

How to Start a Food Business

By the BizMove.com Team

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1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

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

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

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

Preliminary Analysis

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

General Personal Considerations

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

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

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

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

Specific Personal Considerations

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

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

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

General Project Description

1. Briefly describe the business you want to enter.

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

3. Describe who will use your products/services

4. Why would someone buy your product/service?

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

6. List your product/services suppliers.

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

8. List the labor and staff you require to provide your products/services. _____

B. Requirements For Success

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

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

Major Flaws

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

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

C. Desired Income

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

1. How much income do you desire?

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

3. What minimum income do you require?

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

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

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

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

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

D. Preliminary Income Statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Market Analysis

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

Population

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

2. What is the population of these areas?

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

4. What is the average family size?

5. What is the age distribution?

6. What is the per capita income?

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

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

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

10. Can you appeal to the entire market?

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

F. Competition

1. Who are your major competitors?

2. What are the major strengths of each?

3. What are the major weaknesses of each?

4. Are you familiar with the following factors concerning your competitors:

Price structure?

Product lines (quality, breadth, width)?

Location?

Promotional activities?

Sources of supply?

Image from a consumer's viewpoint?

5. Do you know of any new competitors?

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

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

8. If so, why?

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

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

11. Do you know the profit levels of each competitor?

12. Are your competitors' profits increasing, decreasing, or stable?

13. Can you compete with your competition?

G. Sales

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

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

3. Did you base your forecast on concrete data?

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

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

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

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

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

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

10. Are you sure that you can create enough competitive advantages to achieve the market share in your forecast of the previous question?

11. Is your forecast of dollar sales greater than the sales amount needed to guarantee your desired or minimum income?

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

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

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

H. Supply

1. Can you make a list of every item of inventory and operating supplies needed?
2. Do you know the quantity, quality, technical specifications, and price ranges desired?
3. Do you know the name and location of each potential source of supply?
4. Do you know the price ranges available for each product from each supplier?
5. Do you know about the delivery schedules for each supplier?
6. Do you know the sales terms of each supplier?
7. Do you know the credit terms of each supplier?
8. Do you know the financial condition of each supplier?
9. Is there a risk of shortage for any critical materials or merchandise?
10. Are you aware of which supplies have an advantage relative to transportation costs?
11. Will the price available allow you to achieve an adequate markup?

I. Expenses

1. Do you know what your expenses will be for: rent, wages, insurance, utilities, advertising, interest, etc?
2. Do you need to know which expenses are Direct, Indirect, or Fixed?
3. Do you know how much your overhead will be?
4. Do you know how much your selling expenses will be?

Miscellaneous

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

J. Venture Feasibility

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

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2. Starting Your Business Step by Step

Things to Consider Before You Start

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

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

What Is a Business Plan?

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

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

A plan shows your banker the condition and direction of your business so that your business can be more favorably considered for a loan because of the banker's insight into your situation.

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

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

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

What Business Am I In?

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

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

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

Decide what business you are in and write it down - define your business.

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

Planning Your Marketing

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

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

Determining the Sales Potential

In retail business, your sales potential depends on location. Like a tree, a store has to draw its nourishment from the area around it. The following questions should help you work through the problem of selecting a profitable location.

In what part of the city or town will you locate?

In the downtown business section?

In the area right next to the downtown business area?

In a residential section of the town?

On the highway outside of town?

In the suburbs?

In a suburban shopping center?

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

Now consider these questions that will help you narrow down a place in your location area.

What is the competition in the area you have picked?

How many of the stores look prosperous?

How many look as though they are barely getting by?

How many similar stores went out of business in this area last year?

How many new stores opened up in the last year?

What price line does competition carry?

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

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

When you find a store building that seems to be what you need, answer the following questions:

Is the neighborhood starting to get run down?

Is the neighborhood new and on the way up? (The local Chamber of Commerce may have census data for your area. Census Tracts on Population, published by the Bureau of Census, may be useful. Other sources on such marketing statistics are trade associations and directories).

Are there any super highways or through-ways planned for the neighborhood?

Is street traffic fairly heavy all day?

How close is the building to bus lines and other transportation?

Are there adequate parking spaces convenient to your store?

Are the sidewalks in good repair (you may have to repair them)?

is the street lighting good?

Is your store on the sunny side of the street?

What is the occupancy history of this store building? Does the store have a reputation for failures? (Have stores opened and closed after a short time)?

Why have other businesses failed in this location?

What is the physical condition of the store?

What service does the landlord provide?

What are the terms of the lease?

How much rent must you pay each month?

Estimate the gross annual sales you expect in this location.

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

How to Attract Customers

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

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

Image

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

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

Pricing

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

In what price ranges are your line of merchandise sold

High _____, Medium _____, or Low _____?

Will you sell for cash only?

What services will you offer to justify your prices if they are higher than your competitor's prices?

If you offer credit, will your price have to be higher than if all sales are for cash? The credit costs have to come from somewhere. Plan for them.

If you use credit card systems, what will it cost you? Will you have to add to your prices to absorb this cost.

Customer Service Policies

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

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

Planning Your Advertising Activities

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

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

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

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

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

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

When you have a figure on what your advertising for the next twelve months will cost, check it against what similar stores spend. Advertising expense is one of the operating ratios (expenses as a percentage of sales) that trade associations and other organizations gather. If your estimated cost for advertising is substantially higher than this average for your line of merchandise, take a second look. No single expense item should be allowed to get way out of line if you want to make a profit. Your task in determining how much to spend for advertising

comes down to the question, "How much can I afford to spend and still do the job that needs to be done?"

In-store Sales Promotion

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

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

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

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

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

Draw several layouts of your store and attach the layout that suits you to the cost worksheet. Determine how many signs you may need for a twelve month operation and estimate that cost also.

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

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

Buying

When buying merchandise for resale, you need to answer questions such as:

Who sells the line to retailers? Is it sold by the manufacturer directly or through wholesalers and distributors?

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

What are the terms of buying?

Can you get credit?

How quickly can the vendor deliver fill-in orders?

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

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

(1) How many days or weeks does it take the supplier to deliver the merchandise to your store.

(2) Who pays? You, the buyer? The supplier? Freight or transportation costs are a big expense item.

(3) What is the supplier's policy on fill-in orders? That is, do you have to buy a gross, a dozen, or will the supplier ship only two or three items? How long does it take for the delivery to get into your store?

Stock Control

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

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

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

Stock Turnover

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

Behind-the-Scenes Work

In a retail store, behind-the-scenes work consists of the receiving of merchandise, preparing it for display, maintaining display counters and shelves, and keeping the store clean and

attractive to customers. The following analytical list will help you decided what to do and the cost of those actions.

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

Use this format to figure these costs:

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

Who will do the back-room work and the cleaning that is needed to make a smooth operation in the store? If you do it yourself, how many hours a week will it take you? Will you do these chores after closing? If you use employees, what will they cost? On a worksheet describe how you plan to handle these tasks. For example:

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

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

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

How Much Money Will You Need

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

The first question concerns the source of dollars. After your initial capital investments in a retail store, the main source of money is sales. What sales volume do you expect to do in the first twelve months? Write your estimate here _____, and justify your estimate.

Start-Up Costs:

List the following estimated start-up costs:

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

*Transfer your figures from previous worksheets.

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

Expenses

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

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

Summary of Operating Ratios of 250 high Profit Hardware Stores

Sales		Percent of sale
Cost of Goods Sold		100.00
		-64.92
Margin		<hr/> 35.08
Expenses		
Payroll and other employee expenses	16.23	
Occupancy expenses	3.23	
Office supplies and postage	0.40	
Advertising	1.49	
donations	0.08	
Telephone and telegraph	0.24	
Bad Debts	0.30	
Delivery	0.47	
Insurance	0.66	
Taxes (other than 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	
	<hr/>	
Total operating expense		-26.33
Net operating profit		8.75
Other income		1.65
		<hr/>
Net profit before income taxes		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	____	-\$__
	<hr/>	<hr/>	<hr/>	<hr/>
3. Gross Margin	34	\$34,000	____	\$__

and continue to fill out the entire Income Statement. Work out statements monthly or for the year.

Cash Forecast

A budget helps you to see the dollar amount of your expected revenue and expenses each month. Then from month to month the question is: Will sales bring in enough money to pay for the store's bills? The owner-manager must prepare for the financial peaks and valleys of the

business cycle. A cash forecast is a management tool that can eliminate much of the anxiety that can plague you if your sales go through lean months. Use the following format.

Estimated Cash Forecast

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

*This balance is your starting figure for the next month

Is Additional Money Needed? Suppose at this point that your business needs more money than can be generated by present sales. What do you do? If your business has great potential or is in good financial condition, as shown by its balance sheet, you will borrow money (from a bank most likely) to keep the business operating during start-up and slow sales periods. The loan can be repaid during the fat sales months when sales are greater than expenses. Adequate working capital is needed for success and survival; but cash on hand (or the lack of it) is not necessarily an indication that the business is in bad financial shape. A lender will look at your balance sheet to see the business's Net Worth of which cash and cash flow are only a part. The balance sheet statement shows a business's Net Worth (financial position) at a given point in time, say at the close of business at the end of the month or at the end of the year.

Free Retail Business Plan How To.

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

Control and Feedback

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

Don't wait twelve months for the score. To keep your plan on target you need readings at frequent intervals. An income statement compiled at the end of each month or at the end of

each quarter is one type of frequent feedback. Also you must set up management controls that help you insure that the right things are done each day and week. Organization is needed because you as the owner-manager cannot do all the work. You must delegate work, responsibility, and authority. The record keeping systems should be set up before the store opens. After you're in business it is too late.

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

Stock Control

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

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

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

Sales

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

Receipts

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

Disbursement

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

Break-Even Analysis

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

Profit depends on sales volume, selling price, and costs. Break-even analysis helps you to estimate what a change in one or more of these factories will do to your profit. To figure a

break-even point, fixed costs (like rent) must be separated from variable costs (like the cost of goods sold).

The break-even formula is:

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

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

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

Is Your Plan Workable?

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

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

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

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

Put Your Plan Into Action

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

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

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

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

To put my plan into action, I must:

1. Do (action) _____ By _____(date)

2. etc.

Keep Your Plan Current

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

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

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

Check your plan against these changes.

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

The method you use to keep your plan current so that your business can weather the changing forces of the market place is up to you. Read trade and business papers and magazines and review your plan periodically. Once each month or every other month, go over your plan to see whether or not it needs adjusting. Certainly you will have more accurate dollar amounts to work with after you have been in business for a time. Make revisions and put them into action. You must be constantly updating and improving. A good business plan must evolve from experience and the best current information. A good business plan is good business.

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3. Complete Food Business Plan Template

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1.0 Executive Summary

COMPANY NAME BRAND has been a successful product, **COMPANY NAME** brand in Costco Road Shows for the last year. **COMPANY NAME** is planning to expand its operation to include distribution to stores within the entire state of California and plans to also be in stores in Texas statewide. **OWNER'S NAME**, inventor of the Brick™, tweaked her grandmother's recipe for rich, flavorful seafood gumbo, and then consulted with her good friend, **INSERT NAME**. Both ladies had been making gumbo for more than 75 years between the two of them, although in different styles. They then teamed up with **INSERT NAME**, to develop the recipe for **COMPANY NAME BRAND**.

The Market

Customers have a great deal of power and influence in this industry. However, **COMPANY NAME** feels confident that the Company will succeed with the offering of this unique one-of-a-kind of product and with successful partnerships with large wholesale and retail establishments.

Strengths and Opportunities

The **COMPANY NAME** competitive edge is its dominance of high-quality frozen food product specializing in Louisiana style gumbo and traditional family workmanship. Although there are many specialty food product manufacturers, and many gumbo lovers, few have brought the two crafts together as **COMPANY NAME** has.

Financial Plan

COMPANY NAME is seeking funding in the amount of \$500,000 in order to drastically expand inventory, increase sales by achieving statewide retail and wholesale store product placement, and launch a marketing campaign and to set up operations.

1.1 Objectives

The objectives of **COMPANY NAME** are the following:

- Create a state-wide sales staff.
- Establish strong sales in the state's five metro areas by FY2003.
- Maintain tight control of cost and operation during expansion.

1.2 Mission

COMPANY NAME mission is as follows:

- Quality: The Company's Gumbo Brick are made with the highest quality, most nutritious food products...because the Company will accept nothing less.
- Innovative: **COMPANY NAME**'s products have always been in the forefront of the health and nutrition wave. Innovative products, state of the art manufacturing, quality assurance and industry expertise are the bases for the past and future successes.
- Integrity: **COMPANY NAME**'s customers depend on the quality of their gumbo products. The Company's commitment to the highest standard is the foundation of the customer's trust in **COMPANY NAME**'s. Delivering freshly made gumbo to consumers depends on extensive cooperation and mutual reliance between supplier and retailer. **COMPANY NAME** stands behind its product, its service and its word.

COMPANY NAME makes the best gumbo, hands down! **COMPANY NAME** intends to share the highest-quality gumbo products with the Universe. The Company's claim to be the best gumbo product cannot be refuted because the best gumbo is the one

that's made just the way you like it. Add the ingredients you like and it's a perfect pot of gumbo.

1.3 Keys to Success

The keys to success for **COMPANY NAME** are:

- Establishing and maintaining working relationships and contractual agreements with American vendors, brokers and wholesalers.
- Bringing the facility to maximum production within three years of operation.
- Increasing the profit margin with the use of improved technology.
- Effectively communicating, to current and potential customers, the **COMPANY NAME** position as a differentiated provider of the highest quality gumbo product in the world.

2.0 Company Summary

COMPANY NAME is the brainchild of **OWNER'S NAME**, an avid cook for more than 30 years.

[INSERT COMPANY BIO, OWNER'S BIO AND PRODUCT BACKGROUND]

2.1 Company Ownership

COMPANY NAME is a California S Corporation. The Company ownership is divided equally among its three officers, **OWNER'S NAME** (33.33%), **CO-OWNER'S NAME** (33.33%) **CO-OWNER'S NAME** (33.33%).

2.2 Company History

COMPANY NAME is a California Corporation formed in 2009, whose officers are siblings **OWNER'S NAME**, **CO-OWNER'S NAME**, and **CO-OWNER'S NAME**. This family-owned operation has proven helpful in the business' success in that each corporate member shares the same motivation and strategic vision for the growth and profitability of the Company. Other family members and family friends have made significant contributions to the success of the brand, both in product sales and in the day-to-day operation of its restaurant—**COMPANY NAME** located in Los Angeles, California. **COMPANY NAME** owners have since closed the establishment to better focus all energies on the opportunities and great future success of **COMPANY NAME BRAND**.

Table: Past Performance

<i>Past Performance</i>			
	2008	2009	2010
Sales	\$0	\$176,220	\$234,960
Gross Margin	\$0	\$149,400	\$199,200
Gross Margin %	0.00%	84.78%	84.78%
Operating Expenses	\$0	\$26,820	\$35,760
Inventory Turnover	1.00	1.00	1.00
Balance Sheet			
	2008	2009	2010
Current Assets			
Cash	\$0	\$1,500	\$1,500

Inventory	\$0	\$2,107	\$6,320
Other Current Assets	\$0	\$1,500	\$1,500
Total Current Assets	\$0	\$5,107	\$9,320
Long-term Assets			
Long-term Assets	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$150	\$150
Total Long-term Assets	\$0	(\$150)	(\$150)
Total Assets	\$0	\$4,957	\$9,170

Current Liabilities			
Accounts Payable	\$0	\$0	\$0
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities (interest free)	\$0	\$0	\$0
Total Current Liabilities	\$0	\$0	\$0
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$0	\$0	\$0
Paid-in Capital	\$0	\$0	\$0
Retained Earnings	\$0	(\$87,563)	(\$114,190)
Earnings	\$0	\$92,520	\$123,360
Total Capital	\$0	\$4,957	\$9,170
Total Capital and Liabilities	\$0	\$4,957	\$9,170
Other Inputs			
Payment Days	0	15	15

3.0 Products

COMPANY NAME BARAND

COMPANY NAME is the brainchild of OWNER’S NAME, an avid cook for more than 30 years.

[INSERT COMPANY BIO, OWNER’S BIO AND PRODUCT BACKGROUND]

4.0 Market Analysis Summary

The demographics of COMPANY NAME customers are as follows:

- 1. Fans of authentic gumbo that don't want to spend all day in the kitchen to make it.
- 2. People who are culinary challenged.
- 3. People who appreciate good home-style cooking.
- 4. People who appreciate good standing market products with no additives or preservatives.
- 5. People who are always looking for the best tasting time-saving easy dinner alternative for their families.

4.1 Market Segmentation

COMPANY NAME has identified two segments within the market where the Company can reach its target customers:

- Direct Online Sales (Website)
- Wholesale Distributor Outlet Sales (i.e. Costco, Sam's Club)
- Retail Distributor Outlet Sales (i.e. Ralphs, Albertsons, Vons)

Table: Market Analysis

Market Analysis							
Potential Customers		2011	2012	2013	2014	2015	
	Growth						CAGR
Direct Online Sales	5%	60,000	66,000	72,600	79,860	87,846	10.00%

Wholesale Distributor Outlet Sales	5%	75,000	82,500	90,750	99,825	109,808	10.00%
Total	10.00%	135,000	148,500	163,350	179,685	197,654	10.00%

4.2 Target Market Segment Strategy

COMPANY NAME BRAND exists in a highly competitive industry whose environment creates low margins due to the high amounts of pressure placed upon participants from customers, suppliers, and potential entrants and participants products. This has created a fragmented industry in which no one participant has significant market share.

Customers have a great deal of power and influence in this industry. However, **COMPANY NAME** feels confident that the Company will succeed with the offering of this unique one-of-a-kind of product and with successful partnerships with large wholesale and retail establishments.

COMPANY NAME will also consult with a professional PR/marketing consulting firm to increase the awareness of **COMPANY NAME BRAND** to the general consumer market.

4.3 Industry Analysis

Gumbo is a stew or soup which originated in south Louisiana. It consists primarily of a strong stock, meat or shellfish, a thickener, and the vegetable "holy trinity" of celery, bell peppers, and onion. Gumbo is often categorized by the type of thickener used: the

vegetable okra, the spice filé powder, or the French base made of flour and fat, roux. The dish derived its name from a West African Bantu tribe's word for okra, which is "ki ngombo".

Two main varieties of gumbo exist. Creole gumbo generally contains shellfish, tomatoes, and a thickener. Cajun gumbo is generally based on a dark roux and is spicier, with either shellfish or fowl. Sausage or ham can be added to a gumbo made with either fowl or shellfish. After the base is prepared, vegetables are cooked down, and then meat is added. The dish boils for a minimum of three hours, with shellfish and some spices added near the end. After the pot is removed from heat, filé powder can be added. Gumbo is traditionally served over rice. A third variety, the meatless **gumbo z'herbes** is essentially a gumbo of slow-cooked greens sometimes thickened with roux.

Gumbo originated in Louisiana in the 18th century and combines ingredients and culinary practices of several cultures, including French, Spanish, West African, and Native American (Choctaw), and later influences came from Italians, Germans and other Europeans. The dish is a derivation of the French dish bouillabaisse. It was first described in 1802 and was listed in various cookbooks in the latter half of the 19th century. The dish gained more widespread popularity in the 1970s, after the United States Senate cafeteria added it to the menu in honor of Senator Allen Ellender. Chef Paul Prudhomme's popularity in the 1980s spurred further interest in gumbo.

Gumbo takes a minimum of three hours to cook, and is often simmered all day.

When preparing gumbo, the okra and/or roux are cooked first. Occasionally, meat (never seafood) is browned beforehand or in the same pot as the okra, and then removed from the heat. Okra is removed from heat when it reaches the appropriate consistency, while roux remains in the pot. Seasoning vegetables are then added to the sauce and cooked down. The meat and okra are then added to the pot along with water and/or stock and boiled uncovered until the desired tenderness of the meat is reached. Seasonings, including red, black, and white pepper, bay leaves, thyme, hot sauce, and salt, are added to taste. According to author Cynthia Lejeune Nobles, "proper seasoning of gumbo is essential, and in Louisiana adding just the right zing is considered an art." Because seafood cooks fairly quickly, it is not added to the pot until the end of the process. As the gumbo finishes cooking, green onions and parsley may be sprinkled on it. If desired, filé powder is added last.

Stock is a flavored water preparation. It forms the basis of many dishes, particularly soups and sauces. Aside from chefs and enthusiastic hobby chefs and cooks, most consumers do not have the time or patience to spend hours in the kitchen to make the stock needed to make a really good gumbo even though millions enjoy the authentic taste of the Louisiana stew.

Although there are several "readymade" products on the market, there is not a readymade product that currently exists of this very popular American born dish. **COMPANY NAME BRAND** is a premiere product that will become very quickly sought after item in the market by consumers.

4.3.1 Competition and Buying Patterns

There is no direct competition to **COMPANY NAME BRAND** and not similar products exist today.

The "competition" comes from expert chefs and gourmet companies that sell readymade broth that is more generally based; however **COMPANY NAME** will start by specializing in providing consumers perfectly crafted roux specifically for making an excellent gumbo dish.

Each segment of consumers and distributors has its own buying patterns depending on its own needs. The pertaining table in 4.1, **Market Segmentation**, illustrates this.

5.0 Strategy and Implementation Summary

The strategy of **COMPANY NAME** is to focus on the market which is wholesale and retail major food stores that serve the general public.

5.1 SWOT Analysis

The SWOT analysis provides an opportunity to examine the internal strengths and weaknesses **COMPANY NAME** must address. It also allows examining the opportunities presented **COMPANY NAME** as well as potential threats.

5.1.1 Strengths

The success of the brand is well established in both online and direct sales of the **BRAND** as well as the growth and popularity of the former restaurant in Los Angeles, California. It is noteworthy that the restaurant opened during a recession by popular demand of the buying public at outdoor festivals and night clubs. It was also frequented by local churchgoers and by many customers with **COMPANY NAME** weekly street-vending at the popular intersection of Crenshaw and Stocker in Los Angeles. **COMPANY NAME** opened its restaurant doors in January of 2009 and operated at a net profit. This further proved that even during tough economic times, people will still pay \$15 for a 32-ounce portion of gumbo as the food and customer service were highly satisfactory. Additionally, every piece of equipment and any renovations for the restaurant were purchased and paid for with monies garnered from the previously mentioned outdoor street-vending sales.

5.1.2 Weaknesses

- Access to additional operating capital to expand and meet the demand.
- Owners are still climbing the "retail experience curve."

The product is not yet carried in a traditional retail area.

Challenges of finding the right fit in a broker to place the product in mainstream retail and wholesale establishments.

5.1.3 Opportunities

- Growing market with a significant percentage of the **COMPANY NAME** target market still not knowing we exist.
- Strategic alliances offering sources for referrals and joint marketing activities to extend the product's reach.
- Promising activity from high levels of popularity of the product (see Strengths).
- Increasing sales opportunities beyond the "100-mile" target area with Costco.
- Internet potential for selling products to other markets.

5.1.4 Threats

- The downturn in the economy has impacted store sales--stock market predictors correlate with store sales.
- Expansion of national discount stores into the local market.
- Continued price pressure due to competition or the weakening market reducing contribution margins.

5.2 *Competitive Edge*

The **COMPANY NAME** competitive edge is its dominance of high-quality frozen food product specializing in Louisiana style gumbo and traditional family workmanship. Although there are many specialty food product manufacturers, and many gumbo lovers, few have brought the two crafts together as **COMPANY NAME** has.

5.3 *Marketing Strategy*

COMPANY NAME will consult with an experienced food market marketing and placement consultant to organize a tight and well run campaign. In addition, **COMPANY NAME** will co-sponsor local charitable events to raise the visibility of the brand name.

5.4 *Sales Strategy*

The sales strategy is to build customer loyalty in the new markets. COMPANY NAME will increase its sales force to focus on the new markets. In addition, COMPANY NAME will seek picked up by a broker who is already successfully selling into the grocery chains and have them represent COMPANY NAME BRAND.

5.4.1 Sales Forecast

The following table and charts shows the rapid ramp-up of sales during the next twelve months of operation.

Table: Sales Forecast

<i>Sales Forecast</i>			
	2011	2012	2013
Sales			
Gumbo Brick - Seafood	\$311,651	\$327,234	\$392,681
Gumbo Brick - Chicken and Veggie	\$837,403	\$921,143	\$1,105,372
Total Sales	\$1,149,054	\$1,248,377	\$1,498,053
Direct Cost of Sales	2011	2012	2013
Gumbo Bricks	\$89,687	\$98,656	\$118,387
Incidentals	\$5,678	\$5,848	\$6,024
Subtotal Direct Cost of Sales	\$95,365	\$104,504	\$124,411

5.5 Milestones

The accompanying table shows specific milestones, with responsibilities assigned, dates, and budgets. The milestones represented in this plan are those which the Company has determined to be the most important.

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Manufacture 200,000 units	2/15/2011	4/1/2011	\$400,000	INSERT NAME	Co-Owner
Launch marketing campaign	3/1/2011	2/28/2012	\$50,000	INSERT NAME	Co-Owner
Set up operations office	2/1/2011	6/1/2011	\$50,000	INSERT NAME	Co-Owner
Totals			\$500,000		

6.0 Management Summary

Co-owners, [INSERT OWNERS' NAME], currently manage the daily operation of COMPANY NAME. Additional assistance is acquired on a part-time basis and/or through the use of consultants, specifically in manufacturing and legal matters.

6.1 Personnel Plan

The following table shows the projected personnel plan for COMPANY NAME.

Table: Personnel

Personnel Plan			
	2011	2012	2013
INSERT NAME	\$36,000	\$37,800	\$39,690

INSERT NAME	\$36,000	\$37,800	\$39,690
INSERT NAME	\$36,000	\$37,800	\$39,690
Administration	\$18,000	\$18,540	\$19,096
Sales Representative	\$24,000	\$25,200	\$26,460
Total People	5	6	6
Total Payroll	\$150,000	\$157,140	\$164,626

7.0 Financial Plan

The following is the financial plan for **COMPANY NAME**.

7.1 Important Assumptions

Important assumptions for this plan are found in the following table. These assumptions largely determine the financial plan and require that **COMPANY NAME** secures the additional financing needed.

7.2 Break-even Analysis

COMPANY NAME break-even analysis is based on the average of the first-year figures for total sales 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

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$20,770
Assumptions:	
Average Percent Variable Cost	8%
Estimated Monthly Fixed Cost	\$19,046

7.3 Projected Profit and Loss

The following table and charts are the projected profit and loss for three years.

Table: Profit and Loss

Pro Forma Profit and Loss			
	2011	2012	2013
Sales	\$1,149,054	\$1,248,377	\$1,498,053
Direct Cost of Sales	\$95,365	\$104,504	\$124,411
Other Production Expenses	\$0	\$0	\$0
Total Cost of Sales	\$95,365	\$104,504	\$124,411
Gross Margin	\$1,053,689	\$1,143,873	\$1,373,642
Gross Margin %	91.70%	91.63%	91.70%
Expenses			
Payroll	\$150,000	\$157,140	\$164,626
Sales and Marketing and Other Expenses	\$20,830	\$25,000	\$26,250
Depreciation	\$1,800	\$1,800	\$1,800
Utilities	\$3,600	\$3,780	\$3,969
Insurance	\$4,560	\$4,697	\$4,838
Rent	\$18,000	\$18,540	\$19,096
Administration Fees	\$3,600	\$3,708	\$3,819
Postage and Deliveries	\$7,800	\$8,034	\$8,275
CPA/Accounting Services	\$3,000	\$3,090	\$3,183
Travel Expenses	\$4,800	\$4,944	\$5,092

Automobile Expense	\$6,000	\$6,180	\$6,365
Insurance	\$4,560	\$4,697	\$4,838
Total Operating Expenses	\$228,550	\$241,610	\$252,151
Profit Before Interest and Taxes	\$825,139	\$902,263	\$1,121,491
EBITDA	\$826,939	\$904,063	\$1,123,291
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$247,542	\$270,679	\$336,447
Net Profit	\$577,597	\$631,584	\$785,044
Net Profit/Sales	50.27%	50.59%	52.40%

7.4 Projected Cash Flow

The following table and chart are the projected cash flow for three years.

Table: Cash Flow

Pro Forma Cash Flow			
	2011	2012	2013
Cash Received			
Cash from Operations			
Cash Sales	\$1,149,054	\$1,248,377	\$1,498,053
Subtotal Cash from Operations	\$1,149,054	\$1,248,377	\$1,498,053
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	\$500,000	\$0	\$0
Subtotal Cash Received	\$1,649,054	\$1,248,377	\$1,498,053
Expenditures	2011	2012	2013
Expenditures from Operations			
Cash Spending	\$150,000	\$157,140	\$164,626

Bill Payments	\$373,075	\$470,601	\$541,146
Subtotal Spent on Operations	\$523,075	\$627,741	\$705,772
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	\$400,000	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$923,075	\$627,741	\$705,772
Net Cash Flow	\$725,979	\$620,636	\$792,281
Cash Balance	\$727,479	\$1,348,114	\$2,140,395

7.5 Projected Balance Sheet

The following table is the projected balance sheet for three years.

Table: Balance Sheet

Pro Forma Balance Sheet			
	2011	2012	2013
Assets			
Current Assets			
Cash	\$727,479	\$1,348,114	\$2,140,395
Inventory	\$9,301	\$10,192	\$12,134
Other Current Assets	\$401,500	\$401,500	\$401,500
Total Current Assets	\$1,138,280	\$1,759,806	\$2,554,029
Long-term Assets			
Long-term Assets	\$0	\$0	\$0
Accumulated Depreciation	\$1,950	\$3,750	\$5,550
Total Long-term Assets	(\$1,950)	(\$3,750)	(\$5,550)
Total Assets	\$1,136,330	\$1,756,056	\$2,548,479
Liabilities and Capital	2011	2012	2013
Current Liabilities			
Accounts Payable	\$49,562	\$37,705	\$45,084
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0

Subtotal Current Liabilities	\$49,562	\$37,705	\$45,084
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$49,562	\$37,705	\$45,084
Paid-in Capital	\$500,000	\$500,000	\$500,000
Retained Earnings	\$9,170	\$586,767	\$1,218,351
Earnings	\$577,597	\$631,584	\$785,044
Total Capital	\$1,086,767	\$1,718,351	\$2,503,395
Total Liabilities and Capital	\$1,136,330	\$1,756,056	\$2,548,479
Net Worth	\$1,086,767	\$1,718,351	\$2,503,395

7.6 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) *Frozen Specialty Food Manufacturing - SIC Code: 311412*, are shown for comparison.

Table: Ratios

Ratio Analysis				
	2011	2012	2013	Industry Profile
Sales Growth	389.04%	8.64%	20.00%	5.84%
Percent of Total Assets				
Inventory	0.82%	0.58%	0.48%	23.42%
Other Current Assets	35.33%	22.86%	15.75%	16.69%
Total Current Assets	100.17%	100.21%	100.22%	65.30%
Long-term Assets	-0.17%	-0.21%	-0.22%	34.70%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	4.36%	2.15%	1.77%	25.22%
Long-term Liabilities	0.00%	0.00%	0.00%	24.61%
Total Liabilities	4.36%	2.15%	1.77%	49.83%
Net Worth	95.64%	97.85%	98.23%	50.17%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	91.70%	91.63%	91.70%	13.08%
Selling, General & Administrative Expenses	62.32%	62.58%	60.92%	4.95%

Advertising Expenses	5.88%	10.00%	9.23%	0.25%
Profit Before Interest and Taxes	71.81%	72.27%	74.86%	3.04%
Main Ratios				
Current	22.97	46.67	56.65	2.30
Quick	22.78	46.40	56.38	1.15
Total Debt to Total Assets	4.36%	2.15%	1.77%	54.80%
Pre-tax Return on Net Worth	75.93%	52.51%	44.80%	15.68%
Pre-tax Return on Assets	72.61%	51.38%	44.01%	7.09%

Additional Ratios	2011	2012	2013	
Net Profit Margin	50.27%	50.59%	52.40%	n.a
Return on Equity	53.15%	36.76%	31.36%	n.a
Activity Ratios				
Inventory Turnover	12.00	10.72	11.14	n.a
Accounts Payable Turnover	8.53	12.17	12.17	n.a
Payment Days	27	35	28	n.a
Total Asset Turnover	1.01	0.71	0.59	n.a
Debt Ratios				
Debt to Net Worth	0.05	0.02	0.02	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	\$1,088,717	\$1,722,101	\$2,508,945	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	0.99	1.41	1.70	n.a
Current Debt/Total Assets	4%	2%	2%	n.a
Acid Test	22.78	46.40	56.38	n.a
Sales/Net Worth	1.06	0.73	0.60	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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