\$26,520	\$27,050
Fashion Accessories	\$53,372	\$62,243	\$63,799
Jewelry	\$22,850	\$26,836	\$27,238
Personal Care	\$11,983	\$14,164	\$14,306
Wardrobe Accessories	\$17,737	\$21,032	\$21,243
Style Assessments	\$2,767	\$2,976	\$3,036
Special Orders	\$36,250	\$39,525	\$40,316
Alterations	\$1,490	\$1,611	\$1,643
Total Sales	\$513,503	\$599,403	\$609,402
Direct Cost of Sales	Year 1	Year 2	Year 3

Casual Tops	\$20,588	\$23,774	\$24,012
Blouses	\$17,370	\$20,176	\$20,378
Sweaters	\$15,684	\$18,272	\$18,455
Knits	\$16,447	\$18,973	\$19,163
Pants	\$17,483	\$20,288	\$20,491
Skirts	\$13,874	\$16,200	\$16,362
Dresses	\$9,922	\$11,670	\$11,787
Denim	\$11,990	\$14,155	\$14,296
Separates	\$8,010	\$9,436	\$9,531
Jackets/Blazers	\$10,689	\$12,759	\$12,886
Coats/Outerwear	\$7,996	\$9,454	\$9,548
Fashion Accessories	\$18,680	\$21,466	\$21,681
Jewelry	\$7,998	\$9,346	\$9,440
Personal Care	\$4,793	\$5,666	\$5,722
Wardrobe Accessories	\$7,095	\$8,413	\$8,497
Style Assessment	\$1,107	\$1,179	\$1,191
Special Orders	\$14,500	\$15,655	\$15,812
Alterations	\$596	\$638	\$644
Subtotal Direct Cost of Sales	\$204,820	\$237,520	\$239,896

Chart: Sales Monthly

Chart: Sales by Year

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7.0 Management Summary

Management Expertise

[Name] | Owner

[Name] has many years of work experience that is directly relevant to managing and operating a successful clothing boutique. The first eight years of her professional work experience were spent in retail sales and business, and the last 15 years have been dedicated to a professional career with the NYPD. The sum of these experiences truly integrates the key disciplines for running a successful business: sales, finance, and management.

7.1 Personnel Plan

As the Personnel Plan shows, the Company expects to make gradual investments in client care personnel over the next three years, always keeping in mind the number of customers in need of care at [Company Name].

Table: Personnel

<i>Personnel Plan</i>			
	Year 1	Year 2	Year 3
Owner	\$73,000	\$76,000	\$90,000
Assistant Manager	\$39,600	\$42,000	\$43,500
Keyholder (Part Time)	\$18,400	\$19,320	\$20,286
Make-up Artist	\$18,400	\$19,320	\$20,286
Assistant Stylist	\$24,000	\$25,200	\$26,460
Total People	5	6	7
Total Payroll	\$173,400	\$181,840	\$200,532

8.0 Financial Plan

The business of [Company Name] does not require substantial outlays for inventory and virtually all sales are on a cash basis, so increases in sales will not be accompanied by initial cash-flow deficits.

8.1 Important Assumptions

Payables are assumed to reach levels equal to one month's operating expenses. Long-term interest rates have been based on current SBA loan rates.

8.2 Break-even Analysis

The Break-even Analysis is based on the average of the first-year figures for total sales by units, and by operating expenses. These are presented as per-unit revenue, per-unit cost, and fixed costs. These conservative assumptions make for a more accurate estimate of real risk.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	\$39,517
Assumptions:	
Average Percent Variable Cost	40%
Estimated Monthly Fixed Cost	\$23,755

Chart: Break-even Analysis

8.3 Projected Profit and Loss

The projected Profit and Loss for three years is detailed in the table and charts following. Some assumptions and inclusions to be noted are included in the Appendix.

Table: Profit and Loss

Pro Forma Profit and Loss			
	Year 1	Year 2	Year 3
Sales	\$513,503	\$599,403	\$609,402
Direct Cost of Sales	\$204,820	\$237,520	\$239,896
Other Costs of Goods	\$0	\$0	\$0
Total Cost of Sales	\$204,820	\$237,520	\$239,896
Gross Margin	\$308,683	\$361,883	\$369,507
Gross Margin %	60.11%	60.37%	60.63%
Expenses			

Payroll	\$173,400	\$181,840	\$200,532
Advertising	\$4,800	\$4,800	\$4,800
Depreciation	\$4,889	\$4,889	\$4,889
Bank Service Charges	\$480	\$480	\$480
Dues & Subscriptions	\$600	\$600	\$600
Education & Training	\$1,200	\$1,500	\$2,000
Insurance - Workman's Comp	\$3,372	\$3,500	\$3,600
Insurance - property & liability	\$6,204	\$6,200	\$6,300
Interest Expense - LT Loan	\$4,716	\$4,716	\$4,716
License & Permits	\$110	\$0	\$0
Maintenance - Office	\$2,400	\$2,400	\$2,400
Marketing and PR	\$9,600	\$10,000	\$10,000
Miscellaneous	\$3,600	\$3,600	\$3,600
Payroll - Charges	\$797	\$800	\$800
Postage & Delivery	\$600	\$600	\$600
Printing & reproduction	\$1,200	\$1,200	\$1,200
Prof Fees - Accounting	\$1,500	\$1,500	\$1,500
Prof Fees - Legal	\$1,000	\$500	\$500
Rent	\$36,000	\$36,000	\$36,000
Repairs	\$600	\$600	\$600
Security	\$348	\$350	\$350
Supplies - Office & Store	\$4,200	\$4,200	\$4,200
Travel & Entertainment	\$8,500	\$10,000	\$10,000
Telephone / Internet Access	\$1,440	\$1,440	\$1,440
Utilities	\$2,100	\$2,100	\$2,100
Payroll Taxes	\$0	\$10,515	\$10,890
Employee Benefits	\$9,000	\$9,100	\$9,100

Other	\$2,400	\$2,400	\$2,400
Total Operating Expenses	\$285,056	\$305,830	\$325,597

Profit Before Interest and Taxes	\$23,626	\$56,053	\$43,910
EBITDA	\$28,516	\$60,942	\$48,799
Interest Expense	\$7,200	\$7,200	\$7,200
Taxes Incurred	\$4,928	\$14,656	\$11,013
Net Profit	\$11,498	\$34,197	\$25,697
Net Profit/Sales	2.24%	5.71%	4.22%

Chart: Profit Yearly

Chart: Gross Margin Monthly

Chart: Gross Margin Yearly

8.4 Projected Cash Flow

The projected Cash Flow for three years is detailed in the table and chart following. In addition, it should be noted that [Company Name] will establish relationships with vendors and/or representatives to determine the following to maintain cash flow:

- Average price points – this will help ensure that a good mix of prices is maintained.
- Delivery time frame & reliability – this will be crucial to ensure maximization of profits during the key shopping time frames. For Italian designers who may live up to the Italian notoriety for being late in deliveries, [Company Name] will request the earliest possible delivery from them and also ensure they will be open to discounts if deliveries are late.
- Shipping and transportation policies.
- Market demand and turn rates – typically the vendor should know their end customer and be able to share that information so it aligns with the target market as well as helps Ms. Jones determine how much is appropriate to buy.
- Payment terms and agreements –The goal is to be at Net 30 but Ms. Jones expects vendors to understand that [Company Name] is a new boutique and will work with [Company Name] to get the store at Net 30 terms with them within one season.

Table: Cash Flow

<i>Pro Forma Cash Flow</i>			
	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	\$513,503	\$599,403	\$609,402
Subtotal Cash from Operations	\$513,503	\$599,403	\$609,402
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	\$105,300	\$0	\$0
Subtotal Cash Received	\$618,803	\$599,403	\$609,402
Expenditures	Year 1	Year 2	Year 3
Expenditures from Operations			
Cash Spending	\$173,400	\$181,840	\$200,532
Bill Payments	\$291,899	\$379,186	\$378,300
Subtotal Spent on Operations	\$465,299	\$561,026	\$578,832
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	\$36,000	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$501,299	\$561,026	\$578,832
Net Cash Flow	\$117,504	\$38,377	\$30,570
Cash Balance	\$152,411	\$190,788	\$221,358

Chart: Cash

8.5 Projected Balance Sheet

All financials will be updated monthly to reflect past performance and future assumptions. Future assumptions will be based on inventory plans from Retail Merchandising Service Automation (RMSA), economic cycle activity, regional retail indicators, apparel trends, and future cash flow. [Company Name] works with both an Accountant and CPA whom both have personal and professional experience in retail operations. The Company expects solid growth in net worth beyond the first fiscal year of operation.

Table: Balance Sheet

Pro Forma Balance Sheet			
	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	\$152,411	\$190,788	\$221,358
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$152,411	\$190,788	\$221,358
Long-term Assets			
Long-term Assets	\$36,000	\$36,000	\$36,000
Accumulated Depreciation	\$4,889	\$9,778	\$14,667
Total Long-term Assets	\$31,111	\$26,222	\$21,333
Total Assets	\$183,522	\$217,010	\$242,691
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	\$31,816	\$31,108	\$31,092
Current Borrowing	\$0	\$0	\$0

Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$31,816	\$31,108	\$31,092
Long-term Liabilities	\$90,000	\$90,000	\$90,000
Total Liabilities	\$121,816	\$121,108	\$121,092
Paid-in Capital	\$148,007	\$148,007	\$148,007
Retained Earnings	(\$97,800)	(\$86,302)	(\$52,105)
Earnings	\$11,498	\$34,197	\$25,697
Total Capital	\$61,705	\$95,902	\$121,599
Total Liabilities and Capital	\$183,522	\$217,010	\$242,691
Net Worth	\$61,705	\$95,902	\$121,599

8.6 Business Ratios

Standard business ratios are included in the following table. The ratios show a plan for balanced, healthy growth. Industry profile ratios based on the Standard Industrial Classification (SIC) code 5621, Women's Clothing Stores, are shown for comparison.

Table: Ratios

Ratio Analysis				
	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	n.a.	16.73%	1.67%	1.66%
Percent of Total Assets				
Other Current Assets	0.00%	0.00%	0.00%	42.35%
Total Current Assets	83.05%	87.92%	91.21%	90.33%
Long-term Assets	16.95%	12.08%	8.79%	9.67%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	17.34%	14.33%	12.81%	43.98%
Long-term Liabilities	49.04%	41.47%	37.08%	52.16%
Total Liabilities	66.38%	55.81%	49.90%	96.15%
Net Worth	33.62%	44.19%	50.10%	3.85%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	60.11%	60.37%	60.63%	31.76%
Selling, General & Administrative Expenses	40.82%	41.05%	41.07%	11.41%
Advertising Expenses	0.00%	0.00%	0.00%	0.81%
Profit Before Interest and Taxes	4.60%	9.35%	7.21%	3.19%

Main Ratios				
Current	4.79	6.13	7.12	1.85
Quick	4.79	6.13	7.12	1.17
Total Debt to Total Assets	66.38%	55.81%	49.90%	96.15%
Pre-tax Return on Net Worth	26.62%	50.94%	30.19%	405.20%
Pre-tax Return on Assets	8.95%	22.51%	15.13%	15.62%
Additional Ratios				
	Year 1	Year 2	Year 3	
Net Profit Margin	2.24%	5.71%	4.22%	n.a
Return on Equity	18.63%	35.66%	21.13%	n.a
Activity Ratios				
Accounts Payable Turnover	10.17	12.17	12.17	n.a
Payment Days	27	30	30	n.a
Total Asset Turnover	2.80	2.76	2.51	n.a
Debt Ratios				
Debt to Net Worth	1.97	1.26	1.00	100.00%
Current Liab. to Liab.	0.26	0.26	0.26	n.a
Liquidity Ratios				
Net Working Capital	\$120,595	\$159,681	\$190,266	n.a
Interest Coverage	3.28	7.79	6.10	n.a

Additional Ratios				
Assets to Sales	0.36	0.36	0.40	n.a
Current Debt/Total Assets	17%	14%	13%	n.a
Acid Test	4.79	6.13	7.12	n.a
Sales/Net Worth	8.32	6.25	5.01	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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