

# How to Start a Gas Station Business

By the [BizMove.com](http://BizMove.com) Team

Copyright © by BizMove.com. All rights reserved.

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

- \* [The Entrepreneur Quiz](#) (Find Out whether You Have What it Takes to be an Entrepreneur)
- \* [The Complete Guide to Running a Business](#) (Everything You Need to Know to Start and Manage Your Own Business)
- \* [How to Improve Your Leadership and Management Skills](#) (Effective Strategies for Business Managers)
- \* [Small Business Management](#) (Essential Ingredients for Success)
- \* [Business Plan Template](#) (Complete Fill in the Blanks Sample Business Plan)
- \* [How to Sharpen Your Managerial Skills](#) (Good Management and Leadership Skills for Aspiring Managers)
- \* [How to Create a Marketing Plan For a Small Business](#) (A Step by Step Guide to Marketing Planning)

## Table of Contents

[1. Determining the Feasibility of Your New Business](#)

[2. Starting Your Business Step by Step](#)

[3. Complete Station Business Plan Template](#)

## 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?

[Go to Top](#)

## **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
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
			<b>Total</b>	_____

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:

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

(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	_____
<b>Total</b>	_____

\*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
<b>Expenses</b>		
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.

[Go to Top](#)

## **3. Complete Station Business Plan Template**

### **Table of Contents**

1.0 Executive Summary .....	29
Chart: Highlights.....	30
1.1 Objectives .....	30

1.2 Mission .....	30
1.3 Keys to Success.....	30
2.0 Company Summary.....	31
2.1 Company Ownership.....	31
2.2 Company History .....	31
Table: Past Performance.....	32
Chart: Past Performance.....	34
3.0 Products .....	34
4.0 Market Analysis Summary.....	35
4.1 Market Segmentation .....	35
Table: Market Analysis .....	35
Chart: Market Analysis (Pie).....	36
4.2 Target Market Segment Strategy .....	36
4.3 Industry Analysis .....	36
4.3.1 Competition and Buying Patterns.....	37
5.0 Strategy and Implementation Summary .....	37
5.1 SWOT Analysis .....	37
5.1.1 Strengths.....	38
5.1.2 Weaknesses.....	38
5.1.3 Opportunities.....	39
5.1.4 Threats .....	39
5.2 Competitive Edge .....	39
5.3 Marketing Strategy .....	39
5.4 Sales Strategy.....	39
5.4.1 Sales Forecast .....	41
Table: Sales Forecast .....	41
Chart: Sales Monthly .....	42

Chart: Sales by Year .....	42
5.5 Milestones .....	42
Table: Milestones .....	43
Chart: Milestones .....	43
6.0 Management Summary .....	44
6.1 Personnel Plan.....	44
Table: Personnel .....	44
7.0 Financial Plan.....	45
7.1 Important Assumptions.....	45
7.2 Break-even Analysis.....	45
Table: Break-even Analysis.....	45
Chart: Break-even Analysis.....	46
7.3 Projected Profit and Loss .....	46
Table: Profit and Loss .....	46
Chart: Profit Monthly.....	47
Chart: Profit Yearly.....	48
Chart: Gross Margin Monthly .....	48
Chart: Gross Margin Yearly.....	49
7.4 Projected Cash Flow .....	50
Table: Cash Flow .....	50
Chart: Cash.....	52
7.5 Projected Balance Sheet.....	52
Table: Balance Sheet.....	52
7.6 Business Ratios.....	53
Table: Ratios.....	54
Table: Sales Forecast .....	<b>Error! Bookmark not defined.</b>
Table: Personnel .....	<b>Error! Bookmark not defined.</b>

Table: Personnel ..... **Error! Bookmark not defined.**  
Table: Profit and Loss ..... **Error! Bookmark not defined.**  
Table: Profit and Loss ..... **Error! Bookmark not defined.**  
Table: Cash Flow ..... **Error! Bookmark not defined.**  
Table: Cash Flow ..... **Error! Bookmark not defined.**  
Table: Balance Sheet ..... **Error! Bookmark not defined.**  
Table: Balance Sheet ..... **Error! Bookmark not defined.**

## 1.0 Executive Summary

**COMPANY NAME** is a convenient store and gas station that has served the community for the last 40 years. As a staple in the community for gas and cooked food, **COMPANY NAME** is looking to expand to a full service discount store. This convenience store is looking for funds that will allow this already successful business to offer laundry services, discount groceries and an upgraded store front.

### Industry:

The gas station industry is fragmented industries with no real dominate company. The industry has revenue of over 115 billion of annually. In recent years, almost 127,000 gasoline service stations operated in the United States. These establishments took very different forms than they had before, with self-service islands and ancillary retail outlets—convenience stores, known as C-stores—creating major changes in the distribution of market share.

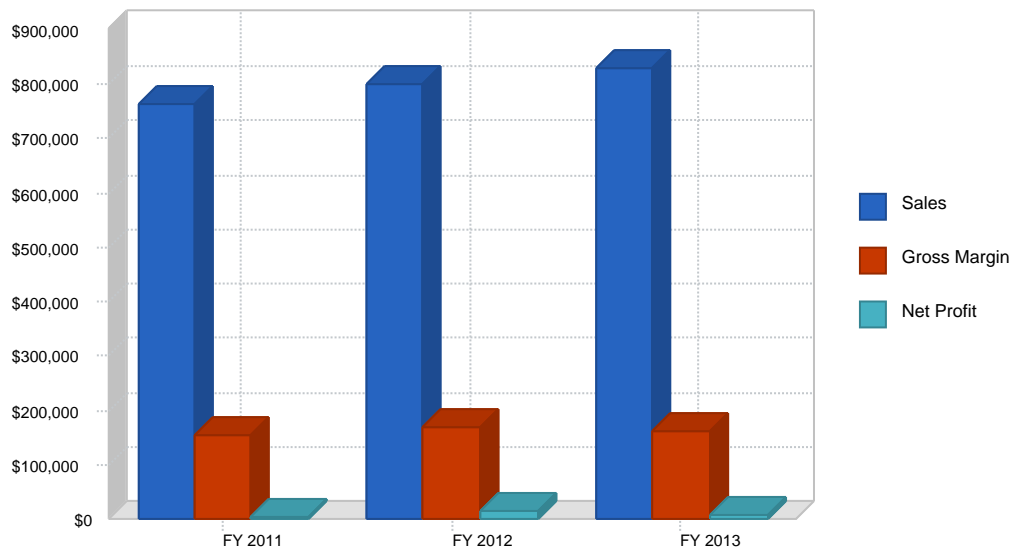
### Company Goals:

- Increase revenue by 30% by 2013.
- Increase product mix by 25%
- Add laundry service.
- Increase foot traffic by 12% annually.

Our company has been a minority own business for 40 years and has the backing of the local community. Our goal is to increase the product we offer in hopes of additional revenue from our already existing client and customer base.

## Chart: Highlights

### Highlights



### 1.1 Objectives

**COMPANY NAME** has established three firm objectives it wishes to achieve in the next three years:

- To capture an increasing share of the commuter traffic passing through.
- To offer our customers superior products, at an affordable price.

To provide customer service that is second to none.

### 1.2 Mission

The mission of **COMPANY NAME** is to offer commuters competitive gas prices and great food. The company will make a healthy profit for its owners and provide a rewarding work environment for its employees.

### 1.3 Keys to Success

- The keys to success for **COMPANY NAME** are:
- Good quality products at competitive prices.
- Excellent customer service that will promote customer loyalty.
- A location that will assure that commuters will stop.

## 2.0 Company Summary

**COMPANY NAME** is a convenience store and gas station in **[INSERT TOWN]**. **OWNER'S NAME** the current owner has seven years of experience in managing gas stations. **OWNER'S NAME** will focus on the commuters that pass through the town daily. They will offer its customers the best gas prices and quality food products.

### 2.1 Company Ownership

**OWNER'S NAME**, the owner and operator of the business has had over seven years of management and retail experience. The store was purchased by **OWNER'S NAME** from his father whom owned the store for over 40 years. The ownership of this store understands the importance of building relationships with the local community.

### 2.2 Company History

The **COMPANY NAME** store was formed as a sole proprietary company in 1970 in the state of **[INSERT STATE]** in the **[INSERT COUNTY]**. **COMPANY NAME** has been a minority owned and managed business for the last 40 years and has become a staple in the local community.

Table: Past Performance

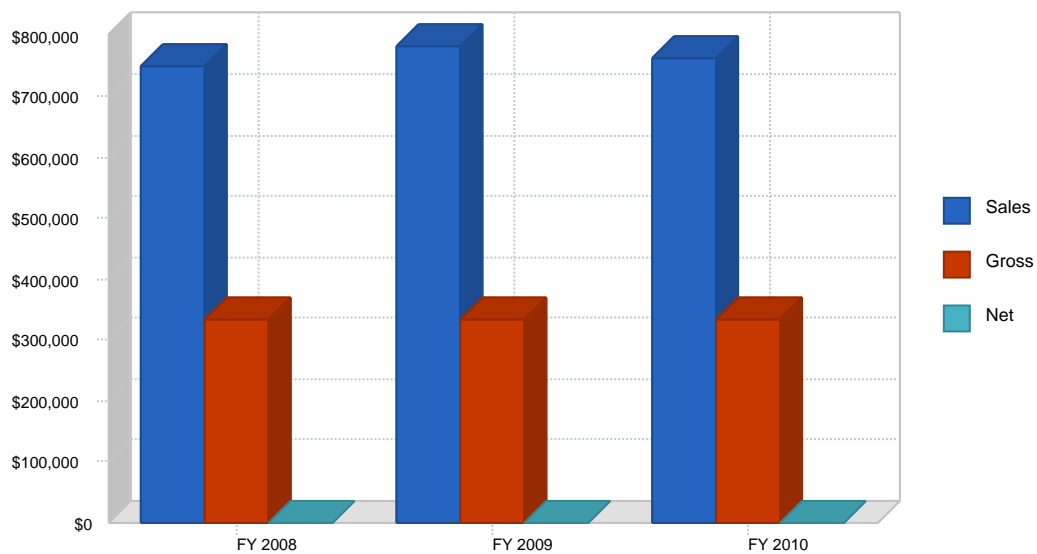
<i>Past Performance</i>			
	FY 2008	FY 2009	FY 2010
Sales	\$750,000	\$785,000	\$765,000
Gross Margin	\$335,000	\$335,000	\$335,000
Gross Margin %	44.67%	42.68%	43.79%
Operating Expenses	\$427,000	\$431,000	\$436,000
Collection Period (days)	0	0	0
Inventory Turnover	0.95	0.95	0.95
 Balance Sheet			
	FY 2008	FY 2009	FY 2010
 Current Assets			
Cash	\$10,000	\$10,000	\$10,000
Accounts Receivable	\$0	\$0	\$0
Inventory	\$7,100	\$7,100	\$7,100
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$17,100	\$17,100	\$17,100
 Long-term Assets			
Long-term Assets	\$150,000	\$150,000	\$150,000
Accumulated Depreciation	\$135,000	\$135,000	\$135,000
Total Long-term Assets	\$15,000	\$15,000	\$15,000
Total Assets	\$32,100	\$32,100	\$32,100



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	\$75,000	\$75,000	\$75,000
Retained Earnings	(\$42,900)	(\$42,900)	(\$42,900)
Earnings	\$0	\$0	\$0
Total Capital	\$32,100	\$32,100	\$32,100
Total Capital and Liabilities	\$32,100	\$32,100	\$32,100
Other Inputs			
Payment Days	0	0	0
Sales on Credit	\$0	\$0	\$0
<b>Receivables Turnover</b>	0.00	0.00	0.00

## Chart: Past Performance

Past Performance



### 3.0 Products

There are over 4000 different skews that are offered on a daily basis at the Discount Corner store. The following is a general list of products.

- Cooked food
- Snacks
- Drinks
- Fuel
- Tobacco
- Alcohol
- Ice cream
- Pet food

With the grant money they will be able to offer more products and services such as, groceries, and a laundry mat.

#### 4.0 Market Analysis Summary

[INSERT TOWN] is a small town in [INSERT STATE] it has about 365 people, 125 households, and 90 families residing in the town. The population density was 996.4 people per square mile. There were 139 housing units at an average density of 379.5/sq mi (145.0/km<sup>2</sup>). The racial makeup of the town was 35.07% White, 63.56% African American and 1.37% Native American. Hispanic or Latino of any race were 5.48% of the population. There were 125 households out of which 30.4% had children under the age of 18 living with them, 48.0% were married couples living together, 18.4% had a female householder with no husband present, and 28.0% were non-families. 24.0% of all households were made up of individuals and 13.6% had someone living alone who was 65 years of age or older. The average household size was 2.92 and the average family size was 3.47. In the town the population was spread out with 28.8% under the age of 18, 7.9% from 18 to 24, 25.8% from 25 to 44, 23.6% from 45 to 64, and 14.0% who were 65 years of age or older. The median age was 38 years. For every 100 females there were 85.3 males. For every 100 females age 18 and over, there were 89.8 males. The median income for a household in the town was \$35,227.

The median income for a family was \$36,932. Males had a median income of \$28,125 versus \$24,688 for females. The per capita income for the town was \$14,774. About 11.7% of families and 11.8% of the population were below the poverty line, including 12.8% of those under age 18 and 23.3% of those ages 65 or over

#### 4.1 Market Segmentation

According to U.S. government statistics there are over 17,000 outlets selling fuel and discount food. Briefly stated, these outlets fall into the following categories:

- commuters
- Local community
- Fast food consumers
- tobacco users
- alcohol users
- discount food buyers

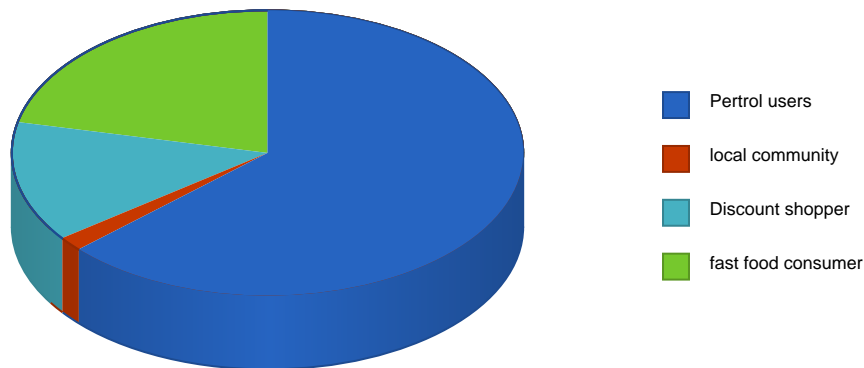
Table: Market Analysis

<i>Market Analysis</i>	2010	2011	2012	2013	2014

Potential Customers	Growth						CAGR
Petrol users	3%	14,375	14,806	15,250	15,708	16,179	3.00%
local community	1%	369	373	377	381	385	1.07%
Discount shopper	4%	3,125	3,250	3,380	3,515	3,656	4.00%
fast food consumer	4%	4,895	5,079	5,269	5,467	5,672	3.75%
<b>Total</b>	<b>3.27%</b>	<b>22,764</b>	<b>23,508</b>	<b>24,276</b>	<b>25,071</b>	<b>25,892</b>	<b>3.27%</b>

Chart: Market Analysis (Pie)

Market Analysis (Pie)



#### 4.2 Target Market Segment Strategy

**COMPANY NAME** will focus on becoming a routine stop for the commuter traffic, not just for those people who need gas, but for those who are looking for a healthy, tasty snack on their drive, or need to pick up some small grocery item on their way home. We will aim to be more than a gas station to its customers; it will be a friendly place to stop for tired commuters.

#### 4.3 Industry Analysis

The US gas station industry includes about 22,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about \$115 billion. Although no major companies dominate, large oil companies own some stations. The industry is fragmented: the top 50 companies hold 30 percent of industry sales. The industry includes some truck stops but excludes establishments that are combination gas station/convenience stores. The volume of consumer and commercial driving drives demand. The profitability of individual companies depends on the ability to secure high-traffic locations, generate high-volume sales, and buy gas at the lowest possible cost. Large companies have advantages in purchasing and finance. Small companies can compete effectively by having superior locations. The industry is capital-intensive. Average annual revenue per worker is about \$700,000. As more retailers added gas to their merchandising mix, the competitive landscape for gas stations expanded to include convenience stores, mass merchandiser, warehouse clubs, and grocery stores.

#### 4.3.1 Competition and Buying Patterns

Fuel for motor vehicles accounts for more than 80 percent of the industry sales. Major products sold include unleaded regular gas (about 60 percent of fuel sales) and diesel fuel (30 percent). Gas stations also sell unleaded mid-grade and unleaded premium gas. Truck stops tend to sell more diesel fuel, since most commercial vehicles run on diesel. Companies may offer repair services or car washes. Some truck stops offer food, phones, showers, and lounges. The buying pattern is very competitive and it is a price war for gas consumption.

### 5.0 Strategy and Implementation Summary

**COMPANY NAME** uses a strategy of total market service.

Assumptions:

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

#### 5.1 SWOT Analysis

Strengths of the business include great reputation with the community, gas station, large lot, huge potential, offers a variety of goods, essentially the cornerstone of the community. Weaknesses are attributed to an old infrastructure that composes the business. The weakness of the poor infrastructure includes a driveway deprived of paving and an old building since the inception of the business. Moreover, weakness can be attributed to out of service bathrooms, old gas pumps, business needs modernization (more advertising), not enough physical space, not enough inventory to compliment the needs of local consumers. Essentially, the remodeling of the business internally and externally will help alleviate many of the weaknesses in the business. The opportunity of the business lies in the fact that it has great potential in reviving the

economic situation and moral of many of the residents in the Northwestern Edgecombe County through the formation of more jobs for members of the community, shortening travel time and lessen travel expenses for prospective shoppers in Northwestern Edgecombe County, and the beautification of the community by alluring more passersby to stop and spend money in the community. Furthermore, the business' opportunity is more appealing due to its positioning in the center of the community. No threats to the business currently exist.

#### 5.1.1 Strengths

- Strong relationships with suppliers that offer credit arrangements, flexibility, and response to special product requirements.
- Excellent and stable staff, offering personalized customer service.
- Great retail space that offers flexibility with a positive and attractive, inviting atmosphere.
- Strong merchandising and product presentation.
- Good referral relationships with complementary vendors, local realtors, and some designers.
- In-store complementary products through "The Window Seat" and "Antique Bureau" add interest, stability and revenue.
- High customer loyalty among repeat and high-dollar purchase customers.

#### 5.1.2 Weaknesses

- Access to additional operating capital.
- Owners are still climbing the "retail experience curve."
- Location is not in a heavily traveled, traditional retail area.
- Challenges of the seasonality of the business.

### 5.1.3 Opportunities

- Growing market with a significant percentage of our target market still not knowing we exist.
- Strategic alliances offering sources for referrals and joint marketing activities to extend our reach.
- Promising activity from high levels of new home construction.
- Changes in design trends can initiate home updating, and therefore, generate sales.
- Increasing sales opportunities beyond our "100-mile" target area including several smaller communities that have produced a faithful following of customers.
- 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: including Target, Wal-Mart and Home Depot into our decorator fabric space.
- Competition from a national store; or a store with greater financing or product resources could enter the market.
- Continued price pressure due to competition or the weakening market reducing contribution margins.
- Dramatic changes in design, including fabric colors and styles, creates obsolete or less profitable inventory.

## 5.2 *Competitive Edge*

Our competitive edge come in the service and products we offer. Our company will be able to offer a full range of products like, cooked food, snacks, drinks, and gas fueling stations. With the expansion we will be able to offer groceries, sit in area, and laundry mat.

## 5.3 *Marketing Strategy*

The following sections illuminate the pricing, promotion and distribution strategies for **COMPANY NAME**.

## 5.4 *Sales Strategy*

**COMPANY NAME** will keep its gas prices competitive with other stations in a fifty mile radius of the station in order to attract t commuters. Customers that purchase more than \$10 worth of gas will be given 15% coupon on purchases in the store during the first

month of operation, to encourage purchases and to introduce them to the concept of buying quality organic foods at the gas station. They will also add to their already growing customer base by adding a much needed laundry mat and grocery section to the store.



#### 5.4.1 Sales Forecast

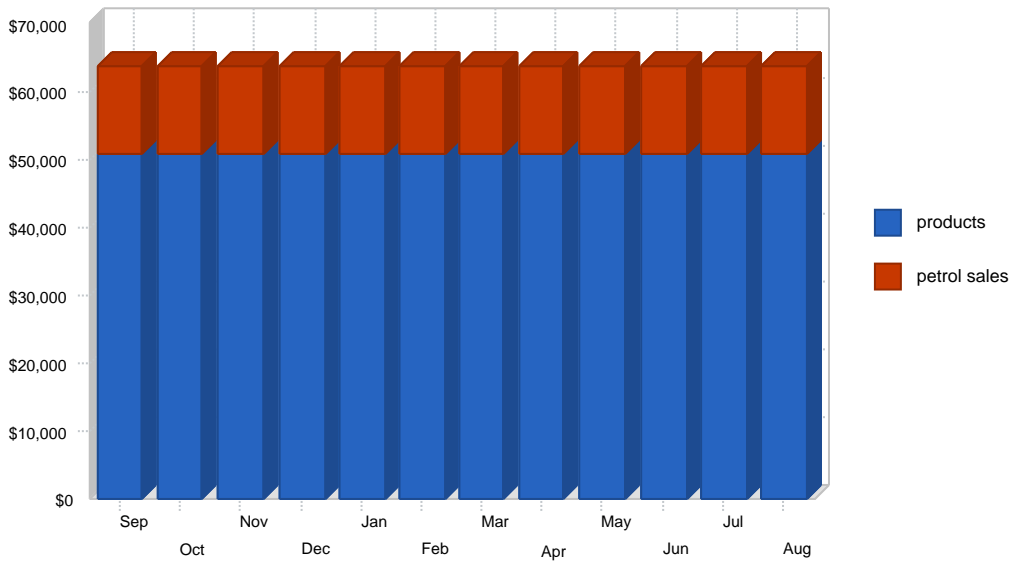
The following table and chart show the forecasted sales.

Table: Sales Forecast

<i>Sales Forecast</i>			
	FY 2011	FY 2012	FY 2013
Sales			
products	\$612,000	\$635,000	\$655,000
petrol sales	\$153,000	\$165,000	\$175,000
Total Sales	\$765,000	\$800,000	\$830,000
Direct Cost of Sales			
products	\$72,000	\$82,000	\$92,000
fuel	\$540,000	\$550,000	\$575,000
<b>Subtotal Direct Cost of Sales</b>	<b>\$612,000</b>	<b>\$632,000</b>	<b>\$667,000</b>

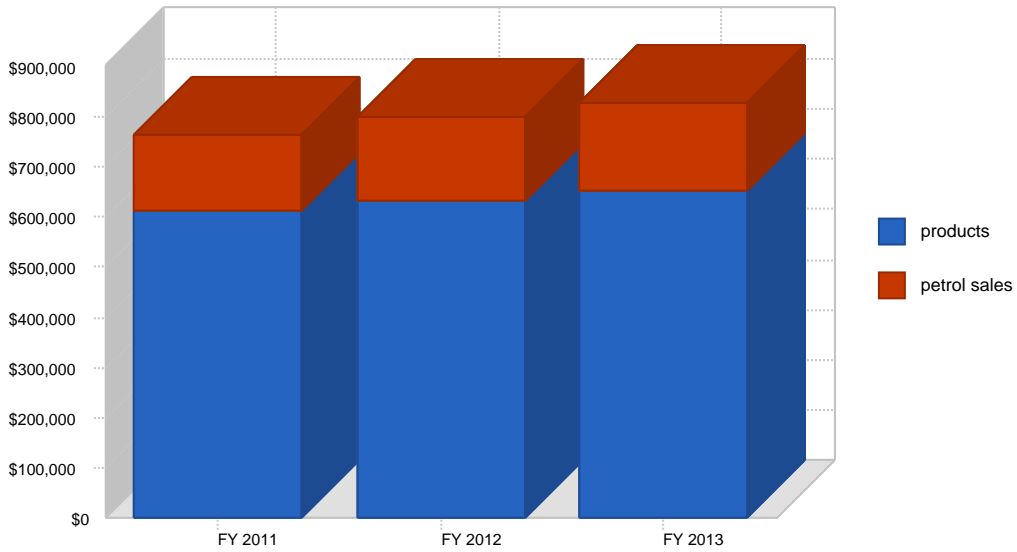
### Chart: Sales Monthly

Sales Monthly



### Chart: Sales by Year

Sales by Year



### 5.5 Milestones

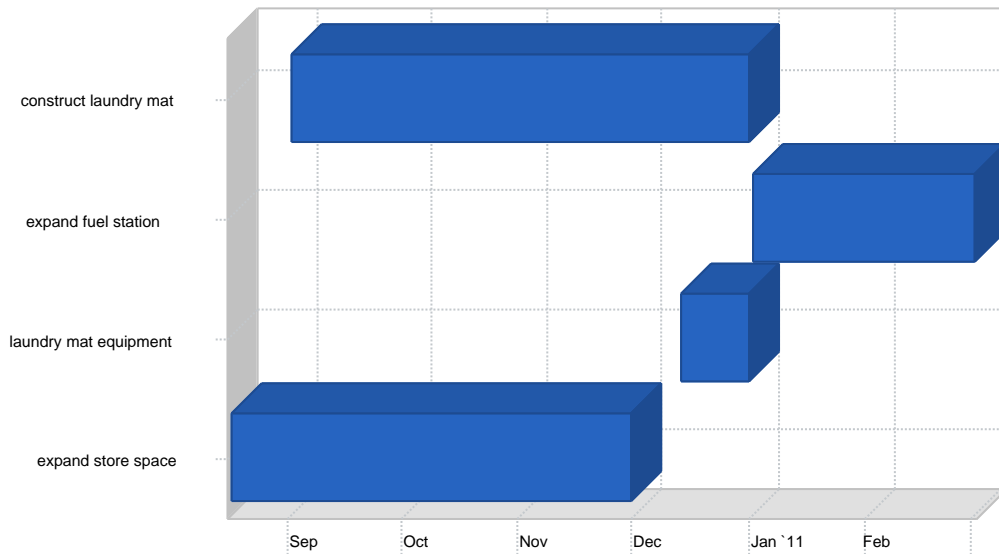
The accompanying milestone chart highlights our plan with specific dates. This schedule reflects our strong commitment to organization and detail.

Table: Milestones

<i>Milestones</i>					
Milestone	Start Date	End Date	Budget	Manager	Department
construct laundry mat	9/1/2010	12/31/2010	\$250,000	OWNER'S NAME	CEO
expand fuel station	1/1/2011	3/1/2011	\$100,000	OWNER'S NAME	CEO
laundry mat equipment	12/13/2010	12/31/2010	\$130,000	OWNER'S NAME	CEO
expand store space	8/16/2010	11/30/2010	\$185,000	OWNER'S NAME	CEO
<b>Totals</b>			\$665,000		

Chart: Milestones

Milestones



## 6.0 Management Summary

The role of management will be to oversee the future employees and to handle the financial aspect of the business, which includes purchasing supplies and paying necessary bills and employees.

### 6.1 Personnel Plan

The cornerstone of the personnel plan is to maximize productivity and minimize the labor burden on the company's operating expenses. As we grow, we expect to see steady increases in our personnel to match the increases in sales.

Table: Personnel

<i>Personnel Plan</i>			
	FY 2011	FY 2012	FY 2013
Payroll	\$73,500	\$75,000	\$75,000
Accountant/legal	\$12,000	\$12,000	\$12,000
Total People	3	3	3
<b>Total Payroll</b>	<b>\$85,500</b>	<b>\$87,000</b>	<b>\$87,000</b>

## 7.0 Financial Plan

- Growth will be moderate, cash balance always positive.
- Marketing will remain at or below 15% of sales.
- The company will invest residual profits into company expansion and personnel.

### 7.1 Important Assumptions

Payroll burden is calculated at 12.65% made up of 7.65% social security, 2% unemployment, and 3% worker's compensation. Payables are assumed to reach levels equal to one month's operating expenses. Accounts receivable are assumed to be 45 days, although sales terms are net 30 and some sales require some payment in advance.

### 7.2 Break-even Analysis

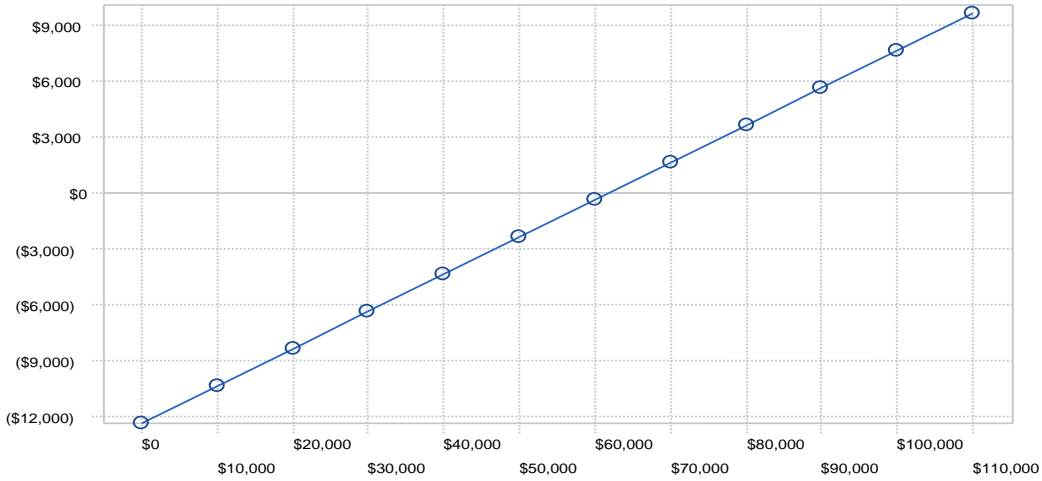
Our break-even analysis is summarized by the following chart and table.

Table: Break-even Analysis

<i>Break-even Analysis</i>	
Monthly Revenue Break-even	\$61,719
Assumptions:	
Average Percent Variable Cost	80%
<b>Estimated Monthly Fixed Cost</b>	<b>\$12,344</b>

## Chart: Break-even Analysis

Break-even Analysis



### 7.3 Projected Profit and Loss

The following chart and table will indicate projected profit and loss.

Table: Profit and Loss

<i>Pro Forma Profit and Loss</i>			
	FY 2011	FY 2012	FY 2013
Sales	\$765,000	\$800,000	\$830,000
Direct Cost of Sales	\$612,000	\$632,000	\$667,000
Other Costs of Sales	\$0	\$0	\$0
Total Cost of Sales	\$612,000	\$632,000	\$667,000
Gross Margin	\$153,000	\$168,000	\$163,000
Gross Margin %	20.00%	21.00%	19.64%
Expenses			
Payroll	\$85,500	\$87,000	\$87,000
Marketing/Promotion	\$7,200	\$8,000	\$8,000
Depreciation	\$0	\$0	\$0

Rent	\$30,000	\$30,000	\$30,000
Utilities	\$5,100	\$6,100	\$7,100
Insurance	\$7,500	\$7,500	\$7,500
Payroll Taxes	\$12,825	\$13,050	\$13,050
Other	\$0	\$0	\$0
<b>Total Operating Expenses</b>	<b>\$148,125</b>	<b>\$151,650</b>	<b>\$152,650</b>
<b>Profit Before Interest and Taxes</b>	<b>\$4,875</b>	<b>\$16,350</b>	<b>\$10,350</b>
<b>EBITDA</b>	<b>\$4,875</b>	<b>\$16,350</b>	<b>\$10,350</b>
Interest Expense	\$0	\$0	\$0
Taxes Incurred	\$731	\$2,453	\$1,553
<b>Net Profit</b>	<b>\$4,144</b>	<b>\$13,898</b>	<b>\$8,798</b>
<b>Net Profit/Sales</b>	<b>0.54%</b>	<b>1.74%</b>	<b>1.06%</b>

Chart: Profit Monthly

Profit Monthly

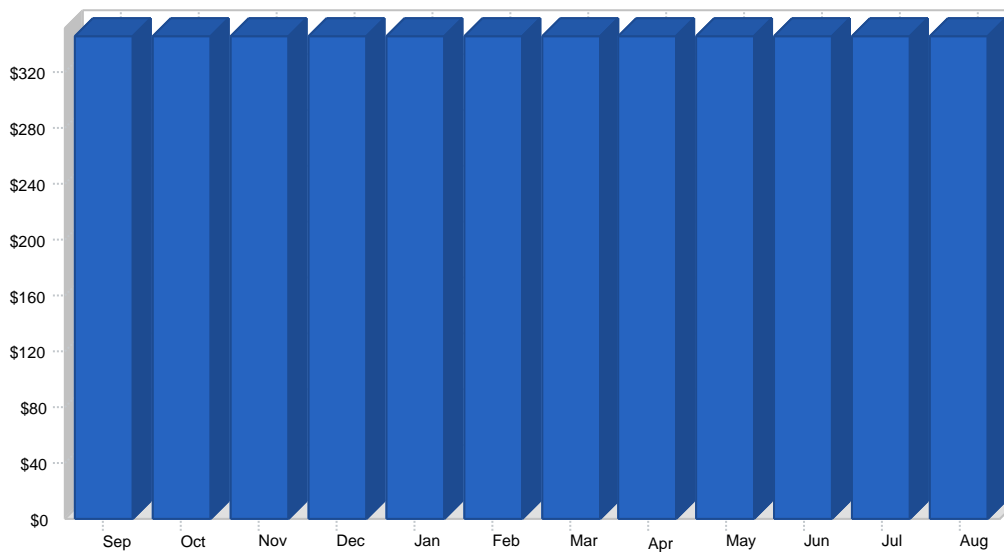


Chart: Profit Yearly

Profit Yearly

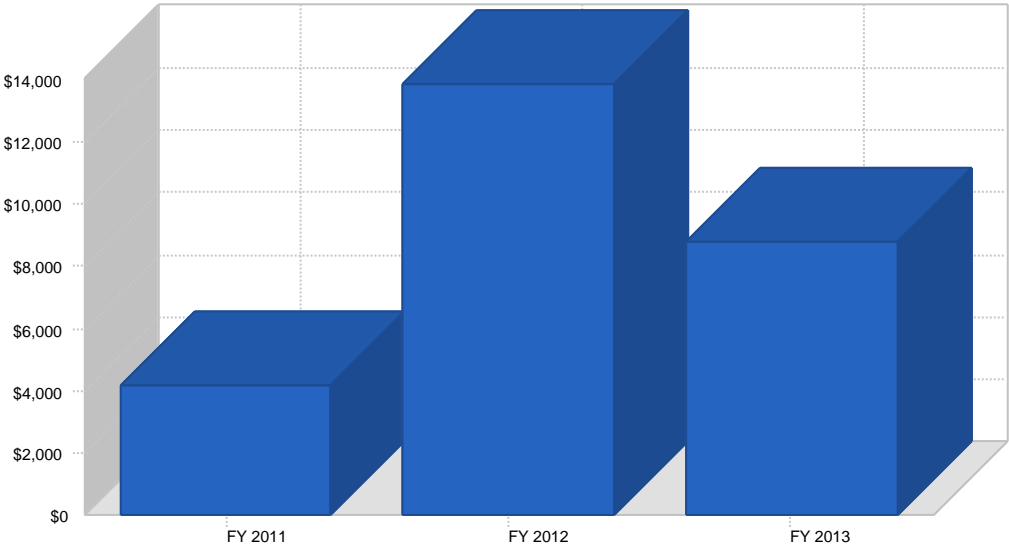
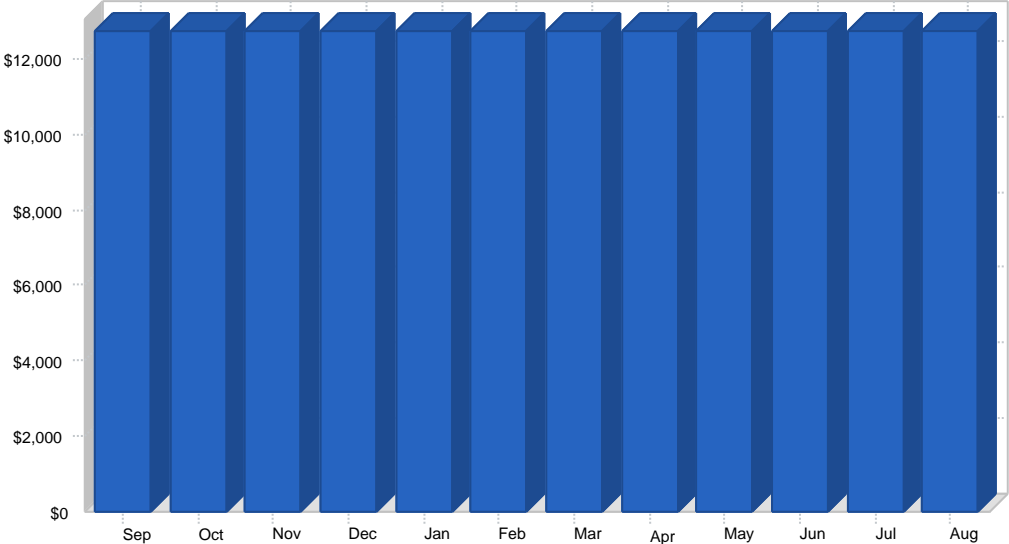


Chart: Gross Margin Monthly

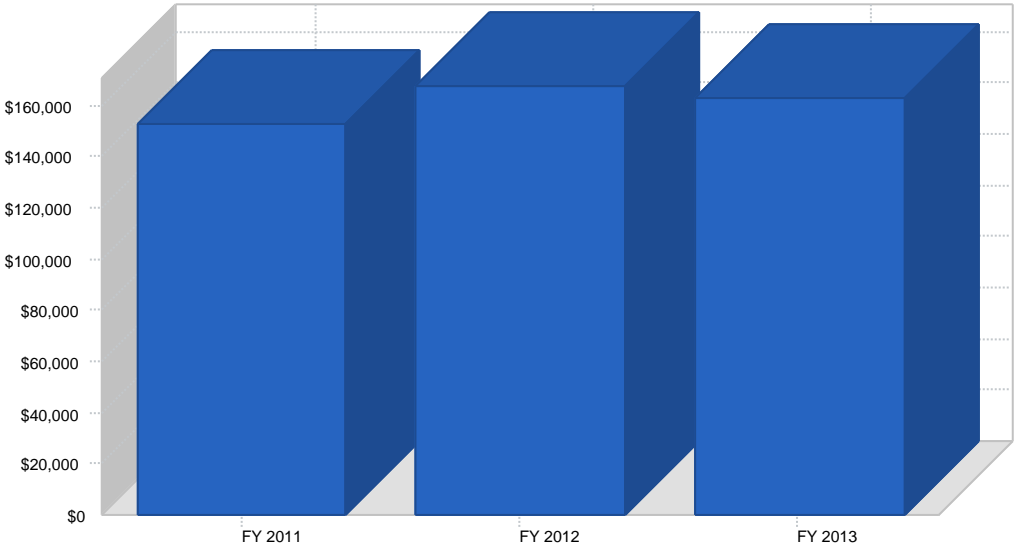
Gross Margin Monthly





# Chart: Gross Margin Yearly

Gross Margin Yearly



#### 7.4 Projected Cash Flow

Our projected cash flow is outlined in the following chart and table.

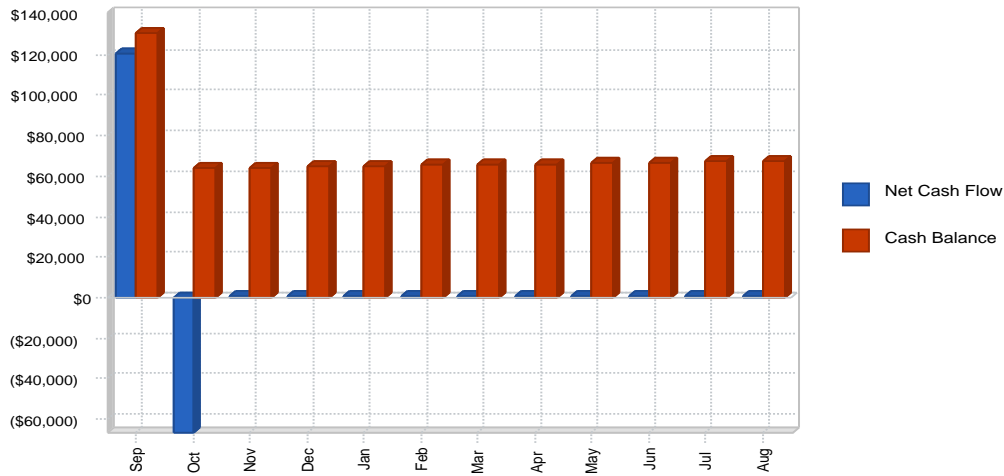
Table: Cash Flow

<i>Pro Forma Cash Flow</i>	FY 2011	FY 2012	FY 2013
Cash Received			
Cash from Operations			
Cash Sales	\$61,200	\$64,000	\$66,400
Cash from Receivables	\$647,105	\$733,406	\$761,377
Subtotal Cash from Operations	\$708,305	\$797,406	\$827,777
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	\$625,000	\$0	\$0
Subtotal Cash Received	\$1,333,305	\$797,406	\$827,777

Expenditures	FY 2011	FY 2012	FY 2013
Expenditures from Operations			
Cash Spending	\$85,500	\$87,000	\$87,000
Bill Payments	\$690,353	\$700,710	\$737,619
Subtotal Spent on Operations	\$775,853	\$787,710	\$824,619
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	\$500,000	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$0	\$0
Subtotal Cash Spent	\$1,275,853	\$787,710	\$824,619
Net Cash Flow	\$57,452	\$9,696	\$3,158
<b>Cash Balance</b>	<b>\$67,452</b>	<b>\$77,149</b>	<b>\$80,307</b>

## Chart: Cash

Cash



## 7.5 Projected Balance Sheet

The table below outlines the projected balance sheet.

Table: Balance Sheet

<i>Pro Forma Balance Sheet</i>			
	FY 2011	FY 2012	FY 2013
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$67,452	\$77,149	\$80,307
Accounts Receivable	\$56,695	\$59,289	\$61,512
Inventory	\$76,500	\$81,582	\$87,992
Other Current Assets	\$500,000	\$500,000	\$500,000
<b>Total Current Assets</b>	<b>\$700,647</b>	<b>\$718,019</b>	<b>\$729,811</b>
<b>Long-term Assets</b>			
Long-term Assets	\$150,000	\$150,000	\$150,000

Accumulated Depreciation	\$135,000	\$135,000	\$135,000
Total Long-term Assets	\$15,000	\$15,000	\$15,000
Total Assets	\$715,647	\$733,019	\$744,811
Liabilities and Capital	FY 2011	FY 2012	FY 2013
Current Liabilities			
Accounts Payable	\$54,404	\$57,878	\$60,872
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$54,404	\$57,878	\$60,872
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$54,404	\$57,878	\$60,872
Paid-in Capital	\$700,000	\$700,000	\$700,000
Retained Earnings	(\$42,900)	(\$38,756)	(\$24,859)
Earnings	\$4,144	\$13,898	\$8,798
Total Capital	\$661,244	\$675,141	\$683,939
Total Liabilities and Capital	\$715,647	\$733,019	\$744,811
<b>Net Worth</b>	\$661,244	\$675,141	\$683,939

### 7.6 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial.

Table: Ratios

<i>Ratio Analysis</i>	FY 2011	FY 2012	FY 2013	Industry Profile
Sales Growth	0.00%	4.58%	3.75%	0.90%
Percent of Total Assets				
Accounts Receivable	7.92%	8.09%	8.26%	3.08%
Inventory	10.69%	11.13%	11.81%	34.49%
Other Current Assets	69.87%	68.21%	67.13%	36.97%
Total Current Assets	97.90%	97.95%	97.99%	74.54%
Long-term Assets	2.10%	2.05%	2.01%	25.46%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities				
Current Liabilities	7.60%	7.90%	8.17%	19.85%
Long-term Liabilities	0.00%	0.00%	0.00%	60.99%
Total Liabilities	7.60%	7.90%	8.17%	80.84%
Net Worth	92.40%	92.10%	91.83%	19.16%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	20.00%	21.00%	19.64%	27.14%
Selling, General & Administrative Expenses	19.46%	19.26%	18.58%	10.03%
Advertising Expenses	0.94%	1.00%	0.96%	0.53%
Profit Before Interest and Taxes	0.64%	2.04%	1.25%	2.92%

Main Ratios				
Current	12.88	12.41	11.99	2.75
Quick	11.47	11.00	10.54	1.01
Total Debt to Total Assets	7.60%	7.90%	8.17%	80.84%
Pre-tax Return on Net Worth	0.74%	2.42%	1.51%	75.81%
Pre-tax Return on Assets	0.68%	2.23%	1.39%	14.53%
Additional Ratios	FY 2011	FY 2012	FY 2013	
Net Profit Margin	0.54%	1.74%	1.06%	n.a
Return on Equity	0.63%	2.06%	1.29%	n.a
Activity Ratios				
Accounts Receivable Turnover	12.41	12.41	12.41	n.a
Collection Days	29	29	29	n.a
Inventory Turnover	8.00	8.00	7.87	n.a
Accounts Payable Turnover	13.69	12.17	12.17	n.a
Payment Days	27	29	29	n.a
Total Asset Turnover	1.07	1.09	1.11	n.a
Debt Ratios				
Debt to Net Worth	0.08	0.09	0.09	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	\$646,244	\$660,141	\$668,939	n.a
Interest Coverage	0.00	0.00	0.00	n.a

---

Additional Ratios				
Assets to Sales	0.94	0.92	0.90	n.a
Current Debt/Total Assets	8%	8%	8%	n.a
Acid Test	10.43	9.97	9.53	n.a
Sales/Net Worth	1.16	1.18	1.21	n.a
<b>Dividend Payout</b>	0.00	0.00	0.00	n.a

---

[Go to Top](#)