How to Start a Retail 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 Retail Business Plan Template

Table of Contents

1.0 Executive Summary

[COMPANY NAME]

[NAME]

[ADDRESS]

[CITY, STATE ZIP]

Phone: XXX-XXX-XXXX

[EMAIL]

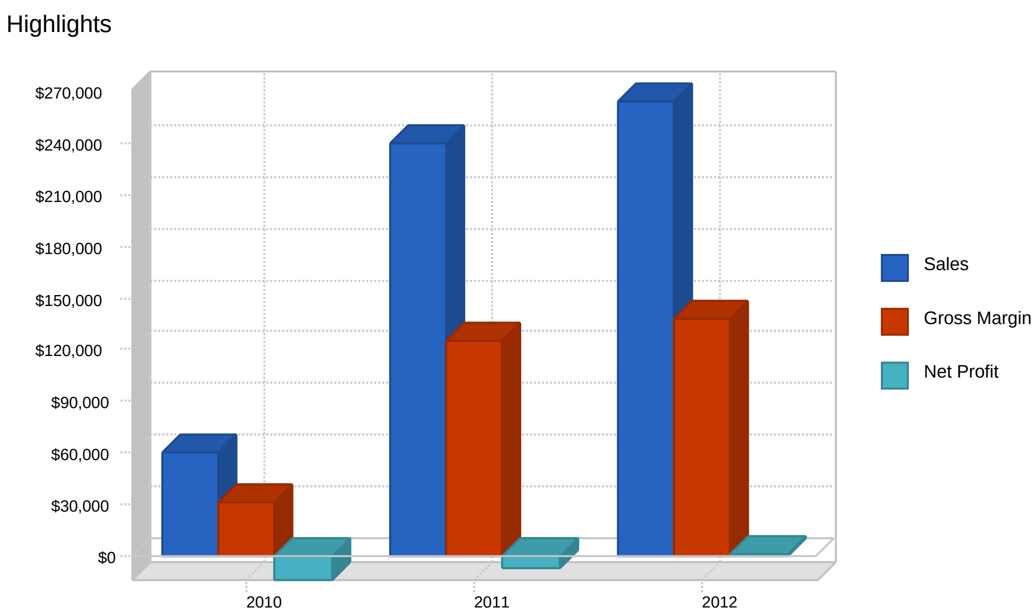
[COMPANY NAME] will be a sole proprietorship owned by [NAME]. The Company is a start-up as [NAME] will purchase the rights to the existing location for $75,000. Upon purchase of the rights, the Company will demolish the existing structure and build a new State of the Art hardware store.

[COMPANY NAME] will be a standard general hardware store that offers the parts, material, and advice to tackle any home repair, as well as lawn care. The primary focus will be to satisfy the seasonal needs of the area's customers.

The Company will service the hardware and repair needs of the Pickaway, Fairfield, Hocking and Ross County households. The Company would like to increase sales in all market segments above with a concentration of growth in sales to homeowners who do their own repairs.

The focus of this business plan is to put forth objectives to launch operations, work efficiently and effectively, and expand internal operations giving the Company the opportunity to grow with sales growth in the surrounding County areas. [COMPANY NAME] is ready to elevate to the next step. The Company is seeking grant funding in the amount of $600,000. The grant funding will be used to launch operations including purchasing the existing land & business, construction of a new Building and purchasing equipment and displays for the store. Additionally, the Company will purchase the opening inventory, develop a website and launch an advertising campaign.

Chart: Highlights



1.1 Objectives

[COMPANY NAME] has the following objectives.

1. Obtain Grant funding to purchase an existing hardware store and rebuild the retail space.

2. Customer Service **-** Give our customers the highest quality product and service at a fair competitive price.

3. To create a safe environment for people in the community to come for their hardware store needs.

4. To provide jobs within the community.

5. To successfully manage a hardware store.

1.2 Mission

The mission of [COMPANY NAME] is to offer quality hardware products in a customer-friendly shopping environment. Our customers will get assistance quickly and will leave the store prepared to get the job done right the first time. [COMPANY NAME] will also focus on anticipating the seasonal needs of its customers and providing the best products at competitive prices.

1.3 Keys to Success

The keys to success for [COMPANY NAME] are:

1. Location: [COMPANY NAME] will be assuming ownership of an existing hardware store. The Company plans to demolish the existing building and build a new State of the Art hardware store. We will have an existing base of customers.

2. Seasonal Products: Each season has it own unique demand on a homeowner. [COMPANY NAME] will focus on this pattern and bring in local customers by marketing these items at competitive prices.

3. Repair/Project Resource Area: The first section customers will find when they enter is a repair/project resource area that they can use to plan repairs or projects. There will be a repair/project resource person to answer questions and direct them to the section of store where the needed products are.

4. In-Store Expertise: Store employees will be knowledgeable in home repairs/projects. In addition, the repair/project resource area will be used to conduct short trainings and demonstrations in home repair and home projects.

2.0 Company Summary

[COMPANY NAME]

[NAME]

[ADDRESS]

[CITY, STATE ZIP]

Phone: XXX-XXX-XXXX

[EMAIL]

[COMPANY NAME] will be a sole proprietorship owned by [NAME]. The Company is a start-up as [NAME] will purchase the rights to the existing location for $75,000. Upon purchase of the rights, the Company will demolish the existing structure and build a new State of the Art hardware store.

[COMPANY NAME] offers the parts, material, and advice to tackle any home repair, as well as lawn care. The store's owner, [NAME], has worked in the existing hardware store helping the current owner and customers. [NAME] has built a relationship with the existing customer base.

The current plan for [COMPANY NAME] is to obtain grant funding in the amount of $600,000.

2.1 Company Ownership

[COMPANY NAME] will be a sole proprietorship owned 100% by [NAME]. [NAME] has been a resident of Tarlton community for over 36 years.

2.2 Start-up Summary

[COMPANY NAME] will purchase the existing business for $75,000. As the existing structure is in such disrepair, the Company will consider the purchase price as cost of the land.

The following is a detailed cost estimate for construction and start-up expenses of the facility:

	Description	**Amount**

1.	Building 10,000 sq ft	$250,000
2.	Land	75,000
3.	Misc. Permits, Plans, etc	10,000
4	Interior Finish	30,000
5.	Parking Lot & Lighting	15,000
6.	Shelving and Displays	30,000
7.	Office Equipment & Furniture	30,000
8.	Signage	3,000
9.	Web Site Creation	3,000
10.	Opening Inventory	25,000
11.	Other Expenses	39,000
12.	Working Capital	70,000
13.	Demolition of existing Structure	20,000
	TOTAL	**$600,000**

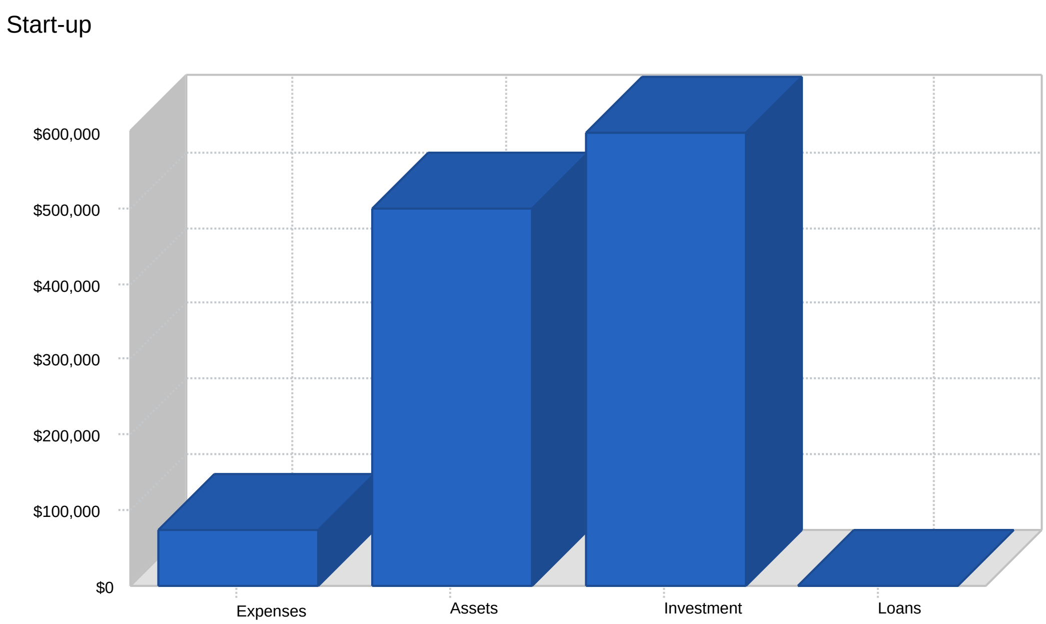
Start-up costs and initial financing are shown on the following tables and chart.

Table: Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	**$20,000**
Licenses & Permits	**$10,000**
Demolition of Existing Structure	**$20,000**
Insurance	**$4,000**
Signage	**$3,000**
Website	**$3,000**
Other	**$15,000**
Total Start-up Expenses	**$75,000**
Start-up Assets	
Cash Required	**$70,000**

Start-up Inventory	**$0**
Other Current Assets	**$0**
Long-term Assets	**$430,000**
Total Assets	**$500,000**
Total Requirements	**$575,000**

Chart: Start-up



3.0 Products

[COMPANY NAME] will be a standard general hardware store that offers the parts, material, and advice to tackle any home repair, as well as lawn care. The primary focus will be to satisfy the seasonal needs of the area's customers.

Fall/Winter: Weatherization projects.

Spring: Garden/lawn projects/home improvement projects.

Summer: Outdoor building projects.

4.0 Market Analysis Summary

[COMPANY NAME] storefront will be located in Tarlton, Ohio. Tarlton is a village in Fairfield and Pickaway counties in the state of Ohio. As of the census of 2000, there were 298 people, 102 households, and 75 families residing in the village.

Fairfield County - As of the census of 2000, there were 122,759 people, 45,425 households, and 34,159 families residing in the county.

Pickaway County - As of the census of 2000, there were 52,727 people, 17,599 households, and 13,287 families residing in the county.

Additionally, the Company will advertise to residents of neighboring Hocking and Ross Counties.

Hocking County - As of the census of 2000, there were 28,241 people, 10,843 households, and 7,828 families residing in the county.

Ross County - As of the census of 2000, there were 73,345 people, 27,136 households, and 19,185 families residing in the county.

The Company will serve all of Tarlton and launch an advertising campaign to draw customers from Fairfield, Pickaway, Hocking and Ross Counties. The Company believes that a local hardware store can provide a reasonable selection in the most important product areas, be competitive in pricing, and offer the customer a shopping environment that will assure repeat business.

4.1 Market Segmentation

[COMPANY NAME] will focus on three significant customer groups:

1. Households/Home Owners: Many home owners perform their own home repairs and home improvement projects. [COMPANY NAME] will be uniquely designed to be responsive to the shopping environment that will attract and retain this important customer group.

2. Customers who need assistance in planning a project/repair: [COMPANY NAME] will be set-up to provide resources and assistance as soon as they walk into the store.

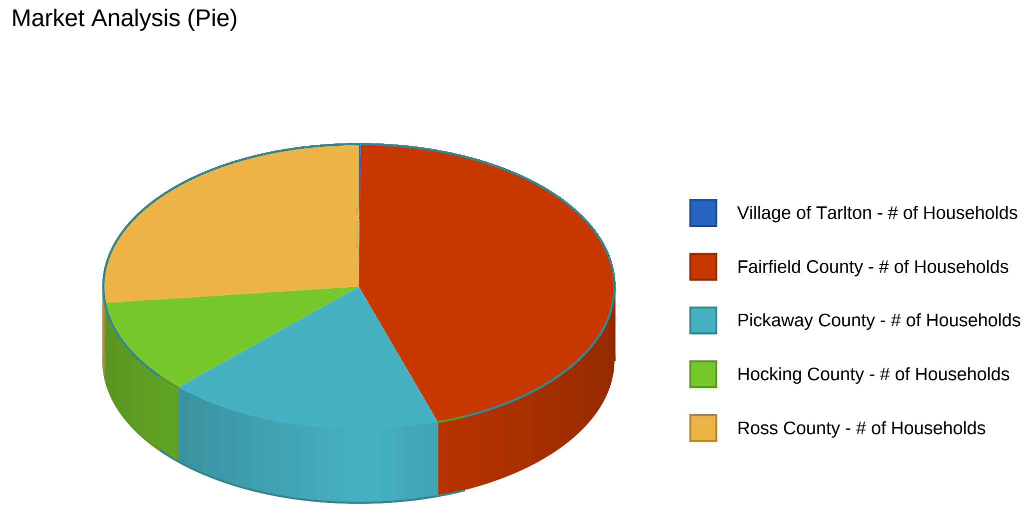
3. Local repair and home improvement professionals: The Company will support a good number of repair and home improvement professionals in the area.

Table: Market Analysis

Market Analysis							
		2010	2011	2012	2013	2014	
Potential Customers	Growth						**CAGR**
Village of Tarlton - # of Households	2%	102	104	106	108	110	**1.91%**
Fairfield County - # of Households	2%	45,425	46,334	47,261	48,206	49,170	**2.00%**
Pickaway County - # of Households	2%	17,599	17,951	18,310	18,676	19,050	**2.00%**

Hocking County - # of Households	2%	10,843	11,060	11,281	11,507	11,737	**2.00%**
Ross County - # of Households	2%	27,136	27,679	28,233	28,798	29,374	**2.00%**
Total	**2.00%**	**101,105**	**103,128**	**105,191**	**107,295**	**109,441**	**2.00%**

Chart: Market Analysis (Pie)



4.2 Target Market Segment Strategy

[COMPANY NAME] will service the hardware and repair needs of the Pickaway and Fairfield County households.

The Company would like to increase sales in all market segments above with a concentration of growth in sales to homeowners who do their own repairs. The Company will start its advertising campaign in Tarlton and expand their territory to include homeowners within a 15-mile radius in the Fairfield, Pickaway, Hocking and Ross County areas.

Because [COMPANY NAME] main focus is on the households in the surrounding County areas, the Company knows how to meet the specific needs of its customers. Therefore, the Company will utilize the following to reach its target market:

- Direct Mailer to households and door hangers

- Website social marketing
- Promotions for the store front grand opening
- Local newspaper advertising and press release

4.3 Industry Analysis

In the United States all shoppers for hardware and repair products are done on a local basis. The industry is dominated by two large chains Lowe’s and Home Depot. For our local shoppers, there are no large chain hardware stores within a 15-mile radius of our location. The Company distinguishes itself from the competition by offering customized personal service to its customers.

The Company will begin operations with a solid local customer base to build growth in future years as the existing hardware store has been in this location for many years. Skillful use of advertising and strong communication will bring the business the Company desires.

4.3.1 Competition and Buying Patterns

Although other hardware stores offer the same products and services that we do, they will not be able to compete with our personal service, work ethic and impeccable customer service skills. [COMPANY NAME] will compete directly with these stores by effectively meeting our customer's needs. Our goal is to fulfill our customer's demands because it will aid us in generating future business. If our customer is happy, they will recommend us to others who need our products and services.
Word of mouth is very important for the Company's type of business and satisfied customers are a key ingredient to the Company's success.

With no large chain store within a 15-mile radius, [COMPANY NAME] will advertise and capture the local market.

5.0 Web Plan Summary

[COMPANY NAME] website will be an opportunity to offer current information on service offerings, company background, announcements and special discounts. The website will be another method to generate steady business in our area.

Currently, the Company has been in conversation with several persons qualified to provide an attractive and exciting web page; however, the Company hasn't made a final decision. The Company is only considering web designers that are residents of the Fairfield/Pickaway County community. The Company feels very strongly in keeping its funds within the community

5.1 Website Marketing Strategy

Our website will be promoted on all of our marketing materials and during our advertising campaigns. We will advertise our site on our business cards as well as in other industry related publications.

As numerous studies have documented, most people buy based on the conversation and recommendations of trusted friends, family and colleagues. Finding the people that influence their peers' decisions where to shop and what to buy has long been viewed as the Holy Grail of marketing. Increasingly, online social networks are being seen as venues for locating these influencers. The Company plans to tie-into social media sites to expand our presence on the web to our targeted customers.

5.2 Development Requirements

[COMPANY NAME] will increase its presence on the web by promoting the site during the Advertising Campaigns. The Company plans to tie-into social media sites to expand our presence on the web to our targeted customer base.

6.0 Strategy and Implementation Summary

[COMPANY NAME] has clearly defined the target market and has differentiated itself by offering a solid solution to fulfilling its customers' needs. Reasonable sales targets have been established with an implementation plan designed to ensure the goals set forth below are achieved.

6.1 SWOT Analysis

The SWOT analysis aids in displaying the internal strengths and weaknesses that [COMPANY NAME] must address. It allows us to examine the opportunities presented to the Company as well as potential threats. The company's **Strengths** will help it to succeed. These strengths are:

Customer service **- we will give personal service to every customer, catering our services to our customer needs**

Quality **- the Company will carry the highest quality product and a range of products that caters to the local market**

Pricing **- Our Customers will find the highest quality products at a fair price**

Staff **- Friendly and courteous knowledgeable staff to help customers with all of their home repairs**

Strengths are valuable, but it is also important to realize the **weaknesses** the Company must address. [COMPANY NAME]'s main weakness is lacking the funds to launch and grow the business. The Companies strengths will help it capitalize on emerging opportunities. These opportunities include, but are not limited to:

Growing market with a significant percentage of our target market still not knowing we exist

Strategic alliances with other businesses in the community and our vendor partners; offering sources for referrals and joint marketing activities to extend our reach

Expanding territory in Fairfield and Pickaway counties

Threats that the company should be aware of include, a lack of funding to open our storefront to launch our Hardware store and the economy.

6.1.1 Strengths

[COMPANY NAME]'s strengths are:

Customer service - we will give personal service to every customer, catering our services to our customer needs

Quality - the Company will carry the highest quality product and a range of products that caters to the local market

Pricing - Our Customers will find the highest quality products at a fair price

Staff - Friendly and courteous knowledgeable staff to help customers with all of their home repair needs

6.1.2 Weaknesses

[COMPANY NAME]'s weaknesses come from the lack of funding to launch and grow the business. Grant funds will be used to purchase the existing building and land, and then build a new State of the Art Hardware store in its place.

6.1.3 Opportunities

Opportunities for [COMPANY NAME] include:

1. Growing market with a significant percentage of our target market still not knowing we exist

2. Strategic alliances with other businesses in the community and our vendor partners, offering sources for referrals and joint marketing activities to extend our reach.

3. Expanding territory in Fairfield and Pickaway counties

6.1.4 Threats

The only threats [COMPANY NAME] have are a lack of funding to open our store front to launch our Hardware store and the economy.

6.2 Competitive Edge

[COMPANY NAME]'s competitive edge is:

• Location: No other large chain within 15 miles of our location. Current hardware store has been in this location for many years.

• Seasonal Products: Each season has it own unique demand on a homeowner. [COMPANY NAME] will focus on this pattern and bring in local customers by marketing these items at competitive prices.

• Repair/Project Resource Area: The first section customers will find when they enter the store is a repair/project resource area that they can use to plan repairs or projects. There will be a repair/project resource person there to answer their questions and direct them to the section of store where the needed products are.

• In-Store Expertise: Store employees will be knowledgeable in home repairs/projects.

6.3 Marketing Strategy

[COMPANY NAME] marketing strategy will be to introduce our hardware store throughout the Fairfield/Pickaway County area. We will launch an aggressive advertising campaign utilizing the following:

- Direct Mailer to households and door hangers
- Website social marketing
- Promotions for the store grand reopening
- Local newspaper advertising and press releases

6.4 Sales Strategy

The sales strategy of [COMPANY NAME] is simple.

First, create a shopping environment that will create confidence in the customer that he or she will get the needed material, part, or instructions to get the job done right the first time.

Second, make the store easy to navigate, so customer can get in and out as quickly as possible.

Third, know your customer's seasonal hardware needs and offer it at competitive prices.

The Company will utilize the following advertising to reach its target market:

- Direct Mailer to households and door hangers
- Website social marketing
- Promotions for the store front grand opening
- Local newspaper advertising and press releases

6.4.1 Sales Forecast

The sales for 2010, 2011 and 2012 are $60,000 (Oct, Nov, and Dec only), $240,000 and $264,000, respectively. The Company is anticipating receiving Grant Funding in July 2010, and having the new store grand opening in October 2010.

Gross Profit will be approximately 52% for 2010, 2011 and 2012.

Table: Sales Forecast

Sales Forecast			
	2010	2011	**2012**
Sales			
Product Sales	$60,000	$240,000	**$264,000**
	$0	$0	**$0**
Total Sales	$60,000	$240,000	**$264,000**
Direct Cost of Sales	2010	2011	**2012**
Cost of Sales	$28,800	$115,200	**$126,720**
Subtotal Direct Cost of Sales	**$28,800**	**$115,200**	**$126,720**

Chart: Sales Monthly

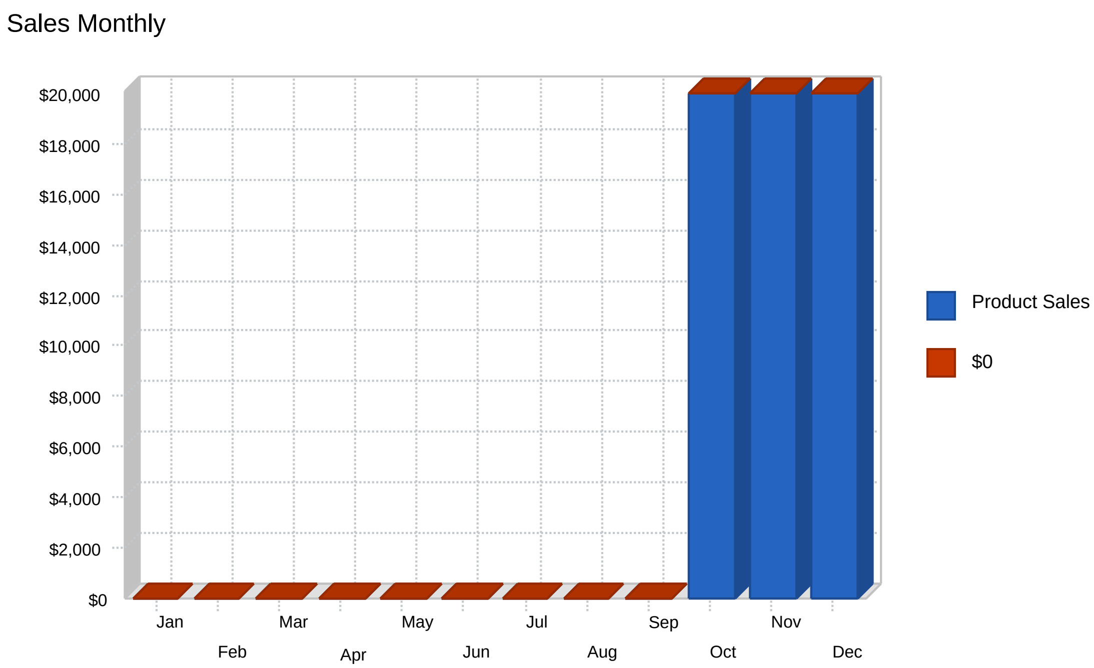
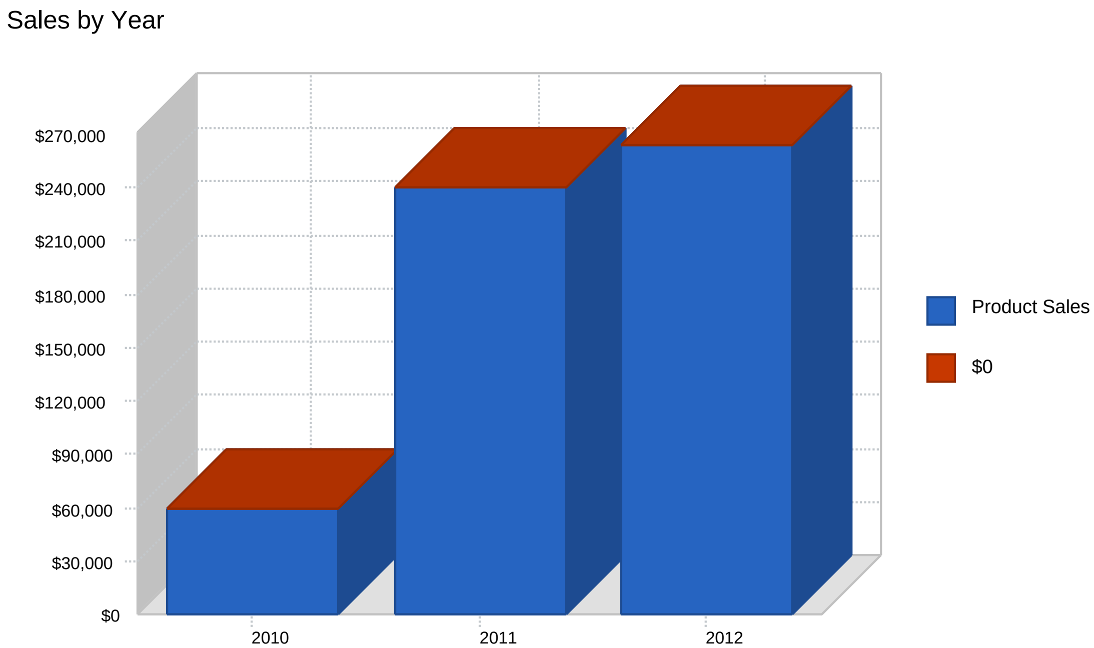


Chart: Sales by Year



6.5 Milestones

[COMPANY NAME] will purchase the existing business for $75,000. As the existing structure is in such disrepair, the Company will consider the purchase price as cost of the land.

The following is a detailed cost estimate for construction and start-up expenses of the facility:

	Description	**Amount**
1.	Building 10,000 sq ft	$250,000
2.	Land	75,000
3.	Misc. Permits, Plans, etc	10,000
4	Interior Finish	30,000
5.	Parking Lot & Lighting	15,000
6.	Shelving and Displays	30,000
7.	Office Equipment & Furniture	30,000
8.	Signage	3,000
9.	Web Site Creation	3,000
10.	Opening Inventory	25,000
11.	Other Expenses	39,000
12.	Working Capital	70,000
13.	Demolition of existing Structure	20,000
	TOTAL	**$600,000**

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	**Department**
Purchase Land & existing Building	7/5/2010	7/5/2010	$75,000	[NAME]	**Operations**

Demolition of old Building	7/5/2010	7/9/2010	$20,000	[NAME]	**Operations**
Construction of new Building	7/12/2010	9/30/2010	$295,000	[NAME]	**Operations**
Purchase equipment & displays	9/13/2010	9/30/2010	$60,000	[NAME]	**Operations**
Install exterior & interior signage	9/27/2010	9/30/2010	$3,000	[NAME]	**Operations**
Website development	8/2/2010	8/31/2010	$3,000	[NAME]	**Marketing**
Purchase opening inventory	9/20/2010	9/30/2010	$25,000	[NAME]	**Operations**
Grand Opening	10/1/2010	10/4/2010	$4,000	[NAME]	**Marketing**
Totals			**$485,000**		

7.0 Management Summary

[NAME] will be 100% owner of [COMPANY NAME] and is responsible for all operational aspects of the business. [NAME] will hire an assistant manager in Sept to help plan the grand opening and manage the store. They anticipate hiring two employees during the first six months of operations.

7.1 Personnel Plan

[INSERT BIOGRAPHY HERE]

Table: Personnel

Personnel Plan			
	2010	2011	**2012**
[NAME]	$12,000	$24,000	**$26,000**
Assistant Manger	$7,200	$21,600	**$22,000**
Two Employees	$7,200	$28,800	**$29,400**
Total People	4	4	**4**
Total Payroll	**$26,400**	**$74,400**	**$77,400**

8.0 Financial Plan

The current financial plan for [COMPANY NAME] is to obtain grant funding in the amount of $600,000. The grant will be used to launch operations including purchasing the existing land and business, construction of a new Building and purchasing equipment and displays for the store. Additionally, the Company will purchase the opening inventory, develop a website and launch an advertising campaign.

The following sections of this plan will serve to describe [COMPANY NAME] financial plan in more detail:

- General Assumptions
- Break-even Analysis
- Profit and Loss
- Cash Flow
- Balance Sheet
- Ratios

8.1 Start-up Funding

[COMPANY NAME] will contract with a local construction company to build the new store. The demolition of the old structure will be approximately $20,000 and to construct a new building will be approximately $295,000. Additionally, the Company will need to spend approximately $60,000 for Shelving & Displays and Office/Store Equipment & Furniture.

Table: Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	**$75,000**
Start-up Assets to Fund	**$500,000**
Total Funding Required	**$575,000**
Assets	
Non-cash Assets from Start-up	**$430,000**
Cash Requirements from Start-up	**$70,000**
Additional Cash Raised	**$25,000**
Cash Balance on Starting Date	**$95,000**
Total Assets	**$525,000**
Liabilities and Capital	

Liabilities	
Current Borrowing	**$0**
Long-term Liabilities	**$0**
Accounts Payable (Outstanding Bills)	**$0**
Other Current Liabilities (interest-free)	**$0**
Total Liabilities	**$0**
Capital	
Planned Investment	
Owner	**$0**
Investor	**$600,000**
Additional Investment Requirement	**$0**
Total Planned Investment	**$600,000**
Loss at Start-up (Start-up Expenses)	**($75,000)**
Total Capital	**$525,000**
Total Capital and Liabilities	**$525,000**
Total Funding	**$600,000**

8.2 Important Assumptions

The table below presents the assumptions used in the financial calculations of this business plan. [COMPANY NAME] is a Sole Proprietorship owned by [NAME] and is taxed accordingly, estimated at a 25% tax rate. The average Gross Profit % is estimated to be 52% in 2010, 2011 and 2012.

Depreciation expense is based on the scheduled additions in the Milestones Table. Insurance, utilities and all other expenses assume a 5% increase due to inflation & other cost variables during 2011 and 2012.

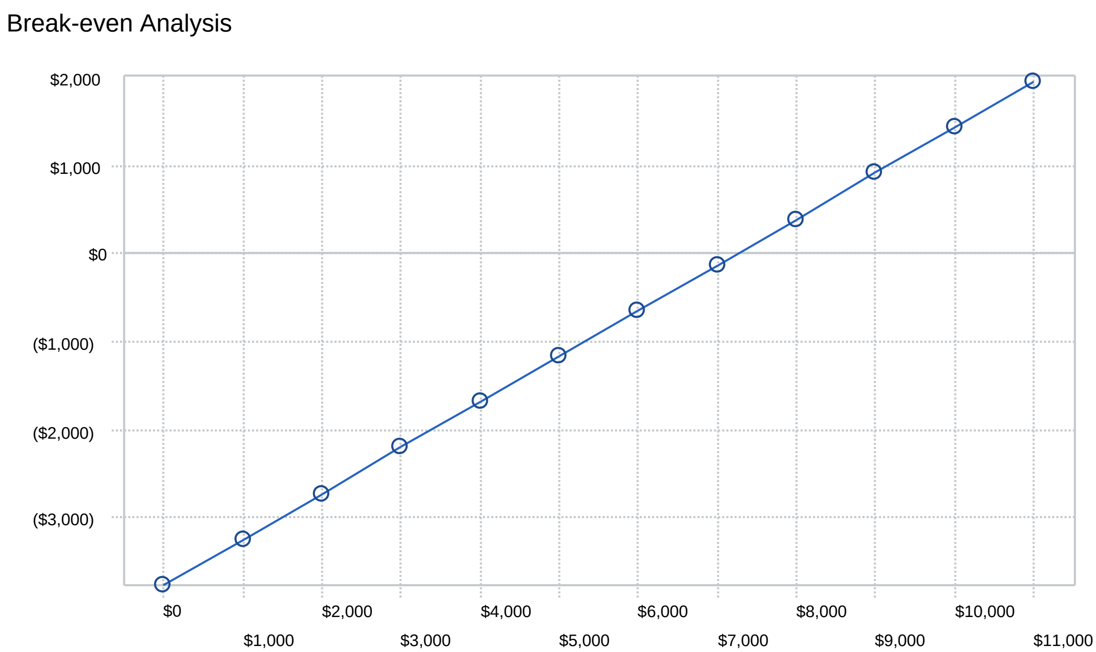
8.3 Break-even Analysis

For the Company's break-even analysis for 2010, the monthly revenue break-even is projected to be $7,242. Operating Expenses as a % of sales will continue to decrease over the 2010, 2011 and 2012 period. Sales are projected to increase 10% for 2012 due to the expansion of services throughout the Fairfield/Pickaway County areas along with the Advertising Campaign.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	**$7,242**
Assumptions:	
Average Percent Variable Cost	**48%**
Estimated Monthly Fixed Cost	**$3,766**

Chart: Break-even Analysis



8.4 Projected Profit and Loss

[COMPANY NAME] Pro Forma Profit and Loss statement was constructed from a conservative point-of-view, and is based in large part on current market conditions.

The Company will launch operations October 2010 once the new store is built. The financial statement for 2010 reflects operations from July - December. The sales for 2010, 2011 and 2012 are $60,000 (Oct, Nov & Dec), $240,000 and $264,000, respectively. The average Gross Profit % is estimated to be 52% in 2010, 2011 and 2012. The Company will show a Net Loss for 2010, 2011 of $13,992, $7,295 and a Net Profit for 2012 of $701, respectively. The Company will show a negative EBITDA of $9,960 in the shortened 2010 period, with a positive EBITDA of $8,840 in 2011 and $17,070 in 2012. The Operating expenses as a percentage of sales for this period were 75%, 55% and 52%, respectively. The percentages of the net profit to sales for this period were (23.32) %, (3.04) % and 0.27%, respectively. The Operating Expenses and Net Profit to Sales for the 2011 and 2012 period are affected by the opening and internal expansion of the Company. Operating Expenses to Sales will continue to decrease in future years as the Company builds a revenue base of customers. Net Profit and Net Profit to Sales Percentage will continue to rise in future years.

Table: Profit and Loss

Pro Forma Profit and Loss			
	2010	2011	**2012**
Sales	$60,000	$240,000	**$264,000**
Direct Cost of Sales	$28,800	$115,200	**$126,720**
Other Costs of Sales	$0	$0	**$0**
Total Cost of Sales	$28,800	$115,200	**$126,720**
Gross Margin	$31,200	$124,800	**$137,280**
Gross Margin %	52.00%	52.00%	**52.00%**
Expenses			
Payroll	$26,400	$74,400	**$77,400**
Marketing/Promotion	$4,000	$6,000	**$6,000**
Depreciation	$4,032	$16,135	**$16,135**
Property Taxes	$2,100	$8,400	**$8,400**
Utilities	$1,500	$6,000	**$6,300**
Insurance	$900	$4,000	**$4,200**
Payroll Taxes	$3,960	$11,160	**$11,610**
Other	$2,300	$6,000	**$6,300**
Total Operating Expenses	$45,192	$132,095	**$136,345**
Profit Before Interest and Taxes	($13,992)	($7,295)	**$935**

EBITDA	($9,960)	$8,840	**$17,070**
Interest Expense	$0	$0	**$0**
Taxes Incurred	$0	$0	**$234**
Net Profit	($13,992)	($7,295)	**$701**
Net Profit/Sales	**-23.32%**	**-3.04%**	**0.27%**

Chart: Profit Monthly

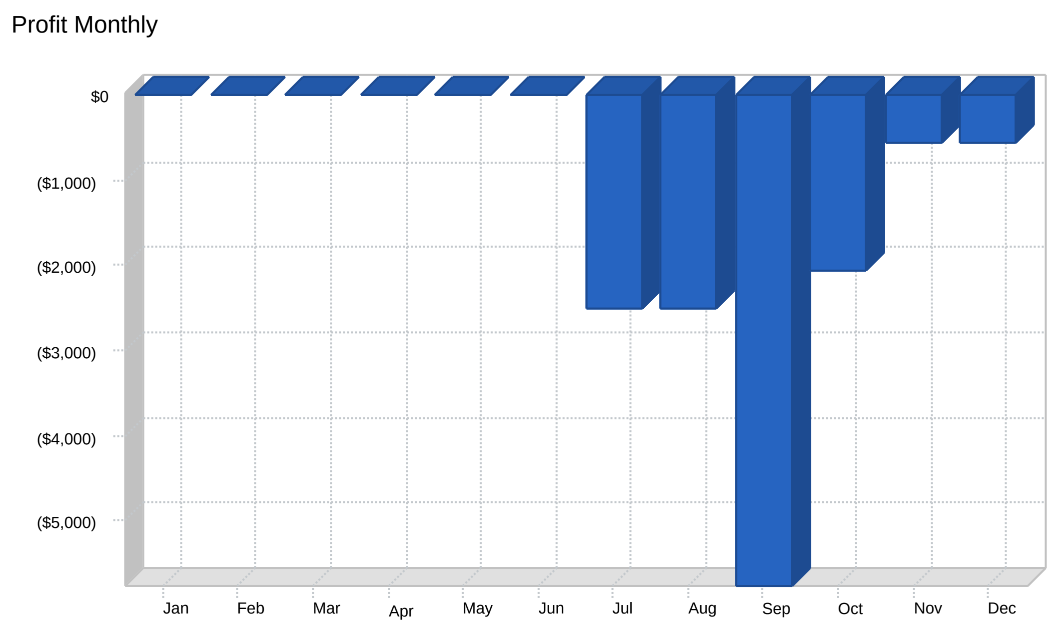


Chart: Profit Yearly

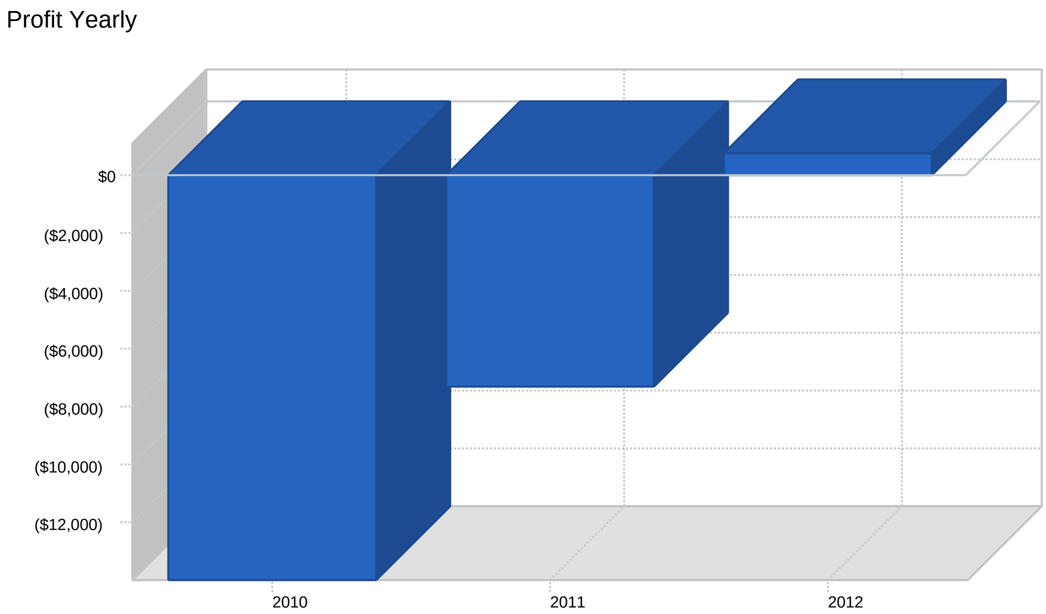


Chart: Gross Margin Monthly

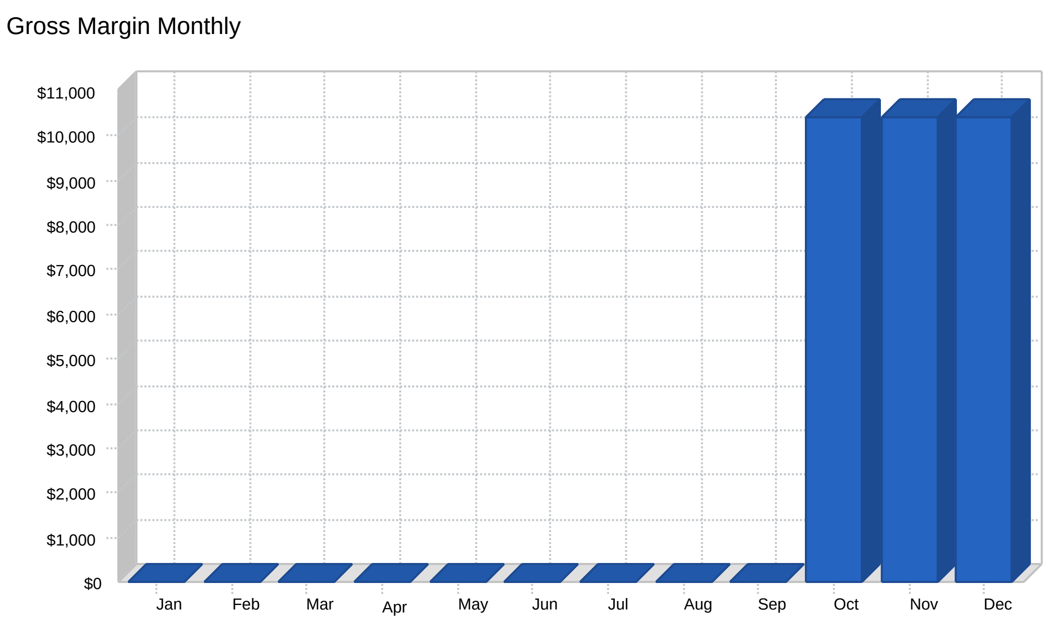
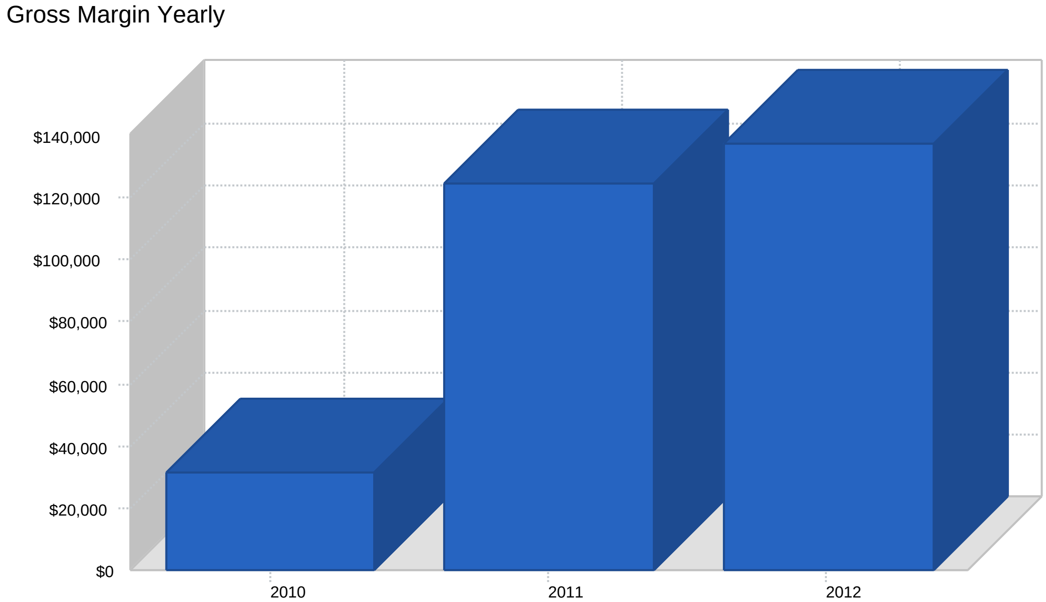


Chart: Gross Margin Yearly



8.5 Projected Cash Flow

[COMPANY NAME] has applied for a grant of $600,000. In 2010, the Company forecast that it will receive $600,000 in the month of July. After receipt of the Grant Funding, it will use the grant to launch operations including Purchasing the existing land & business, construction of a new Building and purchasing equipment and displays for the store. Additionally, the Company will develop a website and launch an advertising campaign. The Company will purchase an opening inventory of $25,000, shown as Other Current Assets for statement purposes. The company will carry approximately $30,000 of inventory for 2011 and 2012, shown as Inventory and Other Current Assets for statement purposes.

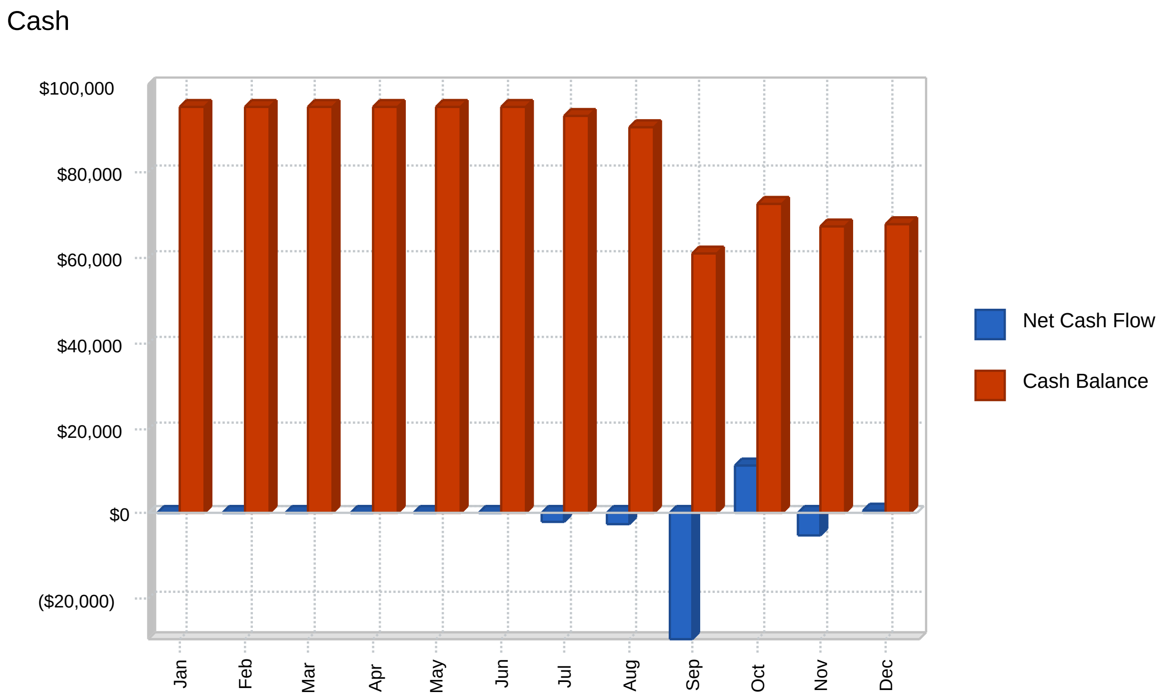
The following table displays [COMPANY NAME] cash flow and the chart illustrates monthly cash flow in the first year. Monthly cash flow projections are also included in the appendix.

Table: Cash Flow

Pro Forma Cash Flow			
	2010	2011	**2012**
Cash Received			

Cash from Operations			
Cash Sales	$60,000	$240,000	**$264,000**
Subtotal Cash from Operations	$60,000	$240,000	**$264,000**
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	$15,000	**$0**
Sales of Long-term Assets	$0	$0	**$0**
New Investment Received	$0	$0	**$0**
Subtotal Cash Received	$60,000	$255,000	**$264,000**
Expenditures	2010	2011	**2012**
Expenditures from Operations			
Cash Spending	$26,400	$74,400	**$77,400**
Bill Payments	$35,764	$169,688	**$157,587**
Subtotal Spent on Operations	$62,164	$244,088	**$234,987**
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	**$0**
Principal Repayment of Current Borrowing	$0	$0	**$0**
Other Liabilities Principal Repayment	$0	$0	**$0**
Long-term Liabilities Principal Repayment	$0	$0	**$0**
Purchase Other Current Assets	$25,000	$0	**$15,000**
Purchase Long-term Assets	$0	$0	**$0**
Dividends	$0	$0	**$0**
Subtotal Cash Spent	$87,164	$244,088	**$249,987**
Net Cash Flow	($27,164)	$10,912	**$14,013**
Cash Balance	**$67,836**	**$78,748**	**$92,761**

Chart: Cash


Cash
$100,000
$80,000
$60,000
$40,000
$20,000
$0
($20,000)
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
Net Cash Flow
Cash Balance

8.6 Projected Balance Sheet

[COMPANY NAME] net worth is $511,008, $503,713 and $504,414 for 2010, 2011 and 2012, respectively. The Company will be debt free at the end of 2010 with Total Assets of $523,604, $517,781 and $517,267 for 2010, 2011 and 2012, respectively.

Table: Balance Sheet

Pro Forma Balance Sheet			
	2010	2011	**2012**
Assets			
Current Assets			
Cash	$67,836	$78,748	**$92,761**
Inventory	$4,800	$19,200	**$5,808**
Other Current Assets	$25,000	$10,000	**$25,000**
Total Current Assets	$97,636	$107,948	**$123,569**
Long-term Assets			
Long-term Assets	$430,000	$430,000	**$430,000**
Accumulated Depreciation	$4,032	$20,167	**$36,302**
Total Long-term Assets	$425,968	$409,833	**$393,698**
Total Assets	$523,604	$517,781	**$517,267**
Liabilities and Capital	2010	2011	**2012**
Current Liabilities			
Accounts Payable	$12,596	$14,068	**$12,852**
Current Borrowing	$0	$0	**$0**
Other Current Liabilities	$0	$0	**$0**
Subtotal Current Liabilities	$12,596	$14,068	**$12,852**
Long-term Liabilities	$0	$0	**$0**
Total Liabilities	$12,596	$14,068	**$12,852**
Paid-in Capital	$600,000	$600,000	**$600,000**
Retained Earnings	($75,000)	($88,992)	**($96,287)**
Earnings	($13,992)	($7,295)	**$701**
Total Capital	$511,008	$503,713	**$504,414**
Total Liabilities and Capital	$523,604	$517,781	**$517,267**
Net Worth	**$511,008**	**$503,713**	**$504,414**

8.7 Business Ratios

The table below presents the projected business ratios from the Hardware Stores Market for businesses with sales below $500,000 as a reference.

Table: Ratios

Ratio Analysis				
	2010	2011	2012	**Industry Profile**
Sales Growth	n.a.	300.00%	10.00%	**-1.50%**
Percent of Total Assets				
Inventory	0.92%	3.71%	1.12%	**30.26%**
Other Current Assets	4.77%	1.93%	4.83%	**25.04%**
Total Current Assets	18.65%	20.85%	23.89%	**89.04%**
Long-term Assets	81.35%	79.15%	76.11%	**10.96%**
Total Assets	100.00%	100.00%	100.00%	**100.00%**
Current Liabilities	2.41%	2.72%	2.48%	**48.70%**
Long-term Liabilities	0.00%	0.00%	0.00%	**23.28%**
Total Liabilities	2.41%	2.72%	2.48%	**71.98%**
Net Worth	97.59%	97.28%	97.52%	**28.02%**
Percent of Sales				
Sales	100.00%	100.00%	100.00%	**100.00%**
Gross Margin	52.00%	52.00%	52.00%	**34.87%**
Selling, General & Administrative Expenses	75.32%	55.04%	51.73%	**19.44%**
Advertising Expenses	6.67%	2.50%	2.27%	**0.28%**
Profit Before Interest and Taxes	-23.32%	-3.04%	0.35%	**3.20%**
Main Ratios				
Current	7.75	7.67	9.61	**1.60**
Quick	7.37	6.31	9.16	**0.98**
Total Debt to Total Assets	2.41%	2.72%	2.48%	**71.98%**
Pre-tax Return on Net Worth	-2.74%	-1.45%	0.19%	**38.80%**
Pre-tax Return on Assets	-2.67%	-1.41%	0.18%	**10.87%**
Additional Ratios	2010	2011	2012	
Net Profit Margin	-23.32%	-3.04%	0.27%	**n.a**
Return on Equity	-2.74%	-1.45%	0.14%	**n.a**

Activity Ratios				
Inventory Turnover	24.00	9.60	10.13	**n.a**
Accounts Payable Turnover	3.84	12.17	12.17	**n.a**
Payment Days	27	28	31	**n.a**
Total Asset Turnover	0.11	0.46	0.51	**n.a**
Debt Ratios				
Debt to Net Worth	0.02	0.03	0.03	**n.a**
Current Liab. to Liab.	1.00	1.00	1.00	**n.a**
Liquidity Ratios				
Net Working Capital	$85,040	$93,880	$110,716	**n.a**
Interest Coverage	0.00	0.00	0.00	**n.a**
Additional Ratios				
Assets to Sales	8.73	2.16	1.96	**n.a**
Current Debt/Total Assets	2%	3%	2%	**n.a**
Acid Test	7.37	6.31	9.16	**n.a**
Sales/Net Worth	0.12	0.48	0.52	**n.a**
Dividend Payout	**0.00**	**0.00**	**0.00**	**n.a**

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