How to Start a Pizza 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 Pizza Business Plan Template

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1.0 Executive Summary

COMPANY NAME is an authentic and upscale Pizzeria and restaurant and lounge to be located in the heart of Hollywood, California. The restaurant will be located in the booming, and rapidly expanding area of the all time famous Hollywood and Vine.

INSERT NAME has had much experience working in the restaurant industry as well as in business. He invested and helped launch the trendy restaurant and bar Magnolia in Hollywood and has several other accomplishments under his belt.

INSERT NAME feels confident that COMPANY NAME will take the Neapolitan pizzeria experience to the next level. The purpose of this plan is to secure the best location for the business to operate, the ultimate environment for success and a mutually beneficial relationship between a well-run, upscale establishment and a historic, high foot-traffic location in the largest entertainment capital of the world.

1.1 Objectives

COMPANY NAME objectives for the first three years of operation include:

- Keeping food cost under 35% revenue.
- Keeping employee labor cost between 24-29% of revenue.
- Stay as a prime Hollywood up-scale pizza restaurant with excellent food and service.
- Averaging sales between $1,000,000-1,300,000 per year.
- Promote a trendy and very nice restaurant to both Los Angeles locals and tourists alike.
- Residing and running operations in the historic Taft Building in central Hollywood, California.

1.2 Mission

COMPANY NAME will be providing a great establishment to eat and enjoy quality spirits, combining an intriguing atmosphere with excellent, interesting food. The mission is not only to have great tasting food, but have efficient and friendly service because customer satisfaction is paramount. COMPANY NAME wants to be the Neopolitan pizzaria restaurant choice for all families and singles, young and old, male or female. Employee welfare will be equally important to the company's success. Everyone will be treated fairly and with the utmost respect. COMPANY NAME wants employees to feel a part of the success of COMPANY NAME. Happy employees make happy guests.

The company will combine menu variety, atmosphere, ambiance and a friendly staff to create a sense of 'place' in order to reach the company's goal of overall value in the dining/entertainment experience.

COMPANY NAME also feels strongly about the importance of location. The company is seeking to reside in the available space in an upscale and distinguished building. The company feels that having said that, it would be a mutually beneficial relationship to both parties all around.

1.3 Keys to Success

- The creation of a unique and innovative fine specialty dining atmosphere will differentiate COMPANY NAME from the competition. The restaurant will stand out from the other restaurants in the area because of the unique design and decor.
- Product quality. Not only great food but great service and atmosphere.
- The menu will appeal to a wide and varied clientele. It is International with an interesting twist.
- Controlling costs at all times without exception.

2.0 Company Summary

COMPANY NAME will feature an outstanding Neapolitan Pizzeria menu with a touch of an influence in an upscale and cozy atmosphere. The menu is inspired from different cuisine's specialties and will appeal to a wide and varied clientele. COMPANY NAME will offer many authentic Neapolitan specialties in addition to the regular menu.

COMPANY NAME will be the perfect place when customers need that 'little extra.' They can have business meetings here, a place for a quiet conversation, or for a special occasion. COMPANY NAME will make up special hors d'oeuvre platters or full course meals for customers' special occasions.

2.1 Company Ownership

The restaurant will start out as a LLC corporation originating in Los Angeles, California, owned by its founder INSERT NAME.

2.2 Start-up Summary

The founder of the company is INSERT NAME. INSERT NAME is seeking to open the restaurant on the ground floor of the a presitgous and elegant building in Los Angeles close to attractions, shopping and entertainment. The company will open COMPANY NAME restaurant in early to mid 2011.

INSERT NAME is personally committing the majority of the capital needed, plus a $75,000 line of credit is to be attained for equipment leasing and supplies.

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Build out Renovation Expense	$250,000
Equipment	$80,000
Utilities	$1,800
Advertising	$600
Phone / Fax	$150
Insurance	$560
Legal	$5,000
Rent	$8,100
Office Equipment	$1,100
Office Supplies	$350
Repair and Maintenance	$310
Inventory	$40,000
Total Start-up Expenses	$387,970
Start-up Assets	
Cash Required	$20,000
Other Current Assets	$0
Long-term Assets	$0
Total Assets	$20,000

Total Requirements	$407,970

3.0 Services

COMPANY NAME will be unique to the Hollywood area. The company will present Neapolitan Pizzeria and a style of service that will make everyone feel welcome and special. The food products will be of the finest quality and prepared with sensitivity and care. COMPANY NAME will 'go all the way' to satisfy guests.

Our wine list will be modest in size and primarily focused on wines from around the world. Approximately 25% will be exclusively available by the glass and the remaining labels will be available by the bottle. COMPANY NAME restaurant will also feature a moderate international beer selection on tap and in bottles.

The kitchen staff will have the best in culinary education and work experience. COMPANY NAME creative talents will complement one another. The restaurant staff will offer the finest service in a cozy atmosphere and offer customers an extraordinarily successful evening.

Today, the Associazione Pizzaiuoli Napoletani (the Association of Neapolitan Pizza) maintains strict member guidelines for ingredients, dough, and cooking. This elite organization maintains that pizza dough must be made only with flour, natural yeast or brewers yeast, salt and water. Dough must be kneaded by hand or mixers which do not cause the dough to overheat, and the dough must be punched down and shaped by hand. Also, only wood-burning, bell-shaped brick ovens are permitted in pizzerias that belong to this organization. The pizza must be cooked on the surface of the oven (often made of volcanic stone), and not in any pan or container, with oven temperatures reaching at least 400-430° C (750-800° F). These ovens often have to heat up for hours before the first pizza is cooked.

The restaurant will be the first and most celebrated authentic Neapolitan pizzeria. COMPANY NAME will use the finest imported ingredients and century old artisan traditions to bring the definitive Neapolitan pizza experience to guests. COMPANY NAME is all about being authentic—the food is authentic and real and just like the streets of Naples things can appear energetic and hectic, but always come together to create an outstanding experience.

4.0 Market Analysis Summary

COMPANY NAME focuses on local and tourist restaurant seekers. People that have a desire for good specialty wood fire pizzas, food and a fascinating atmosphere.

Hollywood is now continuing its' rapid gentrification and revitalization with the goal of urban density in mind. Many developments have been completed, typically centered on Hollywood Boulevard. The Hollywood and Highland complex (site of the Kodak Theater), has been a major catalyst for the redevelopment of the area. In addition, numerous fashionable bars, clubs, and retail businesses have opened on or surrounding the boulevard, returning Hollywood to a center of nightlife in Los Angeles. Many older buildings have also been converted to lofts and condominiums. The W Hollywood Hotel is now open at the intersection of Hollywood and Vine.

As of the 2000 census, there were 210,777 people residing in the Community Plan Area of Hollywood. The population density was 8,443 people per square mile (3,261/km²). The racial makeup of the community was 59.84% White (47.27% White Non-Hispanic), 9.44% Asian, 0.13% Pacific Islander, 4.28% African American, 0.62% Native American, 19.10% from other races, and 6.59% from two or more races. 34.51% of the population was Hispanic of any race. 49.63% of the population was foreign born; of this, 46.24% came from Latin America, 32.73% from Asia, 17.80% from Europe and 3.23% from other parts of the world.

Around the proposed location of central or surrounding Hollywood that V wishes to acquire, there are countless tourist attractions, such as the Pantages Theatre, The W Hotel, Hollywood and Vine, shopping and the famous Hollywood Walk of Fame. The area receives millions of visitors every year in addition to the local street and foot traffic.

4.1 Market Segmentation

COMPANY NAME intends to cater to a wide group of people. The company wants everyone to feel welcome and relaxed in a cozy atmosphere with a wide and varied menu. It is COMPANY NAME goal to have "something for everyone" everyday on the menu. In looking at our market analysis, the company has defined the following groups as targeted segments.

The Business Man: They work hard all day and often stay overnight in a strange city. He needs a competent establishment that helps impress his clients and prospects. Afterward, they want to relax and use the money they are making. They are the people that spend the most on drinks, food and tips.

Happy Couples: The restaurant will have an intimate, romantic, sophisticated atmosphere that encourages people to bring dates and to have couples arrive. The restaurant wants to be a search place where people meet each other and develop a network. These young couples are generally very successful but balanced and won't be spending as much on drinks.

The Family: The perfect place for a family dinner. Families will come for the accommodative menu and friendly service. The excellent value in their meals will keep COMPANY NAME restaurant in favor with the parents.

High-end Singles: The restaurant will attract them with the decor and layout. The restaurant's international menu, striking artwork, events, excellent service and engaging clientele will confirm the feeling of being in "the coolest place" in Hollywood for authentic really good pizza.

Tourists: Hollywood is a city that attracts many vacationers during the summer months of May through September. The restaurant will be a destination with its attractive atmosphere, international menu, and more.

Table: Market Analysis

Market Analysis							
		2011	2012	2013	2014	2015	
Potential Customers	Growth						CAGR
Business Man	5%	14,280	16,708	19,548	22,871	26,759	17.00%
Happy Couples	5%	8,925	10,175	11,600	13,224	15,075	14.00%
Tourists	5%	3,570	4,106	4,722	5,430	6,245	15.00%
The Family	5%	5,355	6,051	6,838	7,727	8,732	13.00%
High-end Singles	5%	3,570	3,998	4,478	5,015	5,617	12.00%
Total	14.99%	35,700	41,038	47,186	54,267	62,428	14.99%

4.2 Target Market Segment Strategy

COMPANY NAME will focus on attracting a wide and diverse clientele ages 25-60 with an annual income of at least $30,000.

The company wants the business man, happy couples, high-end singles, families, tourists with money, wealthy image seekers and compulsive spenders. COMPANY NAME will focus on these specific groups because these are the types of people who frequent other restaurants and bars in the area. They are the ones that are willing to spend their money on good dining and service at a value price. We generally know the characteristics of our clientele with the available demographics.

4.3. Competition and Buying Patterns

The key element in purchase decisions made at the COMPANY NAME client level is trust in the professional reputation and authenticity of the restaurant.

5.0 Strategy and Implementation Summary

COMPANY NAME will create an appealing and entertaining environment with unbeatable quality at an exceptional price. An exciting and friendly restaurant, it will be the talk of the town. Therefore, the execution of this concept is the most critical element of this plan. All menu items are moderately priced for the area. While the restaurant is not striving to be the lowest-priced restaurant, COMPANY NAME is aiming to be the value leader.

The company feels that partnering with the Taft Building and maintaining the historic building's polished and preserved image will be beneficial to both parties and offer another boost in continued success.

5.1 Competitive Edge

Our competitive edge is the menu, the chef, the environment, the management, the service and our friendly place! The restaurant will have an international menu and the food will be made with the freshest ingredients and produce available.

As previously mentioned in this proposal, COMPANY NAME restaurant will be the only one of its kind and quality in the central Hollywood area. This reason alone will draw more attention to the establishment and cause word-of-mouth buzz amongst the community and with tourism hubs.

5.2 Sales Strategy

The strategy in the restaurant is to have an experienced staff that knows the food, wine and liquor. COMPANY NAME will train every new employee so they will fit in with INSERT NAME concept, which is "Wonderful food, reasonably-priced wine and knowledgeable service in an outstanding atmosphere."

COMPANY NAME feels strongly about the image, the architecture and the historical importance of a prospective building and location and is seeking a mutually beneficial partnership.

5.3.1 Sales Forecast

See Sales Forecast.

Table: Sales Forecast

Sales Forecast			
	2011	2012	2013
Sales			
Food & Liquor	$735,000	$808,500	$889,350
Catering	$314,856	$346,500	$381,150
Total Sales	$1,049,856	$1,155,000	$1,270,500
Direct Cost of Sales	2011	2012	2013
Food & Liquor	$169,788	$174,882	$180,128
Catering	$72,768	$74,951	$77,200
Subtotal Direct Cost of Sales	$242,556	$249,833	$257,328

6.0 Financial Plan

Funding is not needed over the next year for renovations, furniture, kitchen equipment, liquor license, food & restaurant supplies, legal fees, working capital, marketing and personnel at the present time.

7.1 Start-up Funding

INSERT NAME will be providing the bulk of the capital of the company start-up personally and plans to extend a line of credit of approximately $75,000 for restaurant equipment and supplies.

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	$387,970
Start-up Assets to Fund	$20,000

Total Funding Required	$407,970
Assets	
Non-cash Assets from Start-up	$0
Cash Requirements from Start-up	$20,000
Additional Cash Raised	$0
Cash Balance on Starting Date	$20,000
Total Assets	$20,000

Liabilities and Capital	
Liabilities	
Current Borrowing	$0
Long-term Liabilities	$0
Other Current Liabilities (interest-free)	$0
Total Liabilities	$0
Capital	
Planned Investment	
Jeff Daman	$332,970
Investor 2	$0
Additional Investment Requirement	$75,000
Total Planned Investment	$407,970
Loss at Start-up (Start-up Expenses)	($387,970)
Total Capital	$20,000
Total Capital and Liabilities	$20,000
Total Funding	$407,970

7.2 Important Assumptions

The financial plan depends on important assumptions, most of which are shown in the following table as annual figures. The key underlying assumptions are:

- The company assumes a slow-growth economy, without further major recession.

- The company assumes that there are no unforeseen changes in the expectancy in the popularity of the restaurant.
- The company assumes access to investments and financing are sufficient to maintain and fulfill the financial plan as shown in the tables.

7.3 Break-even Analysis

For the Break-Even Analysis, COMPANY NAME assumes running costs include the full payroll, rent, and utilities, and an estimation of other running costs.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	$34,549
Assumptions:	
Average Percent Variable Cost	23%
Estimated Monthly Fixed Cost	$26,567

7.4 Projected Profit and Loss

The most important assumption in the Projected Profit and Loss statement is the gross margin. Although it doesn't jump drastically in the first year, over time the restaurant will develop its customer base and reputation and the growth will pick up more rapidly towards the fourth and fifth years of business.

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

Table: Profit and Loss

Pro Forma Profit and Loss			
	2011	2012	2013
Sales	$1,049,856	$1,155,000	$1,270,500
Direct Cost of Sales	$242,556	$249,833	$257,328
Other	$0	$0	$0
Total Cost of Sales	$242,556	$249,833	$257,328
Gross Margin	$807,300	$905,167	$1,013,172
Gross Margin %	76.90%	78.37%	79.75%
Expenses			
Payroll	$236,592	$301,512	$307,512
Sales and Marketing and Other Expenses	$1,200	$1,200	$1,200
Depreciation	$0	$0	$0
Leased equipment	$2,004	$2,004	$2,004
Professional fees accounting	$2,004	$2,400	$3,000
Professional fees legal	$2,004	$2,400	$3,000
Licenses and permits	$996	$1,152	$1,320

Office Supplies	$2,004	$3,200	$4,800
Postage	$996	$2,300	$3,300
Utilities	$20,004	$21,996	$22,992
Insurance	$15,000	$18,000	$21,600
Rent	$36,000	$36,000	$36,000
Payroll Taxes	$0	$0	$0
Total Operating Expenses	$318,804	$392,164	$406,728
Profit Before Interest and Taxes	$488,496	$513,003	$606,444
EBITDA	$488,496	$513,003	$606,444
Interest Expense	$0	$0	$0
Taxes Incurred	$168,938	$179,551	$209,729
Net Profit	$319,558	$333,452	$396,715
Net Profit/Sales	30.44%	28.87%	31.23%

7.5 Projected Cash Flow

The cash flow depends on assumptions for inventory turnover, payment days, and accounts receivable management. The projected same-day collection is critical, and is reasonable and customary in the restaurant industry. COMPANY NAME does not expect to need significant additional support even when we reach the less profitable months, as they are expected.

Month-by-month assumptions for projected cash flow are included in the appendix.

Table: Cash Flow

Pro Forma Cash Flow

	2011	2012	2013
Cash Received			
Cash from Operations			
Cash Sales	$1,049,856	$1,155,000	$1,270,500
Subtotal Cash from Operations	$1,049,856	$1,155,000	$1,270,500
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$75,000	$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	$0	$0	$0
Subtotal Cash Received	$1,124,856	$1,155,000	$1,270,500
Expenditures	2011	2012	2013
Expenditures from Operations			
Cash Spending	$730,298	$821,548	$873,785
Subtotal Spent on Operations	$730,298	$821,548	$873,785
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$7,500	$7,500	$7,500

Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$0	$0	$0
Purchase Other Current Assets	$80,000	$0	$0
Purchase Long-term Assets	$0	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$817,798	$829,048	$881,285
Net Cash Flow	$307,058	$325,952	$389,215
Cash Balance	$327,058	$653,010	$1,042,225

7.6 Projected Balance Sheet

The projected Balance Sheet is quite solid. COMPANY NAME does not anticipate difficulty meeting debt obligations providing that the company achieves its' specific goals.

Table: Balance Sheet

Pro Forma Balance Sheet			
	2011	2012	2013
Assets			
Current Assets			
Cash	$327,058	$653,010	$1,042,225
Other Current Assets	$80,000	$80,000	$80,000
Total Current Assets	$407,058	$733,010	$1,122,225
Long-term Assets			
Long-term Assets	$0	$0	$0
Accumulated Depreciation	$0	$0	$0
Total Long-term Assets	$0	$0	$0
Total Assets	$407,058	$733,010	$1,122,225
Liabilities and Capital	2011	2012	2013
Current Liabilities			
Current Borrowing	$67,500	$60,000	$52,500
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$67,500	$60,000	$52,500

Long-term Liabilities	$0	$0	$0
Total Liabilities	$67,500	$60,000	$52,500
Paid-in Capital	$407,970	$407,970	$407,970
Retained Earnings	($387,970)	($68,412)	$265,040
Earnings	$319,558	$333,452	$396,715
Total Capital	$339,558	$673,010	$1,069,725
Total Liabilities and Capital	$407,058	$733,010	$1,122,225
Net Worth	$339,558	$673,010	$1,069,725

7.7 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 2082, Full Service Restaurants, Lounges and Breweries are shown for comparison.

Table: Ratios

Ratio Analysis				
	2011	2012	2013	Industry Profile
Sales Growth	0.00%	10.02%	10.00%	4.16%
Percent of Total Assets				
Other Current Assets	19.65%	10.91%	7.13%	34.96%
Total Current Assets	100.00%	100.00%	100.00%	42.21%
Long-term Assets	0.00%	0.00%	0.00%	57.79%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	16.58%	8.19%	4.68%	16.39%
Long-term Liabilities	0.00%	0.00%	0.00%	26.65%
Total Liabilities	16.58%	8.19%	4.68%	43.04%
Net Worth	83.42%	91.81%	95.32%	56.96%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	76.90%	78.37%	79.75%	53.23%
Selling, General & Administrative Expenses	64.07%	66.34%	63.47%	28.00%
Advertising Expenses	1.98%	2.31%	2.05%	4.61%

Profit Before Interest and Taxes	46.53%	44.42%	47.73%	1.09%
Main Ratios				
Current	6.03	12.22	21.38	1.22
Quick	6.03	12.22	21.38	0.74
Total Debt to Total Assets	16.58%	8.19%	4.68%	54.18%
Pre-tax Return on Net Worth	143.86%	76.23%	56.69%	5.90%
Pre-tax Return on Assets	120.01%	69.99%	54.04%	2.70%

Additional Ratios	***2011***	***2012***	***2013***	
Net Profit Margin	30.44%	28.87%	31.23%	n.a
Return on Equity	94.11%	49.55%	37.09%	n.a
Activity Ratios				
Accounts Payable Turnover	12.36	12.17	12.17	n.a
Total Asset Turnover	2.58	1.58	1.13	n.a
Debt Ratios				
Debt to Net Worth	0.20	0.09	0.05	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	$339,558	$673,010	$1,069,725	n.a
Interest Coverage	0.00	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	0.39	0.63	0.88	n.a
Current Debt/Total Assets	17%	8%	5%	n.a
Acid Test	6.03	12.22	21.38	n.a
Sales/Net Worth	3.09	1.72	1.19	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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