How to Start a Grocery Store Business

By the BizMove.com Team

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A. Preliminary Analysis

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

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

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

Preliminary Analysis

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

General Personal Considerations

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

1. Do you like to make your own decisions?

2. Do you enjoy competition?

3. Do you have will power and self-discipline?

4. Do you plan ahead?

5. Do you get things done on time?

6. Can you take advise from others?

7. Are you adaptable to changing conditions?

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

8. Do you understand that owning your own business may entail working 12 to 16 hours a day, probably six days a week, and maybe on holidays?

9. Do you have the physical stamina to handle a business?

10. Do you have the emotional strength to withstand the strain?

11. Are you prepared to lower your standard of living for several months or years?

12. Are you prepared to loose your savings?

Specific Personal Considerations

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

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

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

General Project Description

1. Briefly describe the business you want to enter.

____

____

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

____

3. Describe who will use your products/services

____

4. Why would someone buy your product/service?

____

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

____

6. List your product/services suppliers.

____

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

____

____

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

____

B. Requirements For Success

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

1. Does the product/service/business serve a presently unserved need?

2. Does the product/service/business serve an existing market in which demand exceeds supply?

3. Can the product/service/business successfully compete with an existing competition because of an "advantageous situation," such as better price, location, etc.?

Major Flaws

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

1. Are there any causes (i.e., restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e., unreasonable cost, scare skills, energy, material, equipment, processes, technology, or personnel)?

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

3. Is adequate financing hard to obtain?

4. Are there potential detrimental environmental effects?

5. Are there factors that prevent effective marketing?

C. Desired Income

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

1. How much income do you desire?

____

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

____

3. What minimum income do you require?

____

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

____

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

____

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

____

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

____

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

D. Preliminary Income Statement

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

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

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

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

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

____

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

____

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

____

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

____

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

____

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

____

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

____

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

____

ANY BUSINESS, INC.

Condensed Hypothetical Income Statement
For year ending December 31

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

E. Market Analysis

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

Population

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

____

2. What is the population of these areas?

____

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

4. What is the average family size?

____

5. What is the age distribution?

____

6. What is the per capita income?

____

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

____

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

____

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

____

10. Can you appeal to the entire market?

____

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

____

F. Competition

1. Who are your major competitors?

____

2. What are the major strengths of each?

____

3. What are the major weaknesses of each?

____

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

Price structure?

____

Product lines (quality, breadth, width)?

____

Location?

____

Promotional activities?

____

Sources of supply?

____

Image from a consumer's viewpoint?

____

5. Do you know of any new competitors?

____

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

____

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

____

8. If so, why?

____

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

____

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

____

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

____

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

____

13. Can you compete with your competition?

____

G. Sales

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

____

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

____

3. Did you base your forecast on concrete data?

____

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

____

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

____

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

____

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

____

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

____

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

____

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

____

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

____

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

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

____

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

H. Supply

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

I. Expenses

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

Miscellaneous

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

J. Venture Feasibility

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

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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 you 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

			Percent of sale
Sales			100.00
Cost of Goods Sold			-64.92
Margin			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 realestate 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		-26.33	
Net operating profit		8.75	
Other income		1.65	
Net profit before income taxes		10.40	

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

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

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

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

Cash Forecast

A budget helps you to see the dollar amount of your expected revenue and expenses each month. Then from month to month the question is: Will sales bring in enough money to pay for the store's bills? The owner-manager must prepare for the financial peaks and valleys of the business cycle. A cash forecast is a management tool that can eliminate much of the anxiety that can plague you if your sales go through lean months. Use the following format.

Estimated Cash Forecast

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

*This balance is your starting figure for the next month

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

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

Control and Feedback

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

Don't wait twelve months for the score. To keep your plan on target you need readings at frequent intervals. An income statement compiled at the end of each month or at the end of each quarter is one type of frequent feedback. Also you must set up management controls that help you insure that the right things are done each day and week. Organization is needed because you as the owner-manager cannot do all the work. You must delegate work, responsibility, and authority. The record keeping systems should be set up before the store opens. After you're in business it is too late.

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

Stock Control

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

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

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

Sales

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

Receipts

Break out your receipts into receivables (money still 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:

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

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?

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

Is Your Plan Workable?

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

Take time to re-examine your plan before you back it with money. If the plan is not workable, better to learn it now than to realize 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 Grocery Store Business Plan Template

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APPENDIX

1.0 Executive Summary

COMPANY NAME is a small town supermarket located in Mountainair, New Mexico.

COMPANY NAME

Owner: INSERT NAME

INSERT ADDRESS

Phone:

Email:

Being a sole community provider, the market offers grocery products to the local community and surrounding area of approximately 4,000 citizens. Often referenced as a pillar of the community, the community's viability is dependent upon the success of their local market. Without a successful pillar, such as the market, the community would falter and gradually deteriorate. It has been frequently referenced that a healthy community is dependent upon the success of its businesses.

The market is seeking grant funding to assist with greater development efforts and to provide opportunities for further growth. The building was erected in the 1920's and has received limited upgrades to support the need for energy efficient building infrastructure and equipment. This funding will provide the necessary first steps for improving and expanding the services and enhancing the markets continued success in the community.

Prior to March 1, 2007, annual sales of the market topped $500,000 with net incomes of approximately $15,000. With only minor enhancements to the market and the addition of product, annual sales have topped $1.1 million and net income has grown to over $60,000 annually. The community has responded positively to minor changes to the market and continues to praise the owners for "saving their community."

COMPANY NAME is anticipating the receipt of funding in the amount of $600,000 in the 3rd or 4th quarter of 2010 to finance the upgrades and additions to the market.

Chart: Highlights

1.1 Objectives

1. Expand building to increase product selection and services.
2. Replace existing equipment in facility to provide an energy efficient environment.
3. Introduce deli/coffee shop by creating commercial kitchen, involving local patrons to prepare local favorites.
4. Restore building's historical charm by providing necessary building upgrades.
5. Boost image and awareness by establishing baseline customer satisfaction of **100%**.

1.2 Mission

COMPANY NAME is committed to satisfying customers by providing a broad selection of high quality and competitively priced products as well as exceptional customer service. The focus of COMPANY NAME is to create an environment that is warm, friendly, and clean. We are committed to our employees by treating them with respect, fairness and integrity and exposing them to an atmosphere that fosters teamwork and professional development.

The suppliers of COMPANY NAME are also partners in the success of the company and we expect the same in return. It is our responsibility to be active stewards in our communities and to promote local involvement.

1.3 Keys to Success

The keys to success for COMPANY NAME are:

- Quality products and friendly service.
- Maintaining existing loyal customer base.
- Creating a positive relationship within the community.

2.0 Company Summary

The building that is currently home to COMPANY NAME was originally the local community bakery The building was constructed in the 1920's and then transformed into the general mercantile store in the 1950's and continued as such until the 1980's. Because of distributor requirements to order certain quantities, the store dropped non-food items and continued to sell only food items, health/beauty, and household goods.

COMPANY NAME, originated on March 1, 2007. The business partners structured the business into two corporations; COMPANY NAME is the grocery business and INSERT NAME purchased owns the building the COMPANY NAME leases for the business. The lease is self renewing and is $1,710.00 monthly. The building is approximately 7,000 sq. ft. of which approximately 5,500 sq. ft. is actual product display and the remainder is warehouse/storage. Adjacent to the building is the store parking lot. The grocery store provides a broad range of store brand and national products of general grocery items. Because of the diverse population, the store also contains several gourmet and natural/organic products and produce. The owners of COMPANY NAME have partnered with local produce and meat farms to make local products available to the community. All meat is cut locally and is sold fresh daily. Several customers travel for miles to purchase the bologna and Longhorn Colby cheese as well as other meats and cheeses. The customers have confirmed their loyalty to our market by stating, that they will not purchase meat form any other market.

2.1 Company Ownership

COMPANY NAME is a limited liability corporation owned and operated by INSERT NAME(s) each with a 50% share of ownership

2.2 Company History

COMPANY NAME was purchased by the current owners INSERT NAME(s) in March 2007. The annual sales were approximately $500K with a net income of approximately

$15K. After installing new shelving, increasing product selection, and including bi-weekly sales, COMPANY NAME has more than doubled annual sales and has shown a net income of approximately $60K for the past two years.

Table: Past Performance

Past Performance			
	2007	2008	**2009**
Sales	$733,439	$1,159,101	**$1,220,803**
Gross Margin	$125,004	$297,359	**$333,947**
Gross Margin %	17.04%	25.65%	**27.35%**
Operating Expenses	$257,014	$234,971	**$269,735**
Inventory Turnover	15.37	19.06	**17.44**
Balance Sheet			
	2007	2008	**2009**
Current Assets			
Cash	$30,563	$57,400	**$80,328**
Inventory	$39,594	$50,851	**$50,851**
Other Current Assets	$3,656	$3,595	**$44,492**
Total Current Assets	$73,813	$111,847	**$175,671**
Long-term Assets			
Long-term Assets	$85,255	$86,031	**$94,357**
Accumulated Depreciation	$85,255	$86,031	**$94,357**
Total Long-term Assets	$0	$0	**$0**
Total Assets	$73,813	$111,847	**$175,671**

Current Liabilities			
Accounts Payable	$0	$0	**$22,301**
Current Borrowing	$0	$0	**$35,000**
Other Current Liabilities (interest free)	$13,548	$0	**$3,706**
Total Current Liabilities	$13,548	$0	**$61,007**
Long-term Liabilities	$0	$0	**$39,454**
Total Liabilities	$13,548	$0	**$100,461**
Paid-in Capital	$182,454	$43,025	**$43,025**
Retained Earnings	($339,454)	$45,179	**$2,041**
Earnings	$217,265	$23,643	**$30,145**
Total Capital	$60,265	$111,847	**$75,211**
Total Capital and Liabilities	$73,813	$111,847	**$175,671**
Other Inputs			
Payment Days	**30**	**30**	**30**

Chart: Past Performance

3.0 Products and Services

COMPANY NAME is a small community grocery store that offers store brand and national brand products. We offer a meat department where fresh cuts are available daily and there are no pre-package meats for sale. The store offers home delivery for local residents that are unable to travel to the store for grocery items. Because of the diversity of the community, gourmet specialty items and natural/organic food products are available. Supporting "local" is a firm belief of the owners and therefore; have partnered with local farmers for produce and natural/grass fed beef and buffalo. COMPANY NAME also serves its customers by special ordering items that are not available within the store or that cannot be found at a competitor location.

COMPANY NAME list of services and customer conveniences include:

- ATM services
- Purified water treatment machine
- The only automated lottery machine in the community
- Central pick up location for United Parcel Services
- Copying and faxing machines

Once funds are received, the kitchen will be upgraded to a commercial facility. The upgraded kitchen will allow for single serve prepared foods to be sold. The residents of the community prepare dishes that everyone enjoys, so the owners of COMPANY NAME will request residents to prepare local favorites, such as breakfast burritos, green/red chili, tamales, pasole, etc. and sell in the market to the community. A future endeavor of COMPANY NAME will be to construct a casual dining area indoors as well as a patio seating area for coffee/breakfast pastries, deli sandwiches and soup. The owners are also interested in providing money grams, becoming a full service shipment center, partnering with local artists within the community to display mosaics on exterior store wall, and partnering with local groups to host a farmer's market in the parking lot during the peak growing season.

4.0 Market Analysis Summary

Mountainair, NM is located approximately 70 miles from Albuquerque and 90 miles from Santa Fe, which is appealing to many home and property buyers who prefer country charm while being close to certain amenities. Mountainair and the surrounding community consist of a diverse population. In the 1950s/60s Mountainair was noted as the Pinto Bean capital, but due to drought and limited annual rainfall, the pinto bean farms have dwindled over the years. A number of cattle and a few sheep ranches make up the majority of the surrounding community. Mountainair has a local artist community, which attracts tourists and surrounding residents to the gallery and the annual Sunflower Festival. Deer Canyon Preserve is a development on the outskirts of Mountainair with approximately 300 building sites for sale. The development has attracted retired executives from around the US, who are building $500K + homes. The remainder of the local community is primarily the lower socioeconomic status and requires government assistance for daily living expenses. Surrounding communities of Punta de Agua, Manzano, Willard, Tajique, and Torreon commute to Mountainair to conduct business.

Nearest cities: Manzano, NM (13.3 miles) , Willard, NM (13.6 miles), Torreon, NM (16.8 miles), Tajique, NM (20.1 miles) , Punta de Agua, NM (7.4 miles)

4.1 Market Segmentation

Mountainair residents - This segment consists of the permanent residents with an average household size of 2.5 people. The age ranges from infants to retirees with 57% being age 25 and older. Their average household income is $29,072.

Punta de Agua residents - This segment consists of the permanent residents with an average household size of 3.1 people. The age ranges from infants to retirees with 58% being age 25 and older. Their average household income is $27,777.

Tajique residents - This segment consists of the permanent residents with an average household size of 3.1 people. The age ranges from infants to retirees with 53% being age 25 and older. Their average household income is $38,453.

Willard residents - This segment consists of the permanent residents with an average household size of 2.5 people. The age ranges from infants to retirees with 71% being age 25 and older. Their average household income is $28,642.

Torreon residents - This segment consists of the permanent residents with an average household size of 4.1 people. The age ranges from infants to retirees with 35% being age 25 and older. Their average household income is $27,976.

Manzano residents - This segment consists of the permanent residents with an average household size of 3.2 people. The age ranges from infants to retirees with 60% being age 25 and older. Their average household income is $18,904.

All market segments visit the store regularly for the grocery needs. COMPANY NAME is open year round for the customer's convenience.

With the economic downturn, real estate development has been extremely slow. New Mexico is a prime area for green energy development.

In 2009, a wind turbine farm was created just 15 miles from Mountainair, which created several temporary jobs and greatly benefited the community. There will be another green energy firm developing later in 2010 and will provide approximately 30 permanent jobs for Mountainair and outlying community residents. This new project and the short distance to Albuquerque and Santa Fe will attract potential families and increase the number of new residents in the community for a long time to come.

Table: Market Analysis

Market Analysis							
		2010	2011	2012	2013	2014	
Potential Customers	Growth						**CAGR**
Mountainair residents	3%	1,736	1,788	1,842	1,897	1,954	**3.00%**
Tajique	3%	474	488	503	518	534	**3.02%**
Willard	3%	240	247	254	262	270	**2.99%**
Punta de Agua	3%	469	483	497	512	527	**2.96%**
Torreon	3%	298	307	316	325	335	**2.97%**
Manzano	3%	60	62	64	66	68	**3.18%**
New Residents	3%	30	31	32	33	34	**3.18%**
Total	**3.00%**	**3,307**	**3,406**	**3,508**	**3,613**	**3,722**	**3.00%**

Chart: Market Analysis (Pie)

4.2 Target Market Segment Strategy

Most residents in the target segments have become accustomed to driving to Belen, Los Lunas, or Albuquerque for most of their grocery, hardware, and other needs. The larger chain stores such as Wal-Mart, Albertsons, etc. have attracted residents because of product selection, cost, one stop shopping, etc. COMPANY NAME is used primarily as a secondary store for such items as a gallon of milk, bag of flour, or a loaf of bread.

When the owners purchased the COMPANY NAME in 2007, they immediately identified an eclectic community with a variety of needs such as, high end, gourmet, natural, organic, name brand, and low cost items. It is challenging to identify the right mix of products to attract this eclectic audience, which is proof in and of itself there is a definite need for a local grocery store. The significant increase in annual sales is a clear indication that the market has no difficulty attracting customers. Once the local developments begin to accelerate, it will change the dynamics of the community and bring in new residents, therefore; the business will need to change and to accommodate the new residents for continued success.

All market segments are equally important to the success of the store and must be targeted as segments that demand a marketing strategy.

4.3 Service Business Analysis

COMPANY NAME seeks to be a one stop shop for the local community, whether it be copying, faxing, shipping, or just daily shopping, we want local residents to know that we will be able provide for their diverse needs in a store with them in mind.

4.3.1 Competition and Buying Patterns

The customer base of COMPANY NAME is very diverse in that there is a group of general customers that just purchase store brand and national brand products, another group high end customer who request select gourmet products, such as capers, anchovies, specialty sugars, and the like and the cost for these items is approximately $150.00/month, and finally healthy choice customers who request a selection of natural/organic products, the cost for these items is approximately $2000.00/month. In order to maintain our customer loyalty base and continue to increase sales revenue, we make these products available. The community has become accustomed to these products and expects them to continue.

Depending upon the size of the community, there may be several stores to choose from. Larger communities, such as Albuquerque, have several larger chain grocery stores as well as smaller specialty/gourmet stores, whereas, a small community may have a single grocery store, or possibly two stores to choose from.

BUSINESS PARTICIPANTS

The grocery industry is extremely competitive with the rise of hyper marts, convenience stores, and food/drug stores all competing for the same customers. This presents even greater challenges for small town grocery stores to compete with the larger chain stores. In order to compete, stores oftentimes cut costs; however, smaller grocery stores have limited profit margins and room to cut costs in order to remain profitable.

Ready-to-eat items and niche markets (ethnic, natural/organic) are a prime growth area for supermarkets.

Supermarket success is dependent upon economic conditions, as changes in consumer spending and market conditions affect profitability.

DISTRIBUTION PATTERNS

Small community grocery stores must be a part of a larger distribution network. Depending upon the area of the country, there are regional distributors that will service their stores. As in the case of COMPANY NAME, a regional distributor in Albuquerque provides bi-weekly service to the market. Grocery orders are placed with General Distributors, Inc. (GDI)) twice weekly and products are delivered on Monday/Wednesday the following week.

Rather than purchase every product from the distributor, if available, the owners of COMPANY NAME have partnered with other local distributors to provide fresh produce, meats, cheeses, and natural organic products for the community.

A major factor in deciding to pursue the purchase of the grocery store was sustainability. Because food is an item that everybody must consume, the owners determined that in poor economic times a grocery business will still be profitable, all be it, not as profitable as it could be in good economic times, thus, the decision to purchase this type of business (rather than restaurant). In other words, the food industry is not impervious to peril; however, if you run the business well, you will sustain tough economic times and larger competition. Small community grocery stores are similar to larger chains, in that, you are connected to a distribution warehouse to provide you with product. There are several grocery distributors in the US. You just need to identify a distributor that provides service to your community. Start up costs was a factor in determining the grocery distributor. Several require certain upfront costs and a commitment of certain $$ amount of weekly service, the owners selected General Distributors, Inc. out of Albuquerque to provide bi-weekly service to the community market. The proximity and lower service fees were a contributing factor. Summarizing, a grocery store must be a part of a larger distribution network to receive product deliveries.

Consumers purchase products based on cost, availability, freshness, and convenience. Certainly it is convenient to have a local grocery store rather than commute 45 miles to the nearest Wal-Mart or other large chain store. On the other hand, items will be priced somewhat higher. A number of factors will determine the higher cost. 1) a small town grocery store does not have the turnover volume of a larger food chain; 2) products are purchase via possibly several middle handlers that all need a piece of the financial pie (larger chains will work directly with manufacturers that cut out middle handlers); and 3) space is limited to carry only items with rapid turnover, thus limiting product selection.

Major competitors in the area are Wal-Mart, Albertson's, Smith's, Lowe's, Family Dollar, and Costco/Sam's. Although a small community grocery store cannot begin to compete with the larger chains, there are two other small community grocery stores that are similar to COMPANY NAME. Sturgis Market and Moriarty Foods are similar in size and have similar competitors

Because the community is primarily of lower socioeconomic status, price is a major factor in their product selection. If the price is right, the consumer will purchase the product. Bi-monthly sales have helped the market attract more local customers. To some consumers in the community, name brand is important. However, majority of consumers are accustomed to store brand and will purchase it for cost. The nearest grocery store is approximately 40 miles from Mountainair.

MAIN COMPETITORS

Although the following chains are a significant competition, a small community grocery store cannot even begin to compete with the large chains. Thus I prefer to compare COMPANY NAME to smaller community grocery stores such as INSERT NAME(s). However, most consumers shop at the larger national chains.

Wal-Mart – A national chain with direct and volume purchasing power. Lower cost and brand image is a significant strength. A weakness is that they manufacture products in China, which to several consumers is a detriment. They have own their own brand, which can be offered a much lower pricing that other store brand products. Wal-Mart is a huge impact not only to the small community stores, but also the larger chains that compete in the same market. Shopping experience is a factor for the consumer. Strategy appears to be that of matching any competitor's price.

INSERT NAME(s) - A national chain with direct and volume purchasing power and offer most every product that is available for purchase.

Costco/Sam's Club - A national chain with direct and volume purchasing power to offer bulk items at competitive pricing.

5.0 Web Plan Summary

COMPANY NAME 's website will be the virtual business card and portfolio for the market, as well as its online home. The web site will provide information about the market (mission, vision, etc.) and to be a resource for nutritional related topics. There will be links to "sign up" for news and updates, access current sales ad, local and surrounding community events with a food/nutrition flare, educational resources regarding buying local, organic, pesticide free, etc.

5.1 Website Marketing Strategy

A large segment of the local community do not have access or the knowledge to access the internet, thus, an internet only blitz would reach the Internet savvy people of the community. Several customers have suggested an email blitz (weekly, bi-weekly, monthly….) with new items and updates at the market. There are residents from several local communities that shop at the market. Targeting those audiences with mailers would inform them with news/updates from the market as well as to keep the market "fresh in their minds." By creating a web site, there would be a connection to the local Chamber of Commerce web page, that receives up to and oftentimes exceeding 1000 hits per month. Word of mouth is an effective method to get the word out in a small community, such as Mountainair. Residents communicate with each other and can certainly benefit or be a detriment to your business, as comments can influence others to perform similarly.

5.2 Development Requirements

Website development has been discussed; however, never implemented. The domain name bstreemarket.com is reserved for web site development. Considerable thought has been given to the content of the web page and the services of a local webmaster have been engaged to discuss the web page vision.

6.0 Strategy and Implementation Summary

We have clearly defined the target markets and have differentiated ourselves by offering a unique solution to our customers' needs. Our sales and marketing strategy will be a combination of community mailers as well as Internet email blasts. Reasonable sales targets have been established with an implementation plan designed to ensure the goals set forth below are achieved.

6.1 SWOT Analysis

COMPANY NAME has a valuable inventory of **strengths** that will help it succeed. These strengths include: a positive cash flow, major highway location, and fresh cut meats daily. Strengths are valuable, but it is also important to realize the **weaknesses** COMPANY NAME must address. These weaknesses include: inferior cooling and freezer units, and limited grocery deliveries.

COMPANY NAME's strengths will help it capitalize on emerging opportunities. These **opportunities** include, but are not limited to, offering prepared foods and a deli for consumers, growing population within the community, and indoor/outdoor dining for consumers. **Threats** that COMPANY NAME should be aware of include, larger store chains, and emerging local competitors.

6.1.1 Strengths

The strength's of COMPANY NAME include:

- Finances - We have positive cash flow, net income, and approximately $35K reserve for emergency

- Building - We are located on major highway, 1920's historic building with charm and ambiance
- Product Selection - We have the basic grocery needs for variety of consumers
- Owners attributes/values - detail oriented, hard working, educational background
- Meet Department - customers come for miles around to purchase fresh cut meat daily

6.1.2 Weaknesses

The weaknesses of COMPANY NAME include:

- Inferior cooling and freezer units- current systems has limited capacity for products and frequently breaks down.
- Shopping experience - store is in need of interior and exterior upgrades to improve consumer's overall shopping experience.
- Inability to compete with larger national chains.
- Limited grocery deliveries - The market receives deliveries only twice weekly.

6.1.3 Opportunities

The opportunities of COMPANY NAME include:

- Offering prepared foods and a deli for consumers
- Growing population within the community
- Indoor/outdoor dining for consumers

6.1.4 Threats

- Larger store chains - The larger store chains have attracted customers and can be a distraction to increasing sales.
- Emerging local competitors- If community continues to grow, this would be prime location for Dollar General or similar type store to open.
- Price increases by suppliers - When gas prices are escalating, suppliers add fuel surcharges and prices increase to the point consumers had to choose whether or not to purchase an item.

6.2 Competitive Edge

The market is the only grocery store in the community. The momentum for success is strong in the market and the community continues to voice support.

6.3 Marketing Strategy

Establish web site that is available to all who have the ability to access it, also provide email blasts and mailers to target segments that announce new products and demos.

6.4 Sales Strategy

A bi- weekly sales ad is distributed in advance of the sale. The bi-weekly ad is created by a distributor and has pre-planned sale items with an option to include your sales items as well. Prior to purchasing the business, we engaged a graphics design artist to develop the business logo and logo colors. Most recently, we engaged a sign company to create the store sign. Plans include business cards, web page, and letterhead.

Ordering the correct product selection and quantity can be challenging. It is the plan of COMPANY NAME to optimize the method for ordering while selecting the right product mix for the consumer, by introducing new products via product demos for the consumers to taste. Currently, the owners obtain consumer feedback regarding product, use direct mailing, and Internet blasts to announce the introductions of the products and/or services.

The owners of COMPANY NAME have always had a vision to create a commercial kitchen and to prepare items for take-out and a limited in-house menu with gourmet and unique options. Upgrading to a commercial kitchen, opening up the casual dining area and the outdoor seating patio would be unlike any other in Mountainair. The majority of the population has not been introduced to foods that are not unique to the local area. The owners also would like to introduce new and unique foods to the locals at reasonable prices. Mountainair recently opened a coffee shop that offers gourmet coffee, deli sandwiches, and soups, which would be a competitor. In addition to the commercially prepared foods, the owners would also like to add rotisserie prepared meats. Over the past two years, customers have requested rotisserie prepared chicken. Locally, a small convenient store offers rotisserie prepared meats upon request. The community is located on a major highway and offers Pueblo ruins that attract tourists to the area. In addition to tourists, the demand for prepared frozen foods is a major sales item in the market. Knowing that prepared foods are a demand, the addition of a different type of prepared food (perhaps beginning with pizza and lasagna, etc.) would be attractive to the entire community. Other gourmet meals would be attractive to other segments of the population. The community does not have an outdoor dining area. The "backyard" to the store is a great venue for an outdoor dining experience.

6.4.1 Sales Forecast

Although the business is relatively new, sales have increased by approximately 100K each year. By introducing prepared foods and a deli, the owner anticipate a greater increase in sales revenue.

Table: Sales Forecast

Sales Forecast			
	2010	2011	**2012**
Sales			
Food Items	$1,200,920	$1,250,000	**$1,300,000**
Non Food Items	$154,186	$160,000	**$165,000**
Prepared Foods	$5,036	$6,000	**$7,000**
Total Sales	$1,360,143	$1,416,000	**$1,472,000**

Direct Cost of Sales	2010	2011	**2012**
Food Items	$49,667	$55,000	**$60,000**
Subtotal Direct Cost of Sales	**$49,667**	**$55,000**	**$60,000**

Chart: Sales Monthly

Chart: Sales by Year

6.5 Milestones

The building and equipment are in desperate need of upgrades. With the receipt of grant funding to make the necessary improvements, the business can expand the services and products while enhancing the shopping experience. By developing a web page, the market will have the ability to communicate with a wide audience in technological advanced ways.

Once grant funding is received the owners of COMPANY NAME will accomplish the items in following detailed list:

- Installation of the following energy efficient items, display coolers and freezers, walk-in coolers and freezer, heating/cooling system, ceiling/tile insulation, windows, and doors
- Reduce debt to prior owner
- Install indoor/outdoor security system
- Upgrade electrical and plumbing
- Install new store lighting
- Parking lot refinish
- Refurbish 1920's hardwood floor
- Upgrade cash register system
- Install exterior signs
- Upgrade kitchen to commercial facility to prepare deli/take-out
- Casual dining area / patio dining area

Table: Milestones

Milestones			
Milestone	Start Date	End Date	Budget

Obtain grant funding	9/6/2010	11/30/2010	
Pay off loan to previous owner	12/1/2010	12/1/2010	$18,944
Advertising / Marketing	12/1/2010	12/31/2010	$35,000
Perform interior / exterior refurbishing/ Parking lot refinish	12/1/2010	2/28/2011	$275,000
Replace coolers and freezers	12/1/2010	2/28/2011	$100,000
Establish Commercial Kitchen	12/1/2010	2/28/2011	$75,000
HVAC Installation	12/1/2010	2/28/2011	$50,000
Install Security System	1/3/2011	1/17/2011	$5,000
Casual dining area / patio dining area	**2/1/2011**	**3/31/2011**	**$42,000**

7.0 Management Summary

The company has 5 employees and one manager, INSERT NAME, 50% owner. The additional owner is primarily responsible for bookkeeping management. With the current store volume, the staffing needs are sufficient.

INSERT NAME - Owner and manager of the store. His educational background includes a B.S. in Nursing, a Masters in Business Administration and a Masters in Healthcare Administration. His work history includes various positions as a critical care registered nurse, hospital marketing, Medicare fraud and abuse auditing, and compliance officer for a publically traded fortune 500 healthcare corporation.

INSERT NAME - owner and bookkeeper of store. Educational background includes a B.S. and Master of Science in Computer Software. His work history includes software engineer in telecommunications for a large national and international technology corporation as well as various startup companies.

INSERT NAME - prior owner of the market. Responsibilities include managing day-to-day operations of market in absence of owners, ordering products, computer entries of daily sales figures.

Although we have an individual to maintain day-to-day operations while the owners are away from the business (personal days/vacation, work related activities, etc.), the business is not run as if it were when the owners are present. There is a plan to identify another individual that has the skills and determination to run the market when the owners are not available for extended periods of time in conjunction with INSERT NAME.

All employees report directly to INSERT NAME.

7.1 Personnel Plan

2 FT Cashiers, 2 PT Cashiers, 1 Merchandise Stocker, 1 Meat Cutter.

INSERT NAME is the prior owner and has maintained her employment after the purchase of the market. In addition to cashier duties, she will functions as store manager in the absence of an owner as well as perform certain management functions as assigned. Each employee receives an annual bonus and is dependent upon the success of the business at year's end. I have previously looked into medical insurance for all FT employees, however, was cost prohibitive. Assuming responsibilities remain constant, the annual increases in salary are based on 5% performance raises. All FT employees are allowed 2 weeks annual leave, funeral/jury leave, and 5 paid sick leave days.

Table: Personnel

Personnel Plan			
	2010	2011	**2012**
INSERT NAME	$36,000	$36,000	**$36,000**
INSERT NAME	$22,099	$23,204	**$24,365**
INSERT NAME	$15,629	$17,784	**$18,678**
INSERT NAME	$5,760	$6,350	**$6,672**
INSERT NAME	$8,130	$8,536	**$8,960**
INSERT NAME	$2,772	$2,910	**$3,054**
Total People	6	6	**6**
Total Payroll	**$90,390**	**$94,785**	**$97,729**

8.0 Financial Plan

Prior to the purchase of this business on March 1, 2007, total sales were approximately $500,000.00. With some minor changes such as new shelving units and additional products, sales nearly doubled in the second year of business. During the third year of business total sales increased approximately 5%, while net income decreased approximately 6%. I contribute the decrease in net income to the increased cost of utilities, equipment/building repairs, and salaries. Growth strategy is to maintain a small, while steady, growth and to produce profits.

The 1920's building is in desperate need of interior and exterior upgrades. First impressions are a necessity to any business. We are trying to create an appeal that will attract new customers as well as to maintain the loyalty of existing customers. Old and inefficient equipment is not attractive to customers. This will limit the amount of products that customers may select, drain energy to run, and frequently breakdown leading to high repair costs. Funds would be used primarily to expand the building, replace existing food storage equipment and to install new walk-in coolers and freezers as well as to upgrade the interior and exterior of the market.

Because the market has not performed a survey of customers, a portion of the funds would be used to launch a campaign to obtain customer feedback and make the necessary changes based on the feedback received. In addition, a portion of the funds would be used to establish a web site to provide weekly sales information to customers.

It is anticipated that the $600,000 will grant funding will provide necessary capital to cover the costs of the following:

- Pay off existing loan to previous owner
- Expand the building
- Advertising / Marketing
- Interior / Exterior refurbishing / Parking lot refinish
- Replace coolers / freezers
- Upgrade kitchen
- HVAC Installation
- Install Security system
- Casual dining area/ Patio dining area

COMPANY NAME expects to maintain a healthy gross margin and net profit margin during the next two years. The net profit for 2010, 2011 and 2012 is forecast to be

$661,682, $686,989, and $713,669, respectively.

The following chart (Highlights Planned) sets forth the company's anticipated profitability analysis. COMPANY NAME Net Worth is expected to be $1,336,893 in 2010; $2,023,882 in 2011; and $2,737,551 in 2012, respectively.

8.1 Important Assumptions

The following table shows the General Assumptions for COMPANY NAME. The average percent variable cost is 4%. The estimated monthly fixed cost is $30,140.

8.2 Break-even Analysis

For our break-even analysis, we assume approximately $31,282 per month is needed to break-even, which includes our full payroll, rent, and utilities, and an estimation of other running costs.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	**$31,282**
Assumptions:	
Average Percent Variable Cost	**4%**
Estimated Monthly Fixed Cost	**$30,140**

Chart: Break-even Analysis

8.3 Projected Profit and Loss

Sales have increased because we have attracted a greater customer base after purchasing the store. We have been able to establish a $30K reserve money market account for emergencies. Once we have purchased all the new equipment, we'll be able to depreciate those assets.

The sales for 2010, 2011, and 2012 are forecast to be $1,360,143, $1,416,000, and $1,472,000, respectively.

The net profit for 2010, 2011 and 2012 is forecast to be $661,682, $686,989, and $713,669, respectively. The net profit/sales are forecast to be 48.65%, 48.52%, and 48.48%, respectively.

Table: Profit and Loss

Pro Forma Profit and Loss			
	2010	2011	**2012**
Sales	$1,360,143	$1,416,000	**$1,472,000**
Direct Cost of Sales	$49,667	$55,000	**$60,000**
Total Cost of Sales	$49,667	$55,000	**$60,000**
Gross Margin	$1,310,476	$1,361,000	**$1,412,000**
Gross Margin %	96.35%	96.12%	**95.92%**
Expenses			
Payroll	$90,390	$94,785	**$97,729**
Marketing/Promotion	$10,509	$13,000	**$6,000**
Depreciation	$12,945	$49,500	**$94,500**
Lottery expense	$77,950	$80,000	**$80,000**
Repairs	$18,687	$20,000	**$20,000**
Rent	$20,520	$20,520	**$20,520**
Utilities	$19,595	$20,500	**$20,500**
Insurance	$15,353	$16,000	**$18,000**
Payroll Taxes	$13,559	$14,218	**$14,659**
Accounting	$4,500	$4,500	**$4,500**
Business Plan/Grant Writing	$28,000	$0	**$0**
Other	$49,667	$44,000	**$13,500**

Total Operating Expenses	$361,675	$377,022	**$389,909**
Profit Before Interest and Taxes	$948,801	$983,978	**$1,022,091**
EBITDA	$961,746	$1,033,478	**$1,116,591**
Interest Expense	$3,541	$2,565	**$2,565**
Taxes Incurred	$283,578	$294,424	**$305,858**
Net Profit	$661,682	$686,989	**$713,669**
Net Profit/Sales	**48.65%**	**48.52%**	**48.48%**

Chart: Profit Monthly

Chart: Profit Yearly

Chart: Gross Margin Monthly

Chart: Gross Margin Yearly

8.4 Projected Cash Flow

There has not been a significant shift in cash flow for the market. During the summer months, sales may be slightly higher than during winter months.

Because the majority of community residents rely on monthly Social Security Income and or government assistance, sales are particularly strong during the initial 5 days of the month. The remainder of the month may be slower, in terms of daily sales; however, it is not noticeable in the big scheme. Average daily sales are approximately $3000 - $3500 (some days higher, some lower).

The checking account balance is regularly greater than $40K at the end of each month. Monthly net income will vary depending upon the timing of the weekly GENERAL DISTRIBUTORS, INC. (GDI) draw to pay for prior week's grocery delivery. All vendors, with the exception of GDI, are paid upon product delivery. GDI will perform electronic draws on the invoice for products that were delivered 2 weeks prior. There are currently (10) businesses allowed to charge products on a monthly basis and invoices are submitted at the end of each month to these businesses for payment. Total accounts receivable are approximately $1000.00 monthly.

Table: Cash Flow

Pro Forma Cash Flow			
	2010	2011	**2012**
Cash Received			
Cash from Operations			
Cash Sales	$1,360,143	$1,416,000	**$1,472,000**
Subtotal Cash from Operations	$1,360,143	$1,416,000	**$1,472,000**
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	**$0**
New Current Borrowing	$0	$0	**$0**
New Other Liabilities (interest-free)	$0	$0	**$0**
New Long-term Liabilities	$0	$0	**$0**
Sales of Other Current Assets	$0	$0	**$0**
Sales of Long-term Assets	$0	$0	**$0**
New Investment Received	$600,000	$0	**$0**
Subtotal Cash Received	$1,960,143	$1,416,000	**$1,472,000**
Expenditures	2010	2011	**2012**
Expenditures from Operations			
Cash Spending	$90,390	$94,785	**$97,729**
Bill Payments	$523,187	$609,386	**$565,562**
Subtotal Spent on Operations	$613,578	$704,170	**$663,291**

Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	**$0**
Principal Repayment of Current Borrowing	$35,000	$0	**$0**
Other Liabilities Principal Repayment	$0	$0	**$0**
Long-term Liabilities Principal Repayment	$0	$0	**$0**
Purchase Other Current Assets	$0	$0	**$0**
Purchase Long-term Assets	$225,000	$0	**$0**
Dividends	$0	$0	**$0**
Subtotal Cash Spent	$873,578	$704,170	**$669,716**
Net Cash Flow	**$1,086,565**	**$711,830**	**$802,284**
Cash Balance	**$1,166,893**	**$1,878,723**	**$2,681,007**

Chart: Cash

8.5 Projected Balance Sheet

The balance sheet shows healthy growth of net worth, and strong financial position. The monthly estimates are included in the appendix.

Table: Balance Sheet

Pro Forma Balance Sheet			
	2010	2011	**2012**
Assets			
Current Assets			
Cash	$1,166,893	$1,878,723	**$2,681,007**
Inventory	$4,844	$31,525	**$33,879**
Other Current Assets	$44,492	$44,492	**$44,492**
Total Current Assets	$1,216,229	$1,954,739	**$2,759,378**
Long-term Assets			
Long-term Assets	$319,357	$319,357	**$319,357**
Accumulated Depreciation	$107,302	$156,802	**$251,302**
Total Long-term Assets	$212,055	$162,555	**$68,055**
Total Assets	$1,428,284	$2,117,294	**$2,827,433**
Liabilities and Capital	2010	2011	**2012**
Current Liabilities			
Accounts Payable	$48,232	$50,253	**$46,722**

Current Borrowing	$0	$0	**$0**
Other Current Liabilities	$3,706	$3,706	**$3,706**
Subtotal Current Liabilities	$51,937	$53,958	**$50,428**
Long-term Liabilities	$39,454	$39,454	**$39,454**
Total Liabilities	$91,391	$93,412	**$89,882**
Paid-in Capital	$643,025	$643,025	**$643,025**
Retained Earnings	$32,186	$693,868	**$1,380,857**
Earnings	$661,682	$686,989	**$713,669**
Total Capital	$1,336,893	$2,023,882	**$2,737,551**
Total Liabilities and Capital	$1,428,284	$2,117,294	**$2,827,433**
Net Worth	**$1,336,893**	**$2,023,882**	**$2,737,551**

8.6 Business Ratios

COMPANY NAME's ratios can be seen in the table below. Standard Industrial Classification code 5411 (Supermarkets and Other Groceries) was used for Industry Profile comparisons.

Table: Ratios

Ratio Analysis				
	2010	2011	2012	**Industry Profile**
Sales Growth	11.41%	4.11%	3.95%	**1.32%**
Percent of Total Assets				
Other Current Assets	3.12%	2.10%	1.57%	**33.42%**
Total Current Assets	85.15%	92.32%	97.59%	**82.61%**
Long-term Assets	14.85%	7.68%	2.41%	**17.39%**
Total Assets	100.00%	100.00%	100.00%	**100.00%**
Current Liabilities	3.64%	2.55%	1.78%	**37.13%**
Long-term Liabilities	2.76%	1.86%	1.40%	**30.42%**
Total Liabilities	6.40%	4.41%	3.18%	**67.55%**
Net Worth	93.60%	95.59%	96.82%	**32.45%**
Percent of Sales				
Sales	100.00%	100.00%	100.00%	**100.00%**
Gross Margin	96.35%	96.12%	95.92%	**19.29%**
Selling, General & Administrative Expenses	47.70%	47.60%	47.44%	**8.62%**

Advertising Expenses	0.77%	0.92%	0.41%	**0.29%**
Profit Before Interest and Taxes	69.76%	69.49%	69.44%	**1.72%**
Main Ratios				
Current	23.42	36.23	54.72	**1.91**
Quick	23.32	35.64	54.05	**1.28**
Total Debt to Total Assets	6.40%	4.41%	3.18%	**67.55%**
Pre-tax Return on Net Worth	70.71%	48.49%	37.24%	**26.20%**
Pre-tax Return on Assets	66.18%	46.35%	36.06%	**8.50%**

Additional Ratios	2010	2011	2012	
Net Profit Margin	48.65%	48.52%	48.48%	n.a
Return on Equity	49.49%	33.94%	26.07%	n.a
Activity Ratios				
Accounts Payable Turnover	11.39	12.17	12.17	n.a
Total Asset Turnover	0.95	0.67	0.52	n.a
Debt Ratios				
Debt to Net Worth	0.07	0.05	0.03	n.a
Current Liab. to Liab.	0.57	0.58	0.56	n.a
Liquidity Ratios				
Net Working Capital	$1,164,292	$1,900,781	$2,708,950	n.a
Interest Coverage	267.96	383.69	398.55	n.a
Additional Ratios				
Assets to Sales	1.05	1.50	1.92	n.a
Current Debt/Total Assets	4%	3%	2%	n.a
Acid Test	23.32	35.64	54.05	n.a
Sales/Net Worth	1.02	0.70	0.54	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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