

How to Start a Furniture Store Business

By the BizMove.com Team

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1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

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

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

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

Preliminary Analysis

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

General Personal Considerations

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

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

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

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

Specific Personal Considerations

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

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

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

General Project Description

1. Briefly describe the business you want to enter.

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

3. Describe who will use your products/services

4. Why would someone buy your product/service?

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

6. List your product/services suppliers.

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

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

B. Requirements For Success

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

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

Major Flaws

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

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

C. Desired Income

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

1. How much income do you desire?

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

3. What minimum income do you require?

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

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

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

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

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

D. Preliminary Income Statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Market Analysis

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

Population

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

2. What is the population of these areas?

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

4. What is the average family size?

5. What is the age distribution?

6. What is the per capita income?

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

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

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

10. Can you appeal to the entire market?

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

F. Competition

1. Who are your major competitors?

2. What are the major strengths of each?

3. What are the major weaknesses of each?

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

Price structure?

Product lines (quality, breadth, width)?

Location?

Promotional activities?

Sources of supply?

Image from a consumer's viewpoint?

5. Do you know of any new competitors?

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

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

8. If so, why?

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

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

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

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

13. Can you compete with your competition?

G. Sales

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

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

3. Did you base your forecast on concrete data?

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

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

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

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

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

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

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

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

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

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

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

H. Supply

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

I. Expenses

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

Miscellaneous

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

J. Venture Feasibility

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

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2. Starting Your Business Step by Step

Things to Consider Before You Start

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

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

What Is a Business Plan?

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

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

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

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

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

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

What Business Am I In?

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

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

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

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

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

Planning Your Marketing

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

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

Determining the Sales Potential

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

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

In the downtown business section?

In the area right next to the downtown business area?

In a residential section of the town?

On the highway outside of town?

In the suburbs?

In a suburban shopping center?

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

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

What is the competition in the area you have picked?

How many of the stores look prosperous?

How many look as though they are barely getting by?

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

How many new stores opened up in the last year?

What price line does competition carry?

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

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

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

Is the neighborhood starting to get run down?

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

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

Is street traffic fairly heavy all day?

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

Are there adequate parking spaces convenient to your store?

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

is the street lighting good?

Is your store on the sunny side of the street?

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

Why have other businesses failed in this location?

What is the physical condition of the store?

What service does the landlord provide?

What are the terms of the lease?

How much rent must you pay each month?

Estimate the gross annual sales you expect in this location.

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

How to Attract Customers

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

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

Image

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

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

Pricing

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

In what price ranges are your line of merchandise sold

High _____, Medium _____, or Low _____?

Will you sell for cash only?

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

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

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

Customer Service Policies

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

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

Planning Your Advertising Activities

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

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

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

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

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

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

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

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

In-store Sales Promotion

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

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

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

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

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

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

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

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

Buying

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

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

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

What are the terms of buying?

Can you get credit?

How quickly can the vendor deliver fill-in orders?

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

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

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

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

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

Stock Control

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

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

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

Stock Turnover

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

Behind-the-Scenes Work

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

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

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

Use this format to figure these costs:

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

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

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

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

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

How Much Money Will You Need

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

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

Start-Up Costs:

List the following estimated start-up costs:

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

*Transfer your figures from previous worksheets.

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

Expenses

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

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

**Summary of Operating Ratios
of 250 high Profit Hardware Stores**

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

Now using your operating ratio for cost of goods sold and your estimated Sales Revenue, you can breakdown your expenses by substituting your ratios and dollar amounts in the Income Statement.

Notice that Gross Margin must be large enough to provide for your expenses and profit.

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

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

Cash Forecast

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

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

Estimated Cash Forecast

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

*This balance is your starting figure for the next month

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

Free Retail Business Plan How To.

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

Control and Feedback

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

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

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

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

Stock Control

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

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

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

Sales

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

Receipts

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

Disbursement

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

Break-Even Analysis

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

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

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

The break-even formula is:

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

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

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

Is Your Plan Workable?

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

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

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

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

Put Your Plan Into Action

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

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

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

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

To put my plan into action, I must:

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

Keep Your Plan Current

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

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

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

Check your plan against these changes.

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

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

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3. Complete Furniture Store Business Plan Template

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1.0 Executive Summary

COMPANY NAME, in business since 1991, designs and custom builds in home offices with Murphy beds, kitchens and baths. The owner and sole operator of the company, **INSERT NAME**, has hands on experience with everything from the general contracting, meeting with clients and record keeping. **COMPANY NAME** is currently operated from Eveleth, Minnesota and proudly resides in a preserved schoolhouse built in the early 1900s.

1.1 Objectives

- Increase sales by expanding the business.
- Restore and preserve historic building where the business is currently stationed.
- Increase visibility by implementing an advertising campaign.
- Expansion of services by the end of 2010.

1.2 Mission

To provide excellent service in custom cabinet refacing, custom cabinet building, finishing, installing and remodeling in addition to custom home and office furniture specializing in real wood veneers and custom Murphy wall beds.

1.3 Keys to Success

The keys to success in our business are:

- **Superior Customer Service:** High-quality care and service.
- **Convenience:** offering clients a wide range of services and options.
- **Location:** provide an easily accessible location for customer convenience and preserve a historic building where the company resides.
- **Reputation:** credibility, integrity, and 100% dedication.

2.0 Company Summary

COMPANY NAME is a sole proprietor small home and office decor contracting and supply business located in Eveleth, Minnesota which began business in February of 1991. The owner of **COMPANY NAME**, **INSERT NAME**, has been in construction and designs his whole life. He has hands-on experience in all aspects of the trade from record keeping to design, finishing and installing. He has an electrical background, a contracting license for buildings, a lead license, an advertising background, sales experience and people management skills. He also takes continuing education courses in construction, lead, design, advertizing and people management yearly to keep up with changes in the industry.

2.1 Company Ownership

COMPANY NAME /Murphy Wall Beds a Minnesota Sole Proprietor business based in St. Louis County, privately owned by its principal operator.

2.2 Company History

COMPANY NAME has done custom cabinet refacing, custom cabinet building, finishing, installing and remodeling custom furniture (Home and Office) since 1991. The company specializes in real wood veneers as well and custom Murphy Wall beds. **COMPANY NAME** has successfully been in business still to this day in a depressed economy and totes itself as being the "Cadillac of Refacers".

The more detailed numbers in the Past Performance table include other indicators of some concern. The gross margin % has been declining steadily due to the economy, as we see in the chart. This concern is part of the general trend affecting all small business owners. The margin squeeze is happening throughout all industries worldwide.

Table: Past Performance

<i>Past Performance</i>	2007	2008	2009
Sales	\$44,969	\$79,200	\$47,626
Gross Margin	\$44,969	\$79,200	\$47,626
Gross Margin %	100.00%	100.00%	100.00%
Operating Expenses	\$43,787	\$50,025	\$67,071
 Balance Sheet			
	2007	2008	2009
 Current Assets			
Cash	\$3,108	\$23,329	\$5,234
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$3,108	\$23,329	\$5,234
 Long-term Assets			
Long-term Assets	\$80,000	\$80,000	\$80,000
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$80,000	\$80,000	\$80,000
 Total Assets	 \$83,108	 \$103,329	 \$85,234
 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	\$26,355	\$26,355
Retained Earnings	\$83,865	(\$110,391)	(\$155,085)
Earnings	(\$757)	\$187,365	\$213,964
Total Capital	\$83,108	\$103,329	\$85,234
Total Capital and Liabilities	\$83,108	\$103,329	\$85,234
Other Inputs			
Payment Days	0	0	0

3.0 Products and Services

The following subtopics discuss COMPANY NAME services and an overview of competitors in the vicinity.

4.0 Market Analysis Summary

COMPANY NAME focuses on local markets, small business, home office and overall custom home decor, with special focus on the high-end home office and the small business office.

4.1 Market Segmentation

The segmentation allows some room for estimates and nonspecific definitions. We focus on a small-medium level of small business and residential customers, and it is hard to find information to make an exact classification. Our target market is the community in St. Louis County and applies to any individual or business that needs custom interior built-ins and cabinetry; the definition is flexible.

Table: Market Analysis

<i>Market Analysis</i>						
	2010	2011	2012	2013	2014	
Potential Customers	Growth					CAGR

Residential Customers	60%	120,317	192,507	308,011	492,818	788,509	60.00%
Commercial Business Customers	40%	80,211	112,295	157,213	220,098	308,137	40.00%
Total	52.92%	200,528	304,802	465,224	712,916	1,096,646	52.92%

4.2 Target Market Segment Strategy

COMPANY NAME will not be successful waiting for the customer to come to the company. Instead, **COMPANY NAME** must focus on the specific market segments whose needs match the company's offerings. Focusing on targeted segments is the key to **COMPANY NAME** future.

4.3 Service Business Analysis

COMPANY NAME has identified two distinct opportunities within this market as having a proven need and an expressed desire to improve and redesign customer's interiors.

- **Residential** - this group has identified a need for a making more use out of their residential space, updating interiors of older homes and much more.
- **Businesses** - **COMPANY NAME** and many other businesses reside in older historic buildings and homes but have the need for updating the interior to better suit storage needs.

4.3.1 Competition and Buying Patterns

Cabinet refacing is a low cost alternative to kitchen re-modeling. In most cases, cabinet refacing involves leaving cabinet frames, or boxes, in place while resurfacing them and adding new doors and drawer fronts. Cabinet refacing is a low cost alternative to a full scale kitchen re-modeling. It is ideal for homeowners who are happy with their kitchen layout but feel the kitchen is out of date in style or color, or just want a new look. It is also idea for those looking to sell a house who wishes to update their kitchen at low investment cost. Those doing kitchen refacing also often replace the countertop.

Cabinet refacing is generally more ecologically sound than full scale kitchen re-modeling, since the amount of debris put in the landfill is generally cut by almost three quarters.^[1] Ecologically sound materials such as bamboo can be selected to replace the outmoded hardwood or laminate doors and fronts.

The cabinet refacing market in the U.S. is estimated at \$300 million a year.

5.0 Strategy and Implementation Summary

Emphasize Customer Service

COMPANY NAME will differentiate themselves from other cabinet refacers and custom interior contractors. The Company will establish the business offering as a clear and viable alternative for its target market.

Build a Relationship-Oriented Business

Build long-term relationships with clients. Make them understand the value of the relationship.

Focus on Target Markets

COMPANY NAME needs to focus the company's offerings on the busy professionals, who want to save time to enjoy convenience, expertise and total satisfaction of services.

5.1 Competitive Edge

COMPANY NAME competitive edge is our positioning as strategic ally with clients, who are clients more than customers. By building a business based on long-standing relationships with satisfied clients, **COMPANY NAME** simultaneously builds defenses against competition. The longer the relationship stands, the more the company helps its' clients understand what **COMPANY NAME** offers them and why they need it.

5.2 Marketing Strategy

The marketing strategy is the core of the main strategy:

- Emphasize service and support.
- Build a relationship business.

- Focus on small business and high-end home office and kitchens as key target markets.

5.3 Sales Strategy

COMPANY NAME will be offering economical solution customers wanting to upgrade their home and/or business interior that will be introduced to the market through targeted advertising, website optimization and direct sales.

5.3.1 Sales Forecast

The table below outlines the sales forecast and cost of goods sold. The forecast is based on reasonable sales projections within this very large market.

As the economy is slowly but surely recovering, customers still will take the option of refurbishing what they already own. Customers in St. Louis and surrounding counties will choose The Cabinet Refacer as the most logical and economical solution to interior decor needs.

Table: Sales Forecast

<i>Sales Forecast</i>			
	2010	2011	2012
Sales			
Labor	\$48,205	\$53,026	\$58,328
Supplies	\$25,052	\$27,557	\$30,313
Total Sales	\$73,257	\$80,583	\$88,641
Direct Cost of Sales	2010	2011	2012
Supplies	\$26,520	\$27,316	\$28,135
Row 2	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$26,520	\$27,316	\$28,135

5.4 Milestones

The following table lists important program milestones with dates and budgets for each. The milestone schedule indicates the company's emphasis on planning for implementation.

Table: Milestones

<i>Milestones</i>					
Milestone	Start Date	End Date	Budget	Manager	Department
Building Expense	5/5/2010	12/31/2010	\$300,000		
Equipment	5/5/2010	7/1/2010	\$70,000		
Utilities	5/5/2010	12/31/2010	\$5,000		
Advertising	5/5/2010	12/31/2010	\$15,000		
Phone/Fax	5/5/2010	12/31/2010	\$3,000		
Insurance	5/5/2010	12/31/2010	\$3,000		
Legal	5/5/2010	6/4/2010	\$1,000		
Office Equipment	5/5/2010	7/1/2010	\$25,000		
Office Supplies	5/5/2010	7/1/2010	\$3,000		
Travel	5/5/2010	12/31/2010	\$15,000		
Auto/Truck Expense	5/5/2010	12/31/2010	\$15,000		
Repair/Maintenance	5/5/2010	8/1/2010	\$25,000		
Totals			\$480,000		

6.0 Management Summary

COMPANY NAME is currently owned and operated only by the owner, **INSERT NAME**. The future management philosophy is based responsibility and mutual respect. People who work at **COMPANY NAME** in the near future will want to work for the company because **COMPANY NAME** will have an environment that encourages creativity and achievement.

6.1 Personnel Plan

There is currently one employee at at **COMPANY NAME**, which is the owner. The growth of the company will be determined by how accurately and efficiently the company is able to implement the facets of this business plan.

Each future member of **COMPANY NAME** team will be highly valued; everyone is expected to have opinions, as it is a team that will make this company excel. It is the mission of the company to employ people who are committed to a high standard of excellence, who thrive on a team atmosphere, and who have outstanding customer service skills. This idealism is represented by the owner and will continue to be the guideline by which new team members are hired.

Table: Personnel

<i>Personnel Plan</i>	2010	2011	2012
Labor	\$0	\$0	\$0
Administrative	\$0	\$15,000	\$20,000
Total People	1	2	2
Total Payroll	\$0	\$15,000	\$20,000

7.0 Financial Plan

The following subtopics help present the financial plan for **COMPANY NAME**.

7.1 Important Assumptions

The table below presents the assumptions used in the financial calculations of this business plan.

7.2 Break-even Analysis

For our break-even analysis, we assume running costs of approximately \$2,332.00 per month, which includes materials, office operation and utilities, and an estimation of other running costs. As the owner owns the building and the land where **COMPANY NAME** resides and operates from, there are no mortgage or rental expenses.

Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$3,655
Assumptions:	
Average Percent Variable Cost	36%
Estimated Monthly Fixed Cost	\$2,332

7.3 Projected Profit and Loss

Month-by-month assumptions for profit and loss are included in the appendix.

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>	2010	2011	2012
Sales	\$73,257	\$80,583	\$88,641
Direct Cost of Sales	\$26,520	\$27,316	\$28,135
Other Costs of Sales	\$0	\$0	\$0
Total Cost of Sales	\$26,520	\$27,316	\$28,135
Gross Margin	\$46,737	\$53,267	\$60,506
Gross Margin %	63.80%	66.10%	68.26%
Expenses			
Payroll	\$0	\$15,000	\$20,000
Marketing/Promotion	\$15,000	\$15,000	\$15,000
Depreciation	\$0	\$0	\$0
Office and Administrative	\$2,101	\$2,164	\$2,229
Product and Supplies	\$10,882	\$11,208	\$11,545
Total Operating Expenses	\$27,983	\$43,372	\$48,774
Profit Before Interest	\$18,754	\$9,895	\$11,732

and Taxes			
EBITDA	\$18,754	\$9,895	\$11,732
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$5,626	\$2,969	\$3,520
Net Profit	\$13,128	\$6,927	\$8,212
Net Profit/Sales	17.92%	8.60%	9.26%

7.4 Projected Cash Flow

The following chart and table show the project cash flow for **COMPANY NAME**. As you can see the owner as well as the company does not have any outstanding debt or loans.

Table: Cash Flow

<i>Pro Forma Cash Flow</i>	2010	2011	2012
Cash Received			
Cash from Operations			
Cash Sales	\$73,257	\$80,583	\$88,641
Subtotal Cash from Operations	\$73,257	\$80,583	\$88,641
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	\$545,000	\$0	\$0
Subtotal Cash Received	\$618,257	\$80,583	\$88,641
Expenditures	2010	2011	2012
Expenditures from Operations			
Cash Spending	\$0	\$15,000	\$20,000

Bill Payments	\$54,790	\$59,174	\$60,283
Subtotal Spent on Operations	\$54,790	\$74,174	\$80,283
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	\$110,000	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$164,790	\$74,174	\$80,283
Net Cash Flow	\$453,467	\$6,409	\$8,358
Cash Balance	\$458,701	\$465,109	\$473,467

7.5 Projected Balance Sheet

The Projected Balance Sheet is quite solid. **COMPANY NAME** do not project any need to acquire any new loans. The company is confident that it can achieve specific objectives.

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>	2010	2011	2012
Assets			
Current Assets			
Cash	\$458,701	\$465,109	\$473,467
Other Current Assets	\$110,000	\$110,000	\$110,000
Total Current Assets	\$568,701	\$575,109	\$583,467

Long-term Assets			
Long-term Assets	\$80,000	\$80,000	\$80,000
Accumulated Depreciation	\$0	\$0	\$0
Total Long-term Assets	\$80,000	\$80,000	\$80,000
Total Assets	\$648,701	\$655,109	\$663,467
Liabilities and Capital	2010	2011	2012
Current Liabilities			
Accounts Payable	\$5,339	\$4,821	\$4,967
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$5,339	\$4,821	\$4,967
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$5,339	\$4,821	\$4,967
Paid-in Capital	\$571,355	\$571,355	\$571,355
Retained Earnings	\$58,879	\$72,007	\$78,933
Earnings	\$13,128	\$6,927	\$8,212
Total Capital	\$643,362	\$650,288	\$658,501
Total Liabilities and Capital	\$648,701	\$655,109	\$663,467

Net Worth	\$643,362	\$650,288	\$658,501
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7.6 Business Ratios

The table follows with our main business ratios. Industry profile ratios based on the Standard Industrial Classification (SIC) are shown for comparison.

Table: Ratios

<i>Ratio Analysis</i>	2010	2011	2012	Industry Profile
Sales Growth	53.82%	10.00%	10.00%	4.47%
Percent of Total Assets				
Other Current Assets	16.96%	16.79%	16.58%	16.17%
Total Current Assets	87.67%	87.79%	87.94%	58.02%
Long-term Assets	12.33%	12.21%	12.06%	41.98%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	0.82%	0.74%	0.75%	32.48%
Long-term Liabilities	0.00%	0.00%	0.00%	22.40%
Total Liabilities	0.82%	0.74%	0.75%	54.88%
Net Worth	99.18%	99.26%	99.25%	45.12%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	63.80%	66.10%	68.26%	13.10%
Selling, General & Administrative Expenses	45.88%	57.51%	58.99%	5.21%
Advertising Expenses	20.48%	18.61%	16.92%	0.15%
Profit Before Interest and	25.60%	12.28%	13.24%	2.29%

Taxes				
Main Ratios				
Current	106.52	119.29	117.48	1.61
Quick	106.52	119.29	117.48	0.80
Total Debt to Total Assets	0.82%	0.74%	0.75%	63.85%
Pre-tax Return on Net Worth	2.92%	1.52%	1.78%	17.84%
Pre-tax Return on Assets	2.89%	1.51%	1.77%	6.45%
Additional Ratios				
	2010	2011	2012	
Net Profit Margin	17.92%	8.60%	9.26%	n.a
Return on Equity	2.04%	1.07%	1.25%	n.a
Activity Ratios				
Accounts Payable Turnover	11.26	12.17	12.17	n.a
Payment Days	27	32	30	n.a
Total Asset Turnover	0.11	0.12	0.13	n.a
Debt Ratios				
Debt to Net Worth	0.01	0.01	0.01	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	\$563,362	\$570,288	\$578,501	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				

Assets to Sales	8.86	8.13	7.48	n.a
Current Debt/Total Assets	1%	1%	1%	n.a
Acid Test	106.52	119.29	117.48	n.a
Sales/Net Worth	0.11	0.12	0.13	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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