How to Start a Fitness Center Business

By the BizMove.com Team

Other Free Books and Tools from BizMove.com That May Interest You:

Table of Contents

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, scare skills, energy, material, equipment, processes, technology, or personnel)?

2. Are capital requirements for entry or continuing operations excessive?

3. Is adequate financing hard to obtain?

4. Are there potential detrimental environmental effects?

5. Are there factors that prevent effective marketing?

C. Desired Income

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

1. How much income do you desire?

____

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

____

3. What minimum income do you require?

____

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

____

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

____

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

____

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

____

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

D. Preliminary Income Statement

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

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

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

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

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

____

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

____

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

____

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

____

5. What are the average expenses as a percentage of sales?

____

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

____

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

____

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

____

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?

Go to Top

2. Starting Your Business Step by Step

A. Things to Consider Before You Start

This guide will walk you step by step through all the essential phases of starting a successful service business. To profit in a service based business, you need to consider the following questions: What business am I in? What services do I provide? 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 firm? How will I get the work done? What management controls are needed? How can they be carried out? When should I revise my plan? And many more.

No one can answer such questions for you. As the owner-manager you have to answer them and draw up your business plan. The pages of this guide are a combination of text and workspaces so you can write in the information you gather in developing your business plan - a logical progression from a commonsense starting point to a commonsense ending point.

It takes time and energy and patience to draw up a satisfactory business plan. Use this Guide to get your ideas and the supporting facts down on paper. And, above all, make changes in your plan on these pages as that plan unfolds and you see the need for changes.

Bear in mind that anything you leave out of the picture will create an additional cost, or drain on your money, when it crops up later on. If you leave out or ignore enough items, your business is headed for disaster.

Keep in mind too, that your final goal is to put your plan into action. More will be said about this near the end of this Guide.

What's in this for Me?

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 drawn up a plan, you are right in wanting to hear about the possible benefits before you do your work.

A business plan offers at least four benefits. You may find others as you make and use such a plan. The four are:

(1) The first, and most important, benefit is that a plan gives you a path to follow. A plan makes the future what you want it to be. A plan with goals and action steps allows you to guide your business through turbulent economic seas and into harbors of your choice. The alternative is drifting into "any old port in a storm."

(2) A plan makes it easy to let your banker in on the action. By reading, or hearing, the details of your plan he will have real insight into your situation if he is to lend you money.

(3) A plan can be a communications tool when you need to orient sales personnel, suppliers, and others about your operations and goals.

(4) A plan can help you develop as a manager. It can give you practice in thinking about competitive conditions, promotional opportunities, and situation that seem to be advantageous to your business. Such practice over a period of time can help increase an owner-manager's ability to make judgments.

Why am I in Business?

Many enterprising people are drawn into starting their own business by the possibilities of making money and being their own boss. But the long hours, hard work, and responsibilities of being the boss quickly dispel and preconceived glamour.

Profit is the reward for satisfying consumer needs. But it must be worked for. Sometimes a new business might need two years before it shows a profit. So where, then, are reasons for having your own business?

Every business owner-manager will have his or her own individual reasons for being in business. For some, satisfaction come from serving their community. They take pride in serving their neighbors and giving them quality work which they stand behind. For others, their business offers them a chance to contribute to their employees' financial security.

There are as many rewards and reasons for being in business as there are business owners. Why are you in business?

____

____

____

What business am I in?

In making your business plan, the first question to consider is: What business am I really in. At the 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." But hold on. Some owner-managers go broke and others waste their saving because they are confused about the business they are in.

The changeover of barbershops from cutting hair to styling hair is one example of thinking about what business you're really in.

Consider this example, also. Joe Riley had a small radio and TV store. He thought of his business as a retail store though he also serviced and repaired anything he sold. As his suburb grew, appliance stores emerged and cut heavily into his sales. However, there was an increased call for quality repair work.

When Mr. Riley considered his situation, he decided that he was in the repair business. As a result of thinking about what business he was really in, he profitably built up his repair business and has a contract to take care of the servicing and repair business for one of the appliance stores.

Decide what business you are in and write your answer in the following spaces. To help you decide, think of the answers to questions such as: What inventory of parts and materials must you keep on hand? What services do you offer? What services do people ask for that you do not offer? What is it you are trying to do better, more of, or differently from your competitors?

____

How to Plan Your Marketing

When you have decided what business you're in, you have made your first marketing decision. Now you are ready for other important considerations.

Successful marketing starts with the owner-manager. You have to know your service and the needs of your customers.

The narrative and work blocks that follow are designed to help you work out a marketing plan for your firm. The blocks are divided into three sections:

Section One - Determining the Sales Potential

Section Two - Attracting Customers

Section Three - Selling to Customers

Section One - Determining the Sales Potential

In the service business, your sales potential will depend on the area you serve. That is, how many customers in this area will need your services? Will your customers be industrial, commercial, consumer, or all of these?

When picking a site to locate your business, consider the nature of your service. If you pick up and deliver, you will want a site where the travel time will be low and you may later install a radio dispatch system. Or, if the customer must come to your place of business, the site must be conveniently located and easy to find.

You must pick the site that offers the best possibilities of being profitable. The following questions will help you think through this problem.

In selecting an area to serve, consider the following:

Population and its growth potential

Income, age, occupation of population

Number of competitive services in and around your proposed location

Local ordinances and zoning regulations

Type of trading area (commercial, industrial, residential, seasonal)

For additional help in choosing an area, you might try the local chamber of commerce and the manufacturer and distributor of any equipment and supplies you will be using.

You will want to consider the next list of questions in picking the specific site for your business:

Will the customer come to your place of business?

How much space do you need?

Will you want to expand later on?

Do you need any special features required in lighting, heating, ventilation?

Is parking available?

Is public transportation available?

Is the location conducive to drop-in customers?

Will you pick up and deliver?

Will travel time be excessive?

Will you prorate travel time to service call?

Would a location close to an expressway or main artery cut down on travel time?

If you choose a remote location, will savings in rent off-set the inconvenience?

If you choose a remote location, will you have to pay as much as you save in rent for advertising to make your service known?

If you choose a remote location, will the customer be able to readily locate your business?

Will the supply of labor be adequate and the necessary skills available?

What are the zoning regulations of the area?

Will there be adequate fire and police protection?

Will crime insurance be needed and be available at a reasonable rate?

I plan to locate in ___________ because:

____

____

____

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?

Write your opinion of the area's economic base and your reason for that opinion here.:

____

____

Will you build? ________ What are the terms of the loan or mortgage?

____

____

Will you rent? _________ What are the terms of the lease?

____

____

Is the building attractive? _________ In good repair? _________

Will it need remodeling? __________ Cost of remodeling? __________

What services does the landlord provide?

____

____

What is the competition in the area you have picked?

The number of firms that handle my service _________

Does the area appear to be saturated? _________

How many of these firms look prosperous? _________

Do they have any apparent advantages over you? _________

How many look as though they're barely getting by? _________

How many similar services went out of business in the area last year? _________

Can you find out why they failed? _________

How many new services opened up in the last year? _________

How much do your competitors charge for your service? _________

Which firm or firms in the area will be your biggest competition? _________

List the reasons for your opinion here:

____

____

Section Two - Attracting Customers

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

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

Image

Whether you like it or not, your service business is going to have an image. The way people think of your firm will be influenced by the way you conduct your business. If people come to your place of business for your service, the cleanliness of the floors, the manner in which they are treated, and the quality of your work will help form your image. If you take your service to the customer, the conduct of your employees will influence your image. Pleasant, prompt, courteous service before and after the sale will help make satisfied customers your best form of advertising.

Thus, you can control your image, Whatever image you seek to develop. It should be concrete enough to promote in your advertising. For example, "service with a smile" is an often used image.

Write out what image you want customers to have of your business.

____

____

Pricing

In setting prices for your service, there are four main elements you must consider:

(1) Materials and supplies

(2) Labor and operating expenses

(3) Planned profit

(4) Competition

Further along in this Guide you will have the opportunity to figure out the specifics of materials, supplies, labor, and operating expenses. From there you may want the assistance of your accountant in developing a price structure that will not only be fair to the customer, but also fair to yourself. This means that not only must you cover all expenses but also allow enough margin to pay yourself a salary.

One other thing to consider. Will you offer credit? __________ Most businesses use a credit card system. These credit costs have to come from somewhere. Plan for them. If you use a credit card system, what will it cost you? __________

Can you add to your prices to absorb this cost?

Some trade association have a schedule for service charges. It would be a good idea to check with the trade association for your line of business. Their figures will make a good yardstick to make sure your prices are competitive.

And, of course, your prices must be competitive. You've already found out your competitors' prices. Keep these in mind when you are working with your accountant. If you will not be able to make an adequate return, now is the time to find out.

Customer Service Policies

Customers expect certain services or conveniences, for example, parking. These services may be free to the customer, but not to you. If you do provide parking, you either pay for your own lot or pick up your part of the cost of a lot which you share with other businesses. Since these conveniences will be an expense, plan for them.

List the services that your competitors provide to customers:

____

____

____

Now list the services that you will provide your customers:

Service / Estimated Cost

_______________ _______________

_______________ _______________

_______________ _______________

_______________ _______________

Planning Your Advertising Activities

In this section on attracting customers, advertising was saved until last because you have to have something to say before advertising can be effective. When you have an image, price range, and customers services, you are ready to tell prospective customers why they should use your services.

When the money you can spend on advertising is limited it is vital that your advertising be on target. Before you can think about how much money you can afford for advertising, take time to determine what jobs you want advertising to do for your business. The work blanks that follow should be helpful to your thinking.

The strong points about my service business are:

____

My service business is different from my competition in the following ways:

____

My advertising should tell customers and prospective customers the following facts about my business and services:

____

When you have these facts in mind, you now need to determine who you are going to tell it to. Your advertising needs to be aimed at a target audience - those people who are most likely to use your services. In the space
below, describe your customers in terms of age, sex, occupation, and whatever else is necessary depending on the nature of your business. This is your customer profile of "male and female automobile owners, 18 years old and above." Thus, for this repair business, anyone over 18 who owns a car is likely to need its service.

The customer profile for my business is

____

Now you are ready to think about the form your advertising should take and its cost. You are looking for the most effective means to tell your story to those most likely to use your service. Ask the local media (newspapers, radio and television, and the printers of direct mail pieces) for information about the services and the 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. As one consultant describes this pitfall: It is amazing the way many managers consider themselves experts on advertising copy and media selection without any experience in these areas.

The following blanks should 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	Estimated Cost
________	________	________	________	________
________	________	________	________	________
________	________	________	________	________
________	________	________	________	________
			Total	________

When you have a figure on what your advertising for the next 12 months will cost, check it against one of the operating ratios (expenses as a percentage of sales) which trade associations and other organizations gather. If your estimated cost for advertising is substantially higher than this average for your line of service, 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 comes down to: How much can I afford to spend and still do the job that needs to be done?

Section Three - Selling to Customers

To complete your work on marketing, you need to think about what you want to happen after you get a customer. Your goal is to provide your service, satisfy customers, and put money into the cash register.

One-time customers can't do the job. You need repeat customers to build a profitable annual sales volume. When someone returns for your service, it is probably because he was satisfied by his previous experience. Satisfied customers are the best form of advertising.

If you previously decided to work only for cash, take a hard look at your decision. Americans like to buy on credit. Often a credit card, or other system of credit and collections, is needed to attract and hold customers.

Based on this description and the dollar amount of business you indicated that you intend to do this year, fill in the following workblocks.

Fixtures and Equipment

No matter whether or not customers will come to your place of business, there will be certain equipment and furniture you will need in your place of business which will allow you to perform your service.

Parts and Material

You will probably need some kind of parts or material to provide your service.

I plan to buy parts and material from:

____

Before you make any supply arrangements, examine the supplier's obsolescence policy. This can be a vital factor in service parts purchasing. You also look at the supplier's warranty policy.

Now that you have determined the parts and materials you'll need. you should think about the type of stock control system you'll use. A 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, (3) what has been used. (Some trade associations and suppliers provide systems to members and customers.)

When you have decided on a system for stock control, estimate its cost. My system for stock control will cost me __________ for the first year.

Overhead

List the overhead items which will be needed. Examples are: rent, utilities, office help, insurance, interest, telephone, postage, accountant, payroll taxes, and licenses or other local taxes. If you plan to hire others to help you manage, their salaries should be listed as overhead.

____

Getting the Work Done

An important step in setting up your business is to find and hire capable employees. Then you must train them to work together to get the job done. Obviously, organization is needed if your business is to produce what you expect it to produce, namely profits.

Organization is essential because you as the owner-manager cannot do all the work. As your organization grows, you have to delegate work, responsibility and authority. A helpful tool in getting this done is the organization chart. It shows at a glance who is responsible for the major activities of a business.

As an additional aid in determining both what needs to be done and who will do it, list each activity that is involved in your business. Next to the activity indicate who will do it. You may do this by name or some other designation such as "worker #1", Remember that a name may appear more than once.

Activity / Name

_____________ _______________

_____________ _______________

_____________ _______________

_____________ _______________

_____________ _______________

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 investment, the major source of money is the sale of your services. What dollar volume of business do you expect to do in the next 12 months? __________

Expenses

In connection with your annual dollar volume of business, you need to think about expenses. If, for example you plan to do 100,000 in business, what will it cost you to do this amount of servicing? And even more important, what will be left over as profit at the end of the year? Never lose sight of the fact that profit is your pay. Even if you pay yourself a salary for living expenses, your business must make a profit if it is to continue year after year and pay back the money you invested in it.

The following workblock is designed to help you make a quick estimate of your expenses. To use this formula, you need to get only one figure - the cost of sales figure for your line of business. If you don't have this operating ratio, check with your trade association.

	Expressed in percentage	Expressed in dollars	your percentage	your dollars
1. Sales	100	100,000	100	$ __________
2. Cost of sales	-61.7	-61,700	________	-$ __________
3. Gross margin	38.3	38,300	________	$ ___________

Start-Up Costs

If you are starting a new business, list the following estimated start-up costs:

Fixtures and equipment	__________
Starting inventory	__________
Office supplies	__________
Decorating and remodeling	__________
Installation of equipment	__________
Deposits for utilities	__________
Legal and professional fees	__________
Licenses and permits	__________
Advertising for the opening	__________
Operating cash	__________
Owner's withdraw during prep-start-up time	__________
Total	__________

Whether you have the funds (savings) or borrow them, your new business will have to pay back these start-up costs. Keep this fact in mind as you work on the "Expenses" section, and on other financial aspects of your plan.

Break Down Your Expenses

Your quick estimate of expenses provides a starting point. The next step is to break down your expenses so they can be handled over the 12 months. Use an "Expenses Worksheet" form to make up an expense budget.

Matching Money and Expenses

A budget helps you to see the dollar amount of your expenses each month. Then from month to month the question is: Will sales bring in enough money to pay the firm's bills on time? The answer is "maybe not" or "I hope so" unless the owner-manager prepares for the "peaks and valleys" that are in many service operations.

A cash forecast is a management tool which can eliminate much of the anxiety that can plague you if your business goes through lean months. Use a worksheet, "Estimated Cash Forecast", or ask your accountant to use it to estimate the amounts of cash you expect to flow through your business during the next 12 months.

Is Additional Money needed?

Suppose at this point you have determined that your business plan needs more money than can be generated by sales. What do you do?

What you do depends on the situation. For example, the need may be for bank credit to tide your business over during the lean months. This loan can be repaid during the fat sales months when expenses are far less than sales. Adequate working capital is necessary for success and survival.

Whether an owner-manager seeks to borrow money for only a month or so or on a long-term basis, the lender needs to know whether the store's financial position is strong or weak. Your lender will ask to see a current balance sheet.

Even if you don't need to borrow, use it, to draw the "picture" of your firm's financial condition. Moreover, if you don't need to borrow money, you may want to show your plan to the bank that handles your store's checking account. It is never too early to build good relations with your banker, to show that you are a manager who knows where you want to go rather than a store owner who hopes to make a success.

Control and Feedback

To make your plan work you will need feedback. For example, the year-end profit and loss statement shows whether your business made a profit or loss for the past 12 months.

But you can't wait 12 months for the score. To keep your plan on target you need readings at frequent intervals. A profit and loss statement at the end of each month or at the end of each quarter is one type of frequent feedback. However, the income statement or profit and loss statement (P and L) may be more of a loss than a profit statement if you rely only on it. You must set up management controls which will help you to insure that the right things are being done from day to day and from week to week. In a new business, the record-keeping system should be set up before your business opens. After you're in business is too late. For one thing, you may be too busy to give a record-keeping system the proper attention.

The control system which you set up should give you information about: stock, sales, and disbursement. The simpler the system, the better. Its purpose is to give you current information. You are after facts with emphasis on trouble spots. Outside advisers, such as an accountant, can be helpful.

Stock Control

The purpose of controlling parts and materials inventory is to provide maximum service to your customers and to see that parts and materials are not lost through pilferage, shrinkage, errors, or waste. Your aim should be to achieve a high turnover on your inventory. The fewer dollars you tie up in inventory, the better.

In a business, inventory control helps the owner-manager to offer customers efficient service. The 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 used.

In setting up inventory controls, keep in mind that the cost of the inventory is not your only cost. You will also have costs such as the cost of purchasing, the cost of keeping control records, and the cost of receiving and storing your inventory.

Sales

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

Disbursements

Your manager controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to know what major items, such as paying bills on time to get the supplier's discount, are being handled according to your policies. Your review system will also give you the opportunity to make judgments on the use of 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 moneys such as payroll income tax deductions, are set aside and paid out at the proper time.

Break-Even Analysis

Break-even analysis is a management control device because the break-even point shows how much you must sell under given conditions in order to just cover your costs with No profit and No loss.

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 factors will do to your profits. To figure a break-even point, fixed costs, such as rent, must be separated from variable costs, such as the cost of sales and the other items listed under "controllable expenses" on the expense worksheet, of this Guide.

The formula is:

Break-even point (in sales dollars) =

$$\frac{\text{Total fixed costs}}{1 - \dfrac{\text{Total variable costs}}{\text{Corresponding sales volume}}}$$

An example of the formula is: Bill Jackson plans to open a laundry. He estimates his fixed expenses at about $9,000, the first year. He estimates his variable expenses at about $700 for every $1,000 of sales.

$$\text{BE point} = \frac{\$9{,}000}{1 - \dfrac{700}{1{,}000}} = \frac{\$9{,}000}{1 - .70} = \frac{\$9{,}000}{30} = \$30{,}000$$

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 6 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 one year. If any of your cost items are too high or too low, change them. You can write your changes in the white spaces above or below your original entries on that worksheet. When you finish making your adjustments, you will have a Revised projected statement of sales and expenses for 12 months.

With your revised figures work out a revised break-even point. Whether the new break-even point looks good or bad, take one or more precaution. Show your plan to someone who has not been involved in working out the details.

Your banker, or other advisor outside of your business may see weaknesses that failed to appear as you pored over the details of your plan. They may put a finger on strong points which your plan should emphasize.

Put Your Plan into Action

When your plan is as near on target 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 pleasant dream that evaporates over the breakfast coffee.

A successful owner-manager does not stop after he has gathered information and drawn up a plan, as you have done in working through this Guide. He begins to use his 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. For example, if your business plan calls for an increase in sales, one action to be done will be providing 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 by arranging liberal commercial credit terms.

If you are starting a new business, one action step may be to get a loan for fixtures, employee salaries, and other expenses. Another action step will be to find and hire capable employees.

In the spaces that follow, list 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 do the following:

Action / Completion Date

____________ ____________

____________ ____________

____________ ____________

____________ ____________

____________ ____________

Keeping Your Plan Up To Date

Once you put your plan into action, look out for changes. They can cripple the best made business plan if the owner-manager lets them.

Stay on top of changing conditions and adjust your business plan accordingly.

Sometimes the change is made within your company. For example, several of your employees quit their jobs. Sometimes the change is with customers: for example, their desires and tastes shift. Sometimes the change is technological as when raw materials are put on the market introducing the need for new processes and procedures.

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

(1) Be alert to the changes that come in your company, line of business, market, and customers.

(2) Check your plan against these changes.

(3) Determine what revisions, if any, are needed in your plan.

The method you use to keep your plan current so that your business can weather the forces of the market place is up to you. Read the trade papers and magazines for your line of business.

Another suggestion concerns your time. Set some time - two hours, three hours, whatever is necessary-to review your plan periodically. Once each month, or every other month, go over your plan to see whether it needs adjusting. If revisions are needed, make them and put them into action.

Go to Top

3. Complete Fitness Center Business Plan Template

Table of Contents

1.0 Executive Summary

COMPANY NAME

Owner: INSERT NAME

INSERT ADDRESS

Phone:

Email:

Introduction: At COMPANY NAME, our goal is to assist you in reaching your fitness and nutritional goals. Our job is to provide safe and effective exercises that will enable you to lose those unwanted pounds, gain muscle tone and simply improve your overall appearance and health.

Location: COMPANY NAME is conveniently located downtown in London, KY.

The Company: The focus of the COMPANY NAME is to keep the whole family involved in the club by exposing everyone to the variety of activities and services the club offers. In addition, there is a childcare center that will keep members' children happy and entertained while members take part in any of the center's activities and services.

Our Services: COMPANY NAME offers wellness and fitness programs as well as the following.

- Brand new Precor Treadmills and Elliptical
- Full line of York rubberized dumbbells up to 50 lbs.
- 3-way free weight bench with rack for flat, incline and decline press
- Highly educated and experienced Wellness Coaches who can assist you in reaching your fitness and nutritional goals
- Over 30 fun, energetic and creative group fitness classes a week for you to choose from
- Fit Kids program
- Nutrition and Cooking classes
- Fitness center with cardiovascular and weight training equipment.

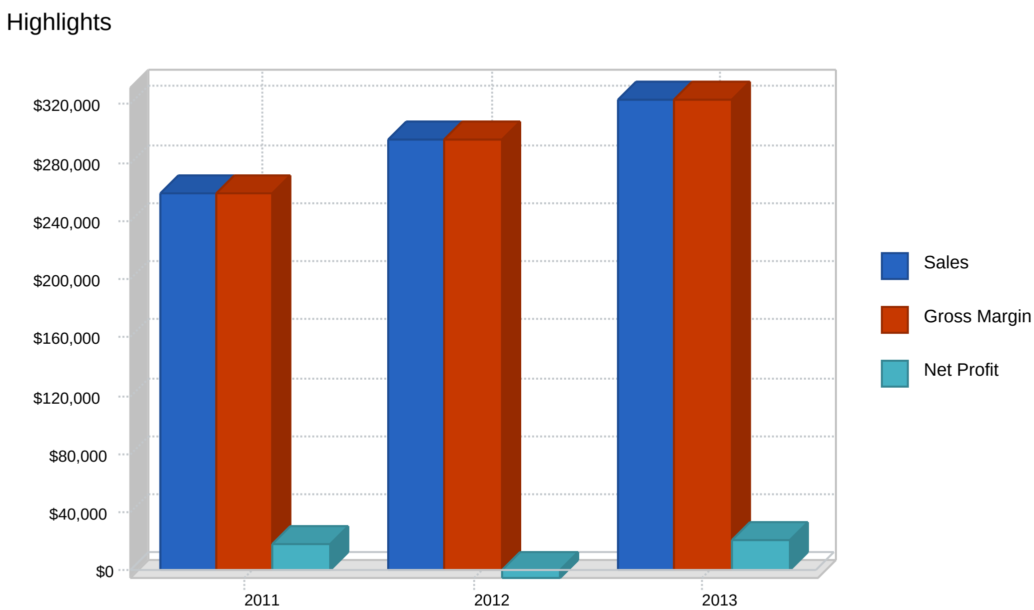
The Market: Even in the midst of the economic downturn, the industry has maintained steady growth, with membership rates growing consistently and profits remaining solid. Demand for gyms and health and fitness clubs will continue to rise over the next five years, as the general public becomes more health conscious and the aging population places a greater value on staying fit. Additionally, the amount of leisure time and growth in household incomes will positively affect businesses, leading operators to expand into larger facilities.

Financial Considerations: COMPANY NAME envisions for the business is to not only to offer a fitness and gymnastics center, but to incorporate other realms of wellness in to the business model. The Company will purchase a building to have room to offer a complete medically integrated facility that offers a physical therapy and a massage therapy center, a structured obesity program, and much more. A complete wellness group with medically integrated programs would be completely overseen by doctors. The grant of $350,000 would help purchase a building and allow the capability to set this plan in motion.

The major focus for grant funding is as follows:

- Hire new employees
- Implement Wellness and Nutritional Program
- Community involvement for obesity and diabetes in youth
- Increase building capacity
- Add new products to our existing business

Chart: Highlights



1.1 Objectives

The company's objective is to build a quality, full-service facility that will command the approval of the local community which it serves.

1. Our goals include:
2. A 10% market share in are local market.
3. An increase our gross margins.
4. Maintain and grow our position as one of the only clubs in the London, KY area that caters to families.

1.2 Mission

COMPANY NAME our goal is to assist you in reaching your fitness and nutritional goals. Our job is to provide safe and effective exercises that will enable you to lose those unwanted pounds, gain muscle tone and simply improve your overall appearance and health. Your job is to commit to making exercise and good nutrition a priority in order to achieve success. By working together on changing the way you think and feel about fitness and nutrition, we can help you not only transform your body, but also transform your life!

1.3 Keys to Success

Keys to success for the company will include:

1. Maintaining a reputable and untarnished reputation in the community.
2. Quality service.
3. Competitive pricing.
4. Flexible hours.

2.0 Company Summary

The focus of the COMPANY NAME is to keep the whole family involved in the club by exposing everyone to the variety of activities and services the club offers. In addition, there is a childcare center that will keep members' children happy and entertained while members take part in any of the center's activities and services. COMPANY NAME is conveniently located downtown in London, KY. COMPANY NAME was created in 2008 and has continued strong since inception.

Upon receipt of the grant funds in the amount of $350,000 COMPANY NAME would proceed with plans to buy a building to have room to offer a complete medically integrated facility that offers a physical therapy and a massage therapy center, a structured obesity program.

Our Services and guarantee:

- 100% Satisfaction Guaranteed
- The Customer's Satisfaction is Our #1 Concern
- Committed to Quality and Service

2.1 Company Ownership

COMPANY NAME is a sole proprietor, which was created in 2008 and fully operational in 2009. INSERT NAME is 100% owner and manager and will manage the daily operation.

2.2 Company History

COMPANY NAME was created under the ownership of INSERT NAME in October of 2008 INSERT NAME remains 100% sole owner. INSERT NAME has spent years dedicating her life to wellbeing and fitness. In 2008 she took her ideas of creating a fitness center that can help create a lifestyle for others that are looking to have healthier lives. The goal is to exceed our customers' expectations with quality, value and professional service.

The 2010 Profit and Loss Statement is estimated based on the actual activity through October 30, 2010. As the Company is a sole proprietorship, the Balance Sheet for year end 2010 is estimated based on average balances at the end of each month for cash, amount of inventory in stock, accounts payable and fixed assets which are fully depreciated.

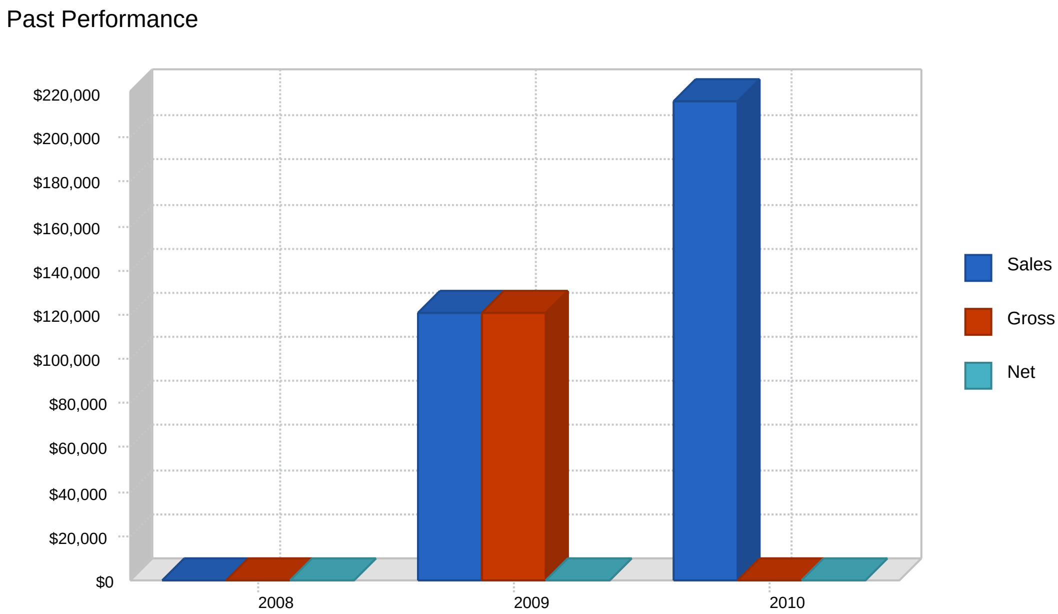
The Company's growth will come from its strength's; 100% customer guarantee, commitment to quality and service, design and arrangement capabilities, experience and a loyal satisfied customer base.

Table: Past Performance

Past Performance		
	2009	2010
Sales	$120,882	$216,000
Gross Margin	$120,882	$216,000
Gross Margin %	100.00%	100.00%
Operating Expenses	$148,466	$165,000
	2009	**2010**
Current Assets		
Cash	$50,000	$20,000
Other Current Assets	$25,000	$10,000
Total Current Assets	$75,000	$30,000
Long-term Assets		
Long-term Assets	$35,000	$28,000
Accumulated Depreciation	$17,000	$17,000
Total Long-term Assets	$18,000	$11,000
Total Assets	$93,000	$41,000

Current Liabilities		
Accounts Payable	$0	$0
Current Borrowing	$0	$0
Other Current Liabilities (interest free)	$0	$0
Total Current Liabilities	$0	$0
Long-term Liabilities	$120,000	$117,000
Total Liabilities	$120,000	$117,000
Paid-in Capital	$0	$0
Retained Earnings	($27,000)	($76,000)
Earnings	$0	$0
Total Capital	($27,000)	($76,000)
Total Capital and Liabilities	$93,000	$41,000
Other Inputs		
Payment Days	0	0

Chart: Past Performance



3.0 Services

The Fitness Center has the following activities and services:

- Brand new Precor Treadmills and Elliptical
- Full line of York rubberized dumbbells up to 50 lbs.
- 3-way free weight bench with rack for flat, incline and decline press
- Highly educated and experienced Wellness Coaches who can assist you in reaching your fitness and nutritional goals
- Over 30 fun, energetic and creative group fitness classes a week for you to choose from
- Fit Kids program
- Nutrition and Cooking classes
- Fitness center with cardiovascular and weight training equipment.

4.0 Market Analysis Summary

Even in the midst of the economic downturn, the industry has maintained steady growth, with membership rates growing consistently and profits remaining solid. Demand for gyms and health and fitness clubs will continue to rise over the next five years, as the general public becomes more health conscious and the aging population places a greater value on staying fit. Additionally, the amount of leisure time and growth in household incomes will positively affect businesses, leading operators to expand into larger facilities.

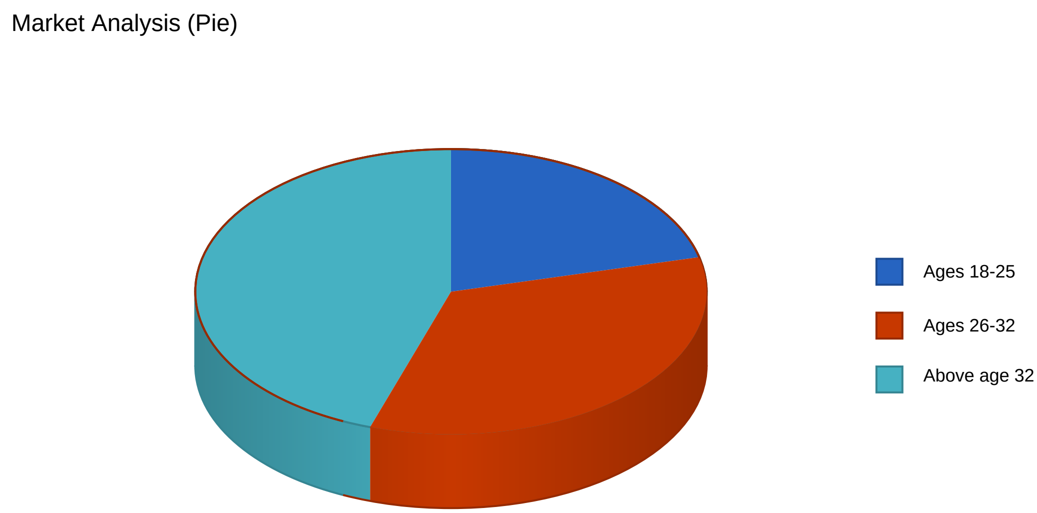
4.1 Market Segmentation

The primary targeted market consists of three main groups. These categories are: 18 to 25 year old, 26 to 32 and 33 and older. To better understand the size and break down of the local population refer to total population break down chart in topic 6.0. Refer to the following chart as a percentage view.

Table: Market Analysis

Market Analysis							
		2011	2012	2013	2014	2015	
Potential Customers	Growth						CAGR
Ages 18-25	6%	387,459	410,707	435,349	461,470	489,158	6.00%
Ages 26-32	5%	625,123	656,379	689,198	723,658	759,841	5.00%
Above age 32	4%	825,650	858,676	893,023	928,744	965,894	4.00%
Total	4.77%	1,838,232	1,925,762	2,017,570	2,113,872	2,214,893	4.77%

Chart: Market Analysis (Pie)



4.2 Target Market Segment Strategy

As indicated by the previous table and Illustration, we must focus on a few thousand well-chosen potential customers in the local community.

4.3 Service Business Analysis

The profile for fitness centers consists of the following geographic, demographic, and behavior factors:

Geographic's

- The immediate geographic target is the city of Seattle.
- A 35 mile radius is in need of the services.
- The total targeted population is 15,800 employees.

Demographic

- 51%:49% male: female.
- The individual income range is $38,000-$75,000.
- 67% of the customers are single, 33% are married.
- For the manufacturing customers, 43% have some undergraduate course work.
- For the corporate customers, 83% have some undergraduate coursework, 16% have undertaken graduate coursework.

Behavior Factors

- Recognize the need to have physical activity in their lives.
- Have incorporated some sort of exercise program in their daily/ weekly routine for the last several years.
- Are willing to utilize fringe benefits that are offered by their employer as part of their compensation package.

4.3.1 Competition and Buying Patterns

Exercising and "working out" has become a more mainstream activity in American's lives over the last decade. Five to ten years ago there were widespread reports about an impeding health crisis, obesity. Americans, relative to their Western European counterparts have higher incidents of obesity. To a large degree, this is correlated to American's unhealthy diet of fast food, and generally poor food choices, especially fried foods. The poor diet is not the only factor however. Americans were fairly inactive, with only 19% of people age 20-40 exercising three times a week. Luckily, that has changed over the last 10 years. The percentage of active people has increased to 43% as of 2008.

5.0 Strategy and Implementation Summary

COMPANY NAME has clearly defined the target market and has differentiated itself by offering a solid solution to fulfilling its customers' needs. Reasonable sales targets have been established with an implementation plan designed to ensure the goals set forth below are achieved.

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.
- High customer loyalty.

5.1.2 Weaknesses

- Access to additional operating capital.
- Cash flow continues to be unpredictable.
- Owners are still climbing the "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.
- 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.
- Internet potential for selling products to other markets.

5.1.4 Threats

1. The downturn in the economy has impacted gym sales.
2. Expansion of national gyms into the local market
3. Competition from a national gym; or a store with greater financing or product resources could enter the market.
4. Continued price pressure due to competition or the weakening market reducing contribution margins.

5.2 Competitive Edge

The competitive edge of the COMPANY NAME is our focus on the family. We offer our members childcare services that are second to none. The focus on all aspects of wellness, not just hard core Training. Of course they emphasize diet and nutrition as the safest and healthiest form of weight loss. Education on stress reduction, effects of sleep deprivation, and smoking cessation.

5.3 Marketing Strategy

An overview of the marketing plan includes:

1. Analyzing the obesity population within a 50 mile radius
2. Door Hangars of Mailers with our business name and description
3. Ads launching new programs and services

5.4 Sales Strategy

Sales forecast is based on the advertisement mostly by word of mouth; occasionally they run radio ads during special times of the year. Billboard ads, radio and television advertising are to follow when we receive the additional grant funds.

5.4.1 Sales Forecast

The following is the sales forecast for the next three years. These figures are based on the additional grant funds, which will allow for more employees as well as additional marketing to bring in new clients.

Table: Sales Forecast

Sales Forecast			
	2011	2012	2013
Sales			
Membership	$97,655	$115,000	$125,000
Events	$55,972	$63,000	$70,000
Other	$104,957	$118,000	$128,000
Total Sales	$258,584	$296,000	$323,000
Direct Cost of Sales	2011	2012	2013
Membership	$0	$0	$0
Events	$0	$0	$0
Other	$0	$0	$0
Subtotal Direct Cost of Sales	$0	$0	$0

Chart: Sales Monthly

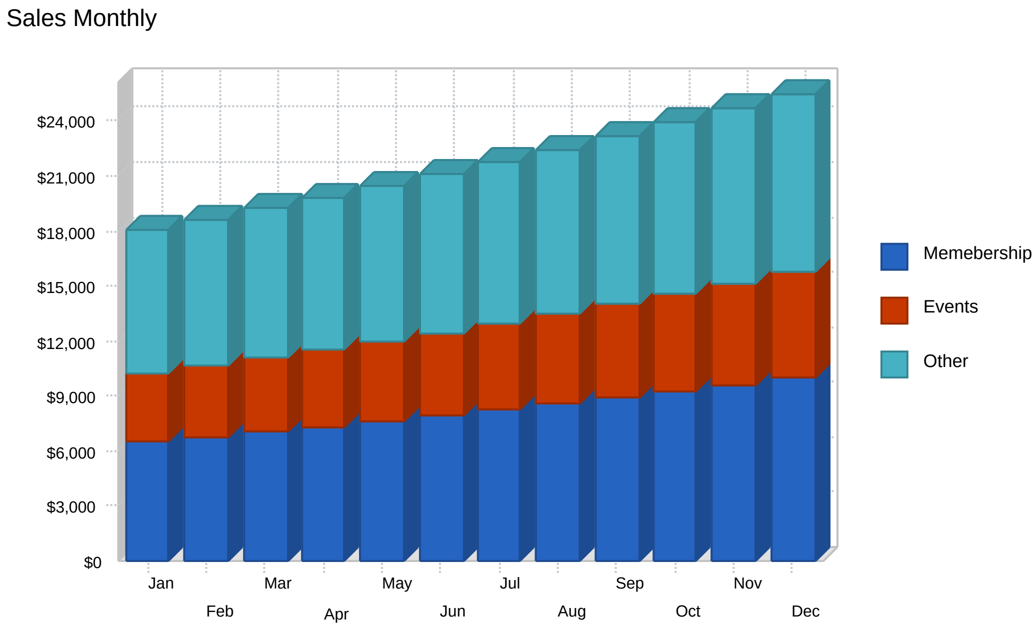
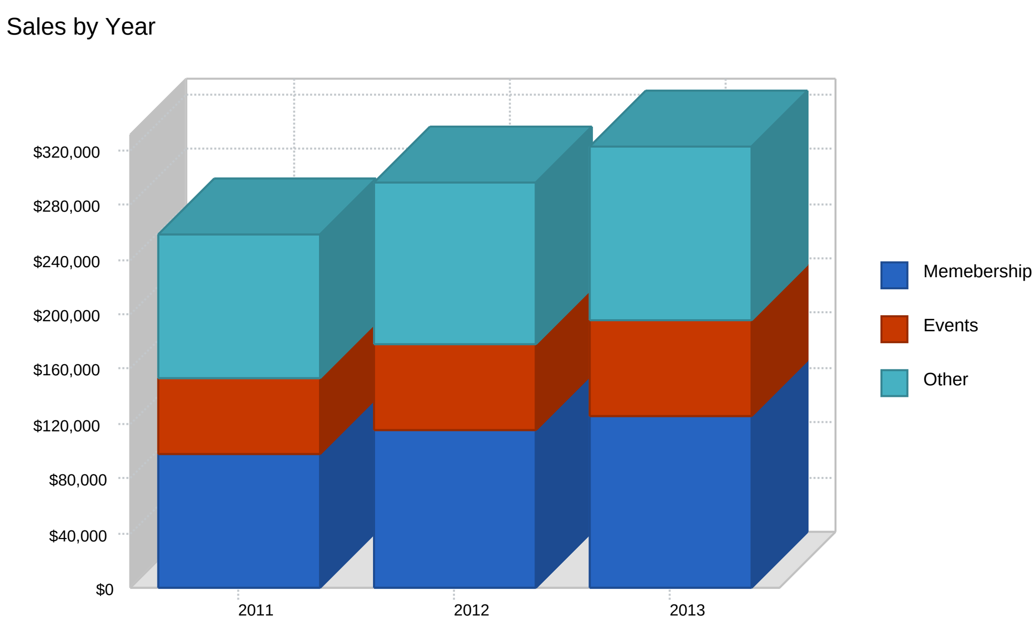


Chart: Sales by Year



5.5 Milestones

In order to achieve the growth and marketing goals that have been outlined in this business plan, the Company has the following deadlines to meet and ideas to implement. Some of these are outlined below:

- Obtain Grant Funding to expand, grow and improve the business.
- Secure additional space to facilitate our new products.
- Construction/Leasehold Improvements in the Company's location
- Purchase computers, office equipment, office furniture and fixtures
- Hire employees, the Company will look to hire minorities, veterans, disabled persons and the unemployed
- Update our website and social media
- Launch an advertising campaign
- Working Capital to support operation until cash flow profitability

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	**Department**
Building Lease Deposits	1/1/2011	1/7/2011	$6,000	Owner	**Operations**
Leasehold Improvements	1/1/2011	2/5/2011	$20,000	Owner	**Operations**
Purchase Equipment	1/1/2011	2/5/2011	$10,000	Owner	**Department**
Hire Employees	1/1/2011	12/31/2011	$75,000	Owner	**Department**
Launch Advertising Campaign	1/1/2011	12/31/2011	$20,000	Owner	**Department**
Website & Website Marketing	1/1/2011	3/31/2011	$10,000	Owner	**Department**
Working Capital	1/1/2011	12/31/2011	$209,000	Owner	**Department**

Totals	**$350,000**

6.0 Management Summary

INSERT NAME is the acting manager of the daily business operations. She has no assistant manager; however she does have someone she leaves in total control when unavailable. INSERT NAME has a long history of management in the health and wellness industry.

6.1 Personnel Plan

Currently 15 people who work at COMPANY NAME as 1099 employees. These 1099 employees work part-time as instructors for certain classes or trainers. The goal is to have full-time employees who can help make the operation of the business run smoothly. With the additional grant funds Body of Stone would like to offer medical and dental benefits to those whom are full-time employees. COMPANY NAME would like to create an Obesity Program Coordinator position, CFO Position, Wellness Program Director, Kids Fit Program Director, Group Fitness Coordinator.

Table: Personnel

Personnel Plan			
	2011	2012	2013
Salaries	$60,000	$75,000	$75,000
Account/Legal	$3,600	$4,000	$4,000
Total People	2	4	4
Total Payroll	$63,600	$79,000	$79,000

7.0 Financial Plan

The current financial plan for COMPANY NAME is to obtain grant funding in the amount of $350,000. The grant will be used to add a fitness and gymnastics center, the purchase of a building to have room to offer a complete medically integrated facility that offers a physical therapy and a massage therapy center, a structured obesity program, to upgrade the website, and the hiring of employees as well as launching an advertising campaign.

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 Important Assumptions

The table below presents the assumptions used in the financial calculations of this grant plan. COMPANY NAME is a Sole Proprietorship and is taxed accordingly, estimated tax rate.

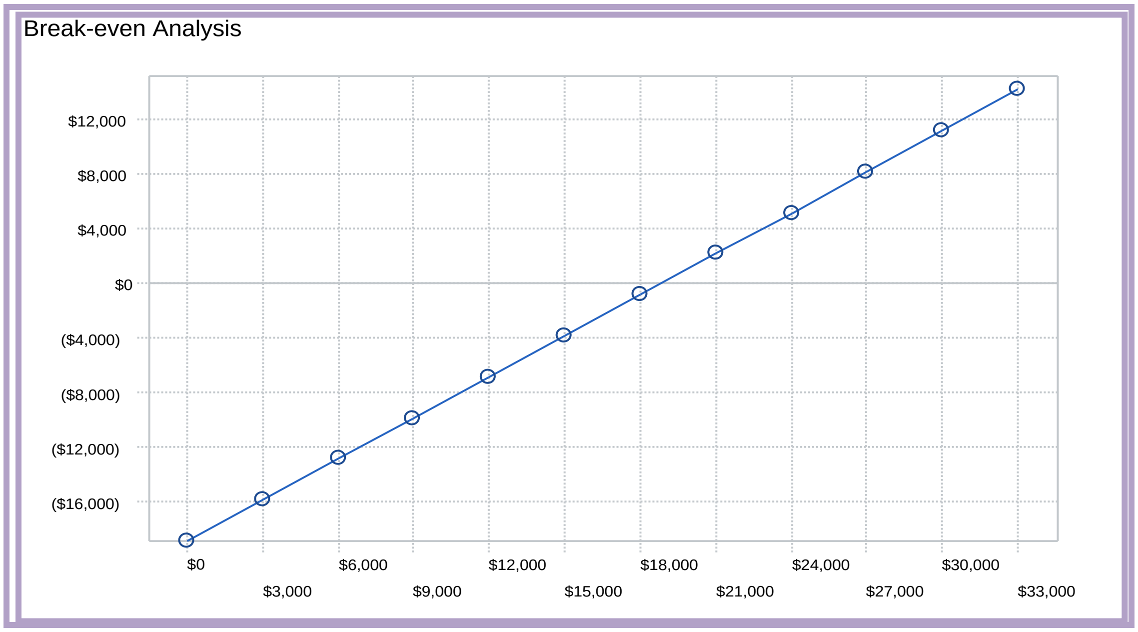
7.2 Break-even Analysis

For the Company's break-even analysis for 2011, the monthly revenue break-even is projected to be $18,845. 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	$18,845
Assumptions:	
Average Percent Variable Cost	0%
Estimated Monthly Fixed Cost	$18,845

Chart: Break-even Analysis



7.3 Projected Profit and Loss

As the Profit and Loss table shows, the company expects to continue its steady growth in profitability over the next three years of operations.

As seen in the profit and loss statement 2012 shows a significant drop in net profits, however this is caused by an increase in rent, 1099 employees, and salaries as we plan to hire more full-time employees.

The Pro Forma Profit and Loss statement was constructed based in large part on past performance over the 2010 period, the opening of a wholesale operation and investments in marketing and advertising. The sales for 2011, 2012 and 2013 are $258,584, $296,000 and $323,000, respectively. Gross margins for all three years are 100%. The Company will show a Net Loss for 2012 ($4,972) 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 a positive EBITDA of $46,850 in 2011, $21,128 in 2012 and $51,128 in 2013. The Operating expenses for this period were $226,134, $289,272 and $286,272, 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.

Table: Profit and Loss

Pro Forma Profit and Loss			
	2011	2012	2013
Sales	$258,584	$296,000	$323,000
Direct Cost of Sales	$0	$0	$0
Other Costs of Sales	$0	$0	$0
Total Cost of Sales	$0	$0	$0
Gross Margin	$258,584	$296,000	$323,000
Gross Margin %	100.00%	100.00%	100.00%
Expenses			
Payroll	$63,600	$79,000	$79,000
Marketing/Promotion	$18,000	$15,000	$10,000
Depreciation	$14,400	$14,400	$14,400
Rent	$21,480	$50,000	$50,000
Utilities	$8,160	$8,500	$8,500
Insurance	$522	$522	$522
Payroll Taxes	$9,540	$11,850	$11,850
1099 Employees	$57,192	$75,000	$75,000
Entertainment	$8,400	$10,000	$10,000
Other	$24,840	$25,000	$27,000
Total Operating Expenses	$226,134	$289,272	$286,272
Profit Before Interest and Taxes	$32,450	$6,728	$36,728

EBITDA	$46,850	$21,128	$51,128
Interest Expense	$11,700	$11,700	$11,700
Taxes Incurred	$3,112	$0	$3,754
Net Profit	$17,638	($4,972)	$21,274
Net Profit/Sales	6.82%	-1.68%	6.59%

Chart: Profit Monthly

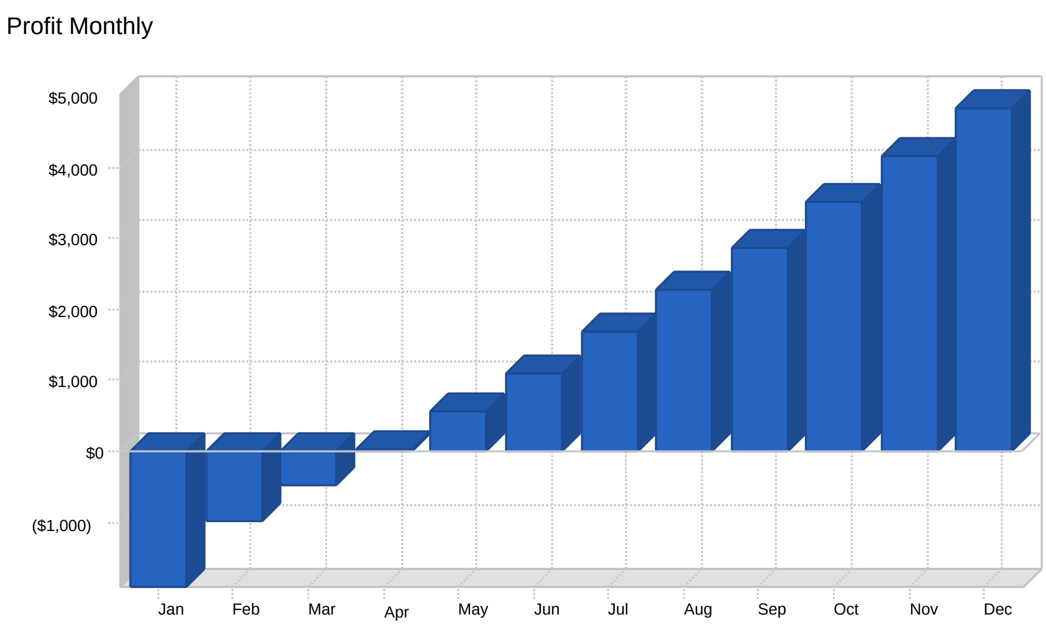


Chart: Profit Yearly

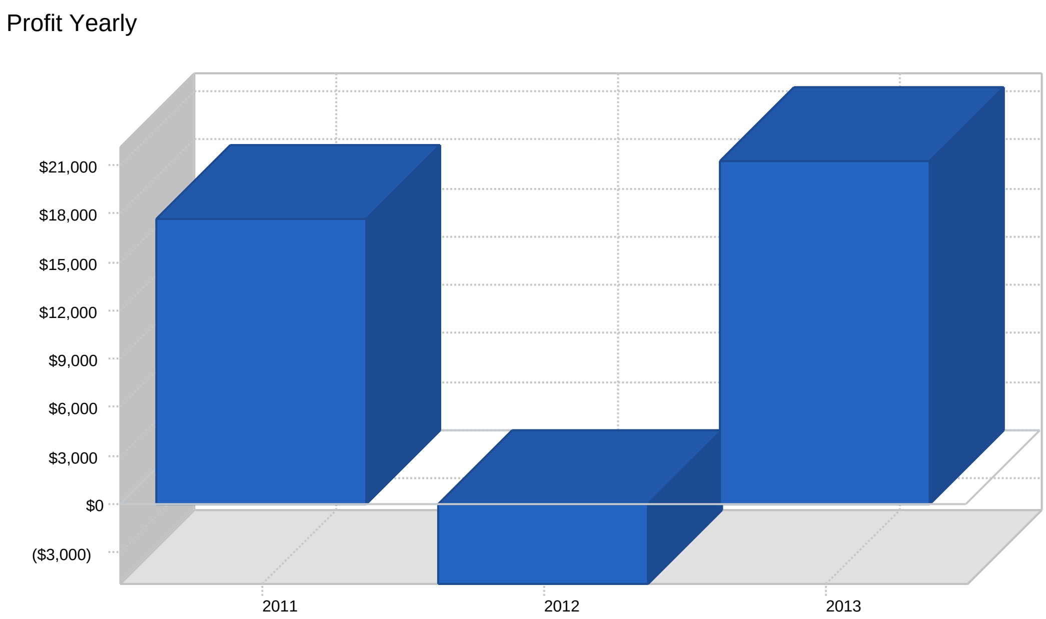


Chart: Gross Margin Monthly

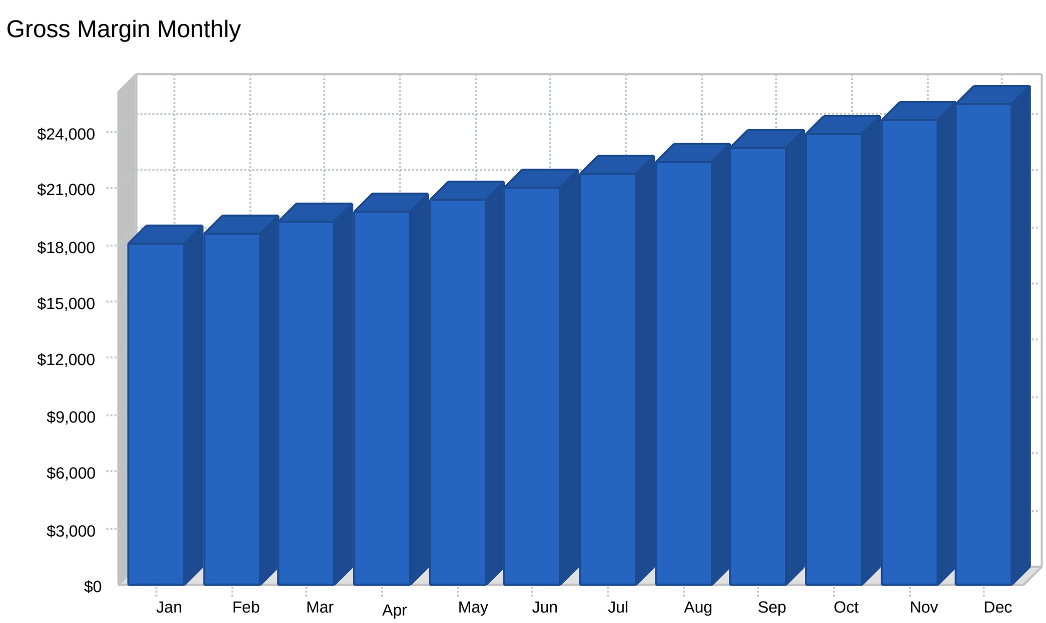
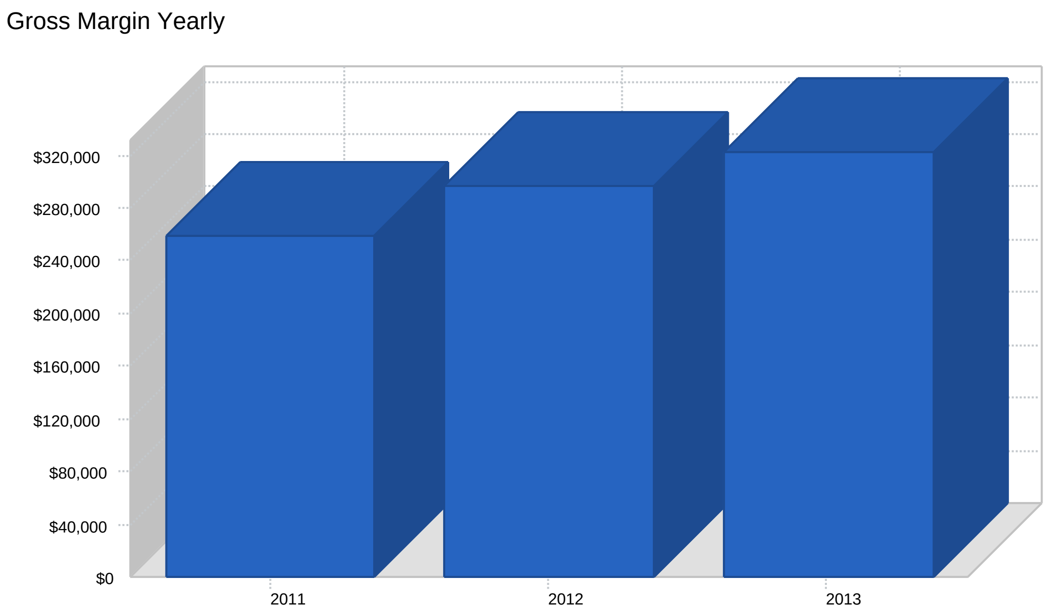


Chart: Gross Margin Yearly



7.4 Projected Cash Flow

The following table and chart highlight the projected cash flow for three years. COMPANY NAME has applied for a grant of $350,000. The Company forecast that it'll receive $350,000 in the month of January 2011.

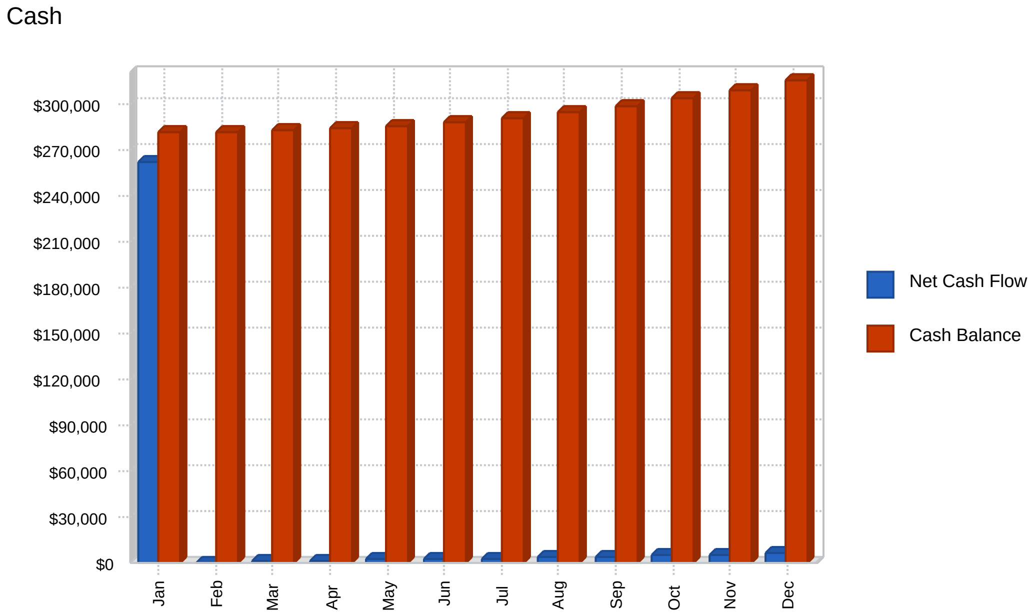
The cash flow in 2011 shows a repayment of some liabilities as well as the purchases of additional equipment. The following table displays the Company's cash flow, and the chart illustrates monthly cash flow in the first year. Monthly cash flow projections are also included in the appendix.

Table: Cash Flow

Pro Forma Cash Flow			
	2011	2012	2013
Cash Received			
Cash from Operations			
Cash Sales	$258,584	$296,000	$323,000
Subtotal Cash from Operations	$258,584	$296,000	$323,000
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	$350,000	$0	$0
Subtotal Cash Received	$608,584	$296,000	$323,000
Expenditures	2011	2012	2013

Expenditures from Operations			
Cash Spending	$63,600	$79,000	$79,000
Bill Payments	$149,287	$204,170	$208,264
Subtotal Spent on Operations	$212,887	$283,170	$287,264
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	$25,000	$0	$0
Purchase Long-term Assets	$75,000	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$312,887	$283,170	$287,264
Net Cash Flow	$295,697	$12,830	$35,736
Cash Balance	$315,697	$328,526	$364,262

Chart: Cash



7.5 Projected Balance Sheet

The balance sheet shows healthy growth of net worth, and strong financial position. The monthly estimates are included in the appendix. Body of Stone Fitness net worth is $291,637, $286,666 and $307,939 for 2011, 2012 and 2013, respectively. The Company's Total Assets at the end of 2011, 2012 and 2013 will be $422,297, $420,726 and $442,062, respectively.

Table: Balance Sheet

Pro Forma Balance Sheet			
	2011	2012	2013
Assets			
Current Assets			
Cash	$315,697	$328,526	$364,262
Other Current Assets	$35,000	$35,000	$35,000
Total Current Assets	$350,697	$363,526	$399,262

Long-term Assets			
Long-term Assets	$103,000	$103,000	$103,000
Accumulated Depreciation	$31,400	$45,800	$60,200
Total Long-term Assets	$71,600	$57,200	$42,800
Total Assets	$422,297	$420,726	$442,062

Liabilities and Capital	2011	2012	2013
Current Liabilities			
Accounts Payable	$13,659	$17,061	$17,123
Current Borrowing	$0	$0	$0
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$13,659	$17,061	$17,123
Long-term Liabilities	$117,000	$117,000	$117,000
Total Liabilities	$130,659	$134,061	$134,123
Paid-in Capital	$350,000	$350,000	$350,000
Retained Earnings	($76,000)	($58,363)	($63,335)
Earnings	$17,638	($4,972)	$21,274
Total Capital	$291,638	$286,666	$307,939

Total Liabilities and Capital	$422,297	$420,726	$442,062
Net Worth	$291,637	$286,666	$307,939

7.6 Business Ratios

The table below presents the projected business ratios from the Fitness Industry as a reference with sales between $500,000 and $999,999.

Table: Ratios

Ratio Analysis				
	2011	2012	2013	Industry Profile
Sales Growth	19.71%	14.47%	9.12%	1.14%
Percent of Total Assets				
Other Current Assets	8.29%	8.32%	7.92%	29.74%
Total Current Assets	83.05%	86.40%	90.32%	35.63%
Long-term Assets	16.95%	13.60%	9.68%	64.37%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	3.23%	4.06%	3.87%	15.31%
Long-term Liabilities	27.71%	27.81%	26.47%	45.72%
Total Liabilities	30.94%	31.86%	30.34%	61.03%
Net Worth	69.06%	68.14%	69.66%	38.97%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%

Gross Margin	100.00%	100.00%	100.00%	81.53%
Selling, General & Administrative Expenses	93.18%	101.68%	93.41%	23.64%
Advertising Expenses	6.96%	5.07%	3.10%	1.91%
Profit Before Interest and Taxes	12.55%	2.27%	11.37%	12.72%

Main Ratios				
Current	25.67	21.31	23.32	1.60
Quick	25.67	21.31	23.32	1.45
Total Debt to Total Assets	30.94%	31.86%	30.34%	61.03%
Pre-tax Return on Net Worth	7.11%	-1.73%	8.13%	42.03%
Pre-tax Return on Assets	4.91%	-1.18%	5.66%	16.38%
Additional Ratios	2011	2012	2013	
Net Profit Margin	6.82%	-1.68%	6.59%	n.a
Return on Equity	6.05%	-1.73%	6.91%	n.a
Activity Ratios				
Accounts Payable Turnover	11.93	12.17	12.17	n.a
Payment Days	27	27	30	n.a
Total Asset Turnover	0.61	0.70	0.73	n.a
Debt Ratios				
Debt to Net Worth	0.45	0.47	0.44	n.a
Current Liab. to Liab.	0.10	0.13	0.13	n.a

Liquidity Ratios				
Net Working Capital	$337,037	$346,466	$382,139	n.a
Interest Coverage	2.77	0.58	3.14	n.a
Additional Ratios				
Assets to Sales	1.63	1.42	1.37	n.a
Current Debt/Total Assets	3%	4%	4%	n.a
Acid Test	25.67	21.31	23.32	n.a
Sales/Net Worth	0.89	1.03	1.05	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Go to Top