

How to Start an Embroidery Business

By the BizMove.com Team

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Table of Contents

- [1. Determining the Feasibility of Your New Business](#)
- [2. Starting Your Business Step by Step](#)
- [3. Complete Embroidery Business Plan Template](#)

1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

This guide is a checklist for the owner/manager of a business enterprise or for one contemplating going into business for the first time. The questions concentrate on areas you must consider seriously to determine if your idea represents a real business opportunity and if

you can really know what you are getting into. You can use it to evaluate a completely new venture proposal or an apparent opportunity in your existing business.

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

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

Preliminary Analysis

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

General Personal Considerations

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

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

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

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

12. Are you prepared to lose your savings?

Specific Personal Considerations

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

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

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

General Project Description

1. Briefly describe the business you want to enter.

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

3. Describe who will use your products/services

4. Why would someone buy your product/service?

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

6. List your product/services suppliers.

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

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

B. Requirements For Success

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

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

Major Flaws

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

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

C. Desired Income

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

1. How much income do you desire?

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

3. What minimum income do you require?

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

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

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

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

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

D. Preliminary Income Statement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

E. Market Analysis

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

Population

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

2. What is the population of these areas?

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

4. What is the average family size?

5. What is the age distribution?

6. What is the per capita income?

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

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

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

10. Can you appeal to the entire market?

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

F. Competition

1. Who are your major competitors?

2. What are the major strengths of each?

3. What are the major weaknesses of each?

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

Price structure?

Product lines (quality, breadth, width)?

Location?

Promotional activities?

Sources of supply?

Image from a consumer's viewpoint?

5. Do you know of any new competitors?

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

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

8. If so, why?

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

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

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

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

13. Can you compete with your competition?

G. Sales

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

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

3. Did you base your forecast on concrete data?

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

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

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

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

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

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

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

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

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

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

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

H. Supply

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

I. Expenses

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

Miscellaneous

1. Are you aware of the major risks associated with your product? Service Business?

2. Can you minimize any of these major risks?
3. Are there major risks beyond your control?
4. Can these risks bankrupt you? (fatal flaws)

J. Venture Feasibility

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

[Go to Top](#)

2. Starting Your Business Step by Step

Things to Consider Before You Start

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

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

What Is a Business Plan?

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

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

steps allows you to guide your business through turbulent often unforeseen economic conditions.

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

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

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

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

What Business Am I In?

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

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

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

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

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

Planning Your Marketing

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

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

Determining the Sales Potential

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

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

In the downtown business section?

In the area right next to the downtown business area?

In a residential section of the town?

On the highway outside of town?

In the suburbs?

In a suburban shopping center?

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

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

What is the competition in the area you have picked?

How many of the stores look prosperous?

How many look as though they are barely getting by?

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

How many new stores opened up in the last year?

What price line does competition carry?

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

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

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

Is the neighborhood starting to get run down?

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

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

Is street traffic fairly heavy all day?

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

Are there adequate parking spaces convenient to your store?

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

is the street lighting good?

Is your store on the sunny side of the street?

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

Why have other businesses failed in this location?

What is the physical condition of the store?

What service does the landlord provide?

What are the terms of the lease?

How much rent must you pay each month?

Estimate the gross annual sales you expect in this location.

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

How to Attract Customers

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

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

Image

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

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

Pricing

Value received is the key to pricing. The only way a store can have low prices is to sell low-priced merchandise. Thus, what you do about the prices you charge depends on the lines of

merchandise you buy and sell. It depends also on what your competition charges for these lines of merchandise. Your answers to the following questions should help you to decide what to do about pricing.

In what price ranges are your line of merchandise sold

High _____, Medium _____, or Low _____?

Will you sell for cash only?

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

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

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

Customer Service Policies

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

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

Planning Your Advertising Activities

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

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

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

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

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

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

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

In-store Sales Promotion

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

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

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

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

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

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

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

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

Buying

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

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

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

What are the terms of buying?

Can you get credit?

How quickly can the vendor deliver fill-in orders?

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

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

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

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

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

Stock Control

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

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

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

Stock Turnover

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

Behind-the-Scenes Work

In a retail store, behind-the-scenes work consists of the receiving of merchandise, preparing it for display, maintaining display counters and shelves, and keeping the store clean and attractive to customers. The following analytical list will help you decided what to do and the cost of those actions.

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

Use this format to figure these costs:

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

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

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

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

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

How Much Money Will You Need

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

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

Start-Up Costs:

List the following estimated start-up costs:

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

*Transfer your figures from previous worksheets.

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

Expenses

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

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

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

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

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

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

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

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

Cash Forecast

A budget helps you to see the dollar amount of your expected revenue and expenses each month. Then from month to month the question is: Will sales bring in enough money to pay for

the store's bills? The owner-manager must prepare for the financial peaks and valleys of the business cycle. A cash forecast is a management tool that can eliminate much of the anxiety that can plague you if your sales go through lean months. Use the following format.

Estimated Cash Forecast

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

*This balance is your starting figure for the next month

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

Free Retail Business Plan How To.

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

Control and Feedback

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

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

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

Stock Control

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

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

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

Sales

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

Receipts

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

Disbursement

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

Break-Even Analysis

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

Profit depends on sales volume, selling price, and costs. Break-even analysis helps you to estimate what a change in one or more of these factories will do to your profit. To figure a break-even point, fixed costs (like rent) must be separated from variable costs (like the cost of goods sold).

The break-even formula is:

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

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

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

Is Your Plan Workable?

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

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

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

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

Put Your Plan Into Action

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

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

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

To put my plan into action, I must:

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

Keep Your Plan Current

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

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

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

Check your plan against these changes.

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

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

[Go to Top](#)

3. Complete Embroidery Business Plan Template

Table of Contents

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

1.2 Mission	30
1.3 Keys to Success.....	30
2.0 Company Summary.....	31
2.1 Company Ownership.....	31
2.2 Company History	31
Table: Past Performance.....	31
Chart: Past Performance.....	33
3.0 Products and Services	34
4.0 Market Analysis Summary.....	34
4.1 Market Segmentation	34
Table: Market Analysis	36
Chart: Market Analysis (Pie).....	37
4.2 Target Market Segment Strategy	37
4.3 Service Business Analysis	38
4.3.1 Competition and Buying Patterns.....	39
5.0 Strategy and Implementation Summary	39
5.1 SWOT Analysis	39
5.1.1 Strengths.....	40
5.1.2 Weaknesses.....	40
5.1.3 Opportunities.....	40
5.1.4 Threats	41
5.2 Competitive Edge	41
5.3 Marketing Strategy	41
5.4 Sales Strategy.....	42
5.4.1 Sales Forecast	42
Table: Sales Forecast	43
Chart: Sales Monthly.....	44

Chart: Sales by Year	44
5.5 Milestones	44
Table: Milestones	45
6.0 Management Summary	46
6.1 Personnel Plan	46
Table: Personnel	46
7.0 Financial Plan.....	47
7.1 Important Assumptions.....	47
7.2 Break-even Analysis.....	48
Table: Break-even Analysis.....	48
Chart: Break-even Analysis	48
7.3 Projected Profit and Loss	48
Table: Profit and Loss	49
Chart: Profit Monthly.....	51
Chart: Profit Yearly	51
Chart: Gross Margin Monthly	52
Chart: Gross Margin Yearly	52
7.4 Projected Cash Flow	52
Table: Cash Flow	53
7.5 Projected Balance Sheet.....	55
Table: Balance Sheet	55
7.6 Business Ratios.....	56
Table: Ratios	57
Table: Sales Forecast	Error! Bookmark not defined.
Table: Personnel	Error! Bookmark not defined.
Table: Profit and Loss	Error! Bookmark not defined.
Table: Cash Flow	Error! Bookmark not defined.

Table: Balance Sheet..... **Error! Bookmark not defined.**

1.0 Executive Summary

COMPANY NAME is an existing family apparel retailer. The store offers on a year round basis items such as jackets, shirts, sweatshirts, sports apparel, hats, and promotional items. They also customize the garments they sell by embroidery, silk-screening, monogramming, and lettering.

The store is in Forest Lake, Minnesota and is centrally located to the tri-county area it serves (Washington, Anoka, and Chisago counties). The area is growing in population and demographic information indicates it may be fared better than many other parts of the United States through the ongoing economic downturn. According to U.S. Census data, the tri-county area is home to over 614,000 people and 47,640 businesses. The area appears to be highly diversified with no single industry dominating the area's economy.

The store has been in existence at its present location since 1999. The previous owners sold the business and building to **OWNER'S NAME** in May 2007. They operate the business through a limited liability company structure. **OWNER'S NAME**, who handles the day-to-day operations of the business and is an active hands-on owner, had eight years of previous experience in retailing, embroidery, and silk-screening prior to owning the store.

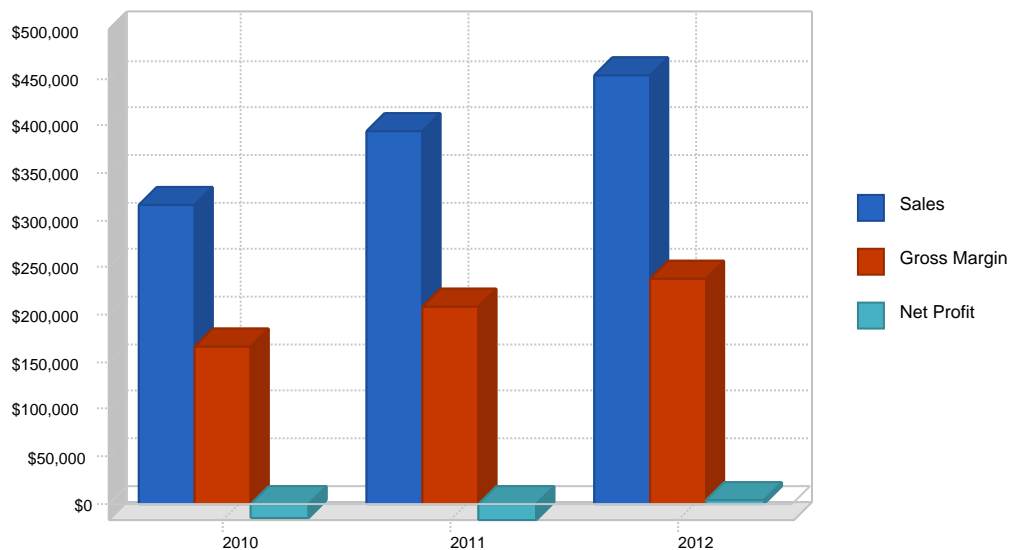
The store is the only embroidery and silk-screening business within a 30-minute radius, so they have no local competition. Internet companies are the main competition for the store with price and the convenience of ordering being the two competitive factors they must overcome. Its primary marketing focus is toward privately owned businesses in the tri-county area with a staff of face-to-face customer service providers, or with a vision of "branding" their business by providing their employees with uniforms or coordinated logo apparel. Its secondary marketing focus is the teams, groups, and organizations in the area seeking lettered uniforms.

The store's competitive edge is its location, its focus on excellent customer service, and the experience and knowledge of the owners who have already identified key factors that they must achieve to make the store successful. Increased sales can be achieved by developing an outside sales force, by expanding their retail hours, and by exploring the advantages of a more sophisticated website with shopping cart capabilities. These are immediately possible with the addition of two new employees. Increased profitability can be achieved by continuing to maintain their gross profit margin and by developing a diligent expense control system.

The future for **COMPANY NAME** appears bright. The store has far more strengths than it has weaknesses. It has opportunities for growth and profitability by simply following this business plan and by finding a source of funds to restructure their business debt. The only serious threats are a prolonged and worsening economic downturn or a competitor decision to move into their immediate area to compete head-to-head.

Chart: Highlights

Highlights



1.1 Objectives

- Achieve profitability by year-end 2012 and in future years by increasing sales and diligently controlling expenses
- Design and implement strict financial controls to help ensure future success
- Increase sales to local area businesses, teams, groups, and organizations through more aggressive marketing
- Determine whether the development of a more robust website would result in more effective competition on the internet
- Obtain additional capital required to consolidate existing business debt

1.2 Mission

The mission statement of **COMPANY NAME** is "Professional Quality, Hometown Service".

1.3 Keys to Success

- Focus our marketing efforts on businesses, teams, groups, and organizations in the tri-county area
- Continue our heritage by exceeding customer service expectations every time
- Grow sales and diligently control expenses to again become profitable
- Improve cash flow by consolidating existing business debt
- Complete a study on whether an improved website will increase internet sales

2.0 Company Summary

COMPANY NAME was formed on May 24, 2007 by **OWNER'S NAME**. Their retail store, located in Forest Lake, Minnesota, offers custom embroidered, silk-screened, monogrammed and lettered sports apparel and clothing items. They market to individuals, groups, teams, and businesses in the tri-county area of Washington, Anoka, and Chisago counties since they are located in the extreme northwest corner of Washington County where these three counties merge. They have the ability to accept orders via walk-in, mail, telephone, fax, or the internet. They have the capability of handling production runs from a single garment to hundreds of garments.

2.1 Company Ownership

Forest Lake Embroidery is 50% owned by **INSERT NAME** and 50% owned by **INSERT NAME**. The LLC formation was chosen as ways to minimize personal liability issues for the owners and avoid the double taxation inherit with traditional corporations.

INSERT NAME is the most active and hands-on of the two **COMPANY NAME** owners. **INSERT NAME** comes from a retail management background with experience in embroidery, silk-screening, and promotional products.

2.2 Company History

The store originated in 1999 at its present location as a family owned embroidery shop. Ownership remained with the original family for eight years. On May 24, 2007, the original owners sold the existing business to **INSERT NAME**. They remain as owners of the business and continue to operate it as custom embroidery, silk-screening, monogramming, and lettering store in Forest Lake, Minnesota.

Table: Past Performance

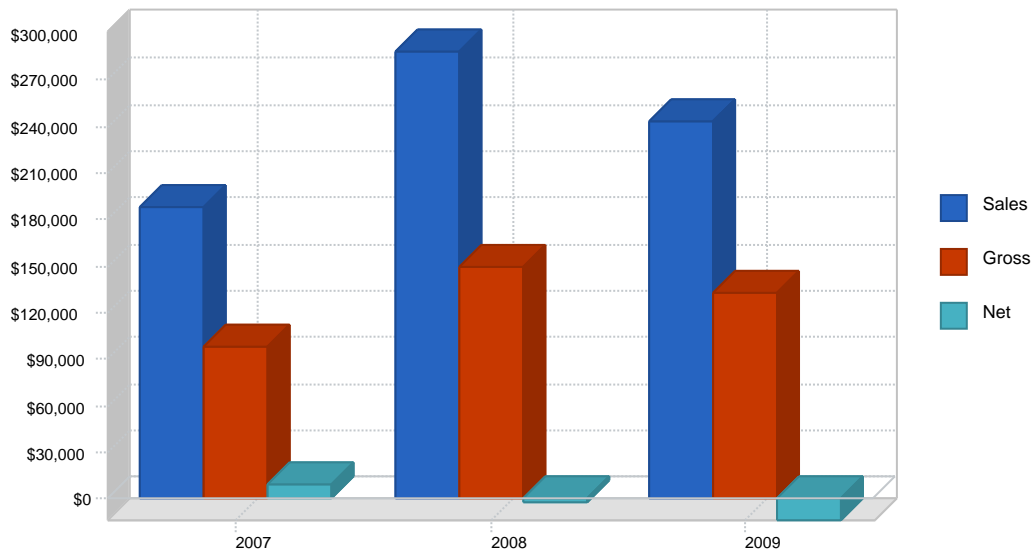
PAST PERFORMANCE	2007	2008	2009
Sales	\$188,127	\$288,583	\$243,056

Gross Margin	\$98,474	\$149,508	\$132,717
Gross Margin %	52.34%	51.81%	54.60%
Operating Expenses	\$88,909	\$151,812	\$146,350
Inventory Turnover	8.97	13.92	7.62
Balance Sheet			
	2007	2008	2009
Current Assets			
Cash	\$19,677	\$26,696	\$8,635
Inventory	\$10,000	\$9,976	\$18,976
Other Current Assets	\$3,550	\$3,300	\$0
Total Current Assets	\$33,227	\$39,972	\$27,611
Long-term Assets			
Long-term Assets	\$141,140	\$160,640	\$160,640
Accumulated Depreciation	\$20,792	\$42,590	\$60,344
Total Long-term Assets	\$120,348	\$118,050	\$100,296
Total Assets	\$153,575	\$158,022	\$127,907
Current Liabilities			
Accounts Payable	\$0	\$2,083	\$2,083
Current Borrowing	\$7,436	\$13,868	\$22,953
Other Current Liabilities (interest free)	\$0	\$0	\$0
Total Current Liabilities	\$7,436	\$15,951	\$25,036

Long-term Liabilities	\$95,607	\$103,843	\$92,777
Total Liabilities	\$103,043	\$119,794	\$117,813
Paid-in Capital	\$40,967	\$30,967	\$16,466
Retained Earnings	\$0	\$9,565	\$7,261
Earnings	\$9,565	(\$2,304)	(\$13,633)
Total Capital	\$50,532	\$38,228	\$10,094
Total Capital and Liabilities	\$153,575	\$158,022	\$127,907
Other Inputs			
Payment Days	30	30	30

Chart: Past Performance

Past Performance



3.0 Products and Services

The store offers essentially an identical inventory of apparel as do other retail embroidery and silk-screening establishments. Their offerings include shirts, sweatshirts, jackets, hats, sports apparel, and other clothing items with their primary suppliers being SanMar and Dakota Collectibles. The store enhances the clothing items they retail through custom embroidery, silk-screening, monogramming, and lettering. They can design an insignia or logo simply from an image or an idea and customize the chosen apparel with their stitching and silk-screening equipment for large or small orders from individuals, groups, teams, and businesses.

4.0 Market Analysis Summary

The store is located in a growing tri-county area located in central Minnesota along the Wisconsin border that has grown in population since the 2000 census by 15.9% to an estimated 2009 total population of 614,165.

Since **COMPANY NAME** has the ability to handle very large production runs and to recreate and design logos, the store will focus on the area's 14,717 private business establishments as its primary market. Their customized apparel is very attractive to business owners who are attempting to "brand" their businesses by making their business and their employees more recognizable and first in the minds of their patrons through uniforms and coordinated logo apparel. Branding should have an ever growing importance with business owners since the ongoing economic downturn has taught them that they must develop a competitive edge to survive difficult times and to make the most of good times.

In addition, another major market segment for the store is teams, groups, and organizations. With a more robust economy, the participation level in this market segment should increase as families, schools, and athletic organizations have more discretionary income to spend on extracurricular activities such as youth hockey, football, basketball, baseball, and soccer. Unfortunately, very little data is available to produce a demographic on this market segment. Nevertheless, it is without question a market to which the ownership must pay close attention.

Since the store also has the ability to handle single garment production runs and create its own graphics from an image or an idea, a marketing segment to explore for future development may be the nearly 160,000 young people in the tri-county area (U.S. Census data indicates 26.0% of the tri-county population of 614,165 is under 19 years of age). This population segment seeks individuality and desires making a statement, so this could be very attractive to them as an art form in creating and designing the statements they wear on their garments.

For purposes of this analysis, we will focus on the business market segment since there is insufficient data available at this time to demographic the team/group/organization segment or to foresee whether the younger market segment is a feasible option for future success.

4.1 Market Segmentation

Our market segmentation scheme is fairly straightforward, and focuses on the business establishments in the tri-county area of Washington, Anoka, and Chisago counties. The information contained in our analysis table is taken directly from the U.S. Census Data website and government directory of business establishments in those three Minnesota counties in 2008.

Their data clearly shows that the largest market group of businesses is defined as home-based, farming related, and not privately owned. While this group is the largest in number, its makeup is primarily businesses that have very few customer service oriented employees that perform their duties face-to-face with their customers. With our marketing emphasis to dramatically increase sales, our primary target must be businesses that employ a greater number of employees that fit the previous description. Those establishments are privately owned businesses that number 14,717 of the 47,640 total. Of the 14,717 primary targeted businesses, 29.4% are female owned and 70.6% are male owned. Privately owned businesses tend to be larger in size, employ more face-to-face customer service staff, and achieve a greater benefit from name recognition and becoming first in their customers mind as they "brand" their business through employee uniforms and coordinated logo apparel.

Although this market segment is the smallest in numbers, it has the potential to provide a significant share of our revenues and growth. We will accomplish this by communicating our value-added offerings to their owners, demonstrating our ability to meet deadlines and keep promises, develop long-term relationships within this segment, and earn their business.

Another significant segment that demands our focus is teams, groups, and organizations that also have a need for uniforms and the services we provide. However, since there is little (if any) statistical data available to form a demographic on this market segment, for purposes of this analysis we will concentrate solely on area businesses. Therefore, the business establishment market will be segmented into three groups:

- Women owned private businesses
- Male owned private businesses
- All other establishments - businesses that are either home-based, farming related, or not privately owned

Since **COMPANY NAME** is a woman owned private business, it may prove to be beneficial to designate this as the primary target market segment because of the store's inclusion and similarity. Male owned private businesses would be the secondary target market because of the store's similarity. All other establishments would be the tertiary target market segment.

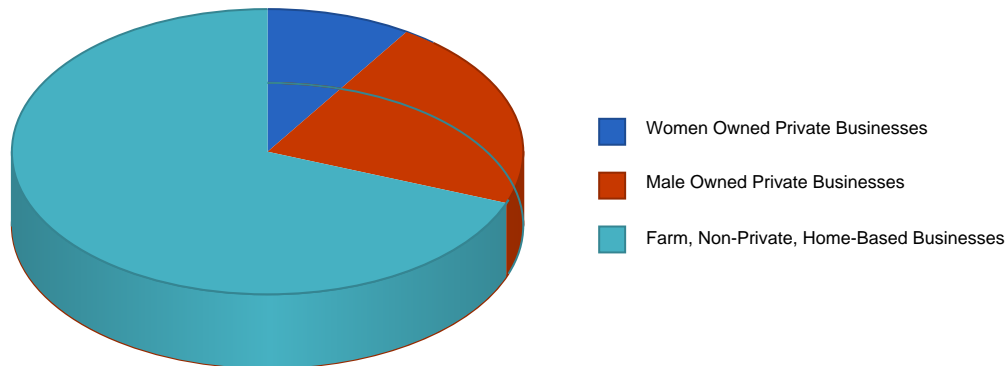
For this analysis, it is assumed that private businesses will grow in future years by 1% annually and that all other establishments (which include the quick growing home-based business segment) will grow at a 3% annual rate.

Table: Market Analysis

<i>MARKET ANALYSIS</i>							
		2010	2011	2012	2013	2014	
Potential Customers	Growth						CAGR
Women Owned Private Businesses	1%	4,327	4,370	4,414	4,458	4,503	1.00%
Male Owned Private Businesses	1%	10,390	10,494	10,599	10,705	10,812	1.00%
Farm, Non-Private, Home-Based Businesses	3%	32,923	33,911	34,928	35,976	37,055	3.00%
Total	2.39%	47,640	48,775	49,941	51,139	52,370	2.39%

Chart: Market Analysis (Pie)

Market Analysis (Pie)



4.2 Target Market Segment Strategy

Marketing should be very focused and directed at business owners and team leaders rather than the general public. **COMPANY NAME** has chosen two focus groups because their demographics have the highest likelihood of purchasing uniforms and custom apparel and they share the goal of forming cohesiveness amongst their team members through a uniform or logo apparel.

Even though the largest category of business establishments are those that are primarily home-based, farm related, and non-privately owned, this market segment is the least likely to produce dramatic sales growth since they have very few employees. Some sales will result from this segment; however the store should limit the resources devoted to sales development in this segment.

Instead, **COMPANY NAME** must target larger businesses that have customer service employees, which are looking to brand their business, or have already branded their business and are open to switching to a new provider. Thus, the primary focus is on privately owned business establishments, whether they are owned by women or men. The best possible marketing approach to this segment would be to identify each business individually and concentrate initial marketing efforts on those businesses with the most employees performing face-to-face customer service functions. The preferable method of contact, although the most time consuming, would be for the owner or a commissioned **COMPANY NAME** sales representative to directly and personally contact each business owner at their business location. To further target the privately owned business segment, active membership in the local Chamber of Commerce and other local business organizations should be considered to develop contacts and networking opportunities. Still other methods, such as a

telephone campaign, would be less effective but would still create some degree of positive results.

These same activities would also be effective with team leaders in sports organizations. Identification of the organization or league and its leader or official may be more difficult and time consuming, but the rewards could be well worth the effort. A good starting point might be the local media with focus on league organizational announcements and advertisements for teams to join a league. Another would be to get to know the principals at local ice rinks, bowling establishments, golf courses, and parks and recreation departments. Once the organizations and leaders can be identified, attendance at pre-league organizational meetings to network or to simply distribute catalogs or flyers may be beneficial.

One strategy that may develop additional future sales to all three segments is an enhanced, more robust website. It could reach every business in every segment and help the store compete on more even terms with non-local internet embroidery and silk-screening establishments - their main competition.

4.3 Service Business Analysis

In industries such as retail embroidery and silk-screening where the product purchased by the consumer is very similar to products offered by the competition, businesses have long recognized the importance of excellent product quality, quick turnaround, impeccable customer service, convenient store hours, the latest technological advancements, and finding economic tools to win and maintain customers. While there are technological advancements available to the embroidery and silk-screening industry that would also provide lower production costs (for example, a state-of-the-art ink embedding process called sublimation), this technology comes with a large price tag and the possibility of quick obsolescence as the industry continues to revolutionize.

Rather than adding all new equipment, **COMPANY NAME** chooses to maintain its market share by continuing its tradition of excellent product quality, quick turnaround, and impeccable customer service. At the same time, store owners intend to expand their market share through a more aggressive marketing plan that will increasingly highlight their customer service, product quality, and attention to detail while also emphasizing the advantages of dealing with a local business. This approach makes sense for numerous reasons:

- Their existing customer base comments regularly on the store's superior quality and customer service
- The store has no immediate local competitors as its nearest competitor is physically located about 30-minutes away
- Their main competition comes from internet companies that will be able to compete only from a price standpoint once the proposed face-to-face sales initiative is underway

In addition, with the hiring of additional inside staff, the business plans to extend its evening and weekend retail hours to make shopping at **COMPANY NAME** more convenient for its regular customers and to attract new customers.

4.3.1 Competition and Buying Patterns

While **COMPANY NAME** has no local competition, the store must compete with internet retailers who offer similar garments at slightly lower prices. Target market segments think about price because that is what is traditionally presented to them first. However, our research and experience indicates business owners and decision makers would buy based on superior quality and product wear, excellent customer service, and local business location. This should be especially true since the reason for their purchase is to positively enhance their business image through "branding".

With their desire for garment customization to project a positive and lasting image with their business patrons, the store appears to have a competitive advantage if they can effectively communicate the value of the differences between internet retailers and **COMPANY NAME** to potential buyers. Their reputation for high quality service and products, product availability, and turnaround time are all very important purchasing requirements for business owners as they tend to want immediate, local solutions to their needs. Communication of the added value in purchasing from a reputable, local establishment is imperative to sales growth in the business market segment.

As efforts are made to communicate the story of **COMPANY NAME** to area business owners, store management should make an effort to determine whether a more robust website with shopping cart capabilities would be cost effective. Even though the benefits of dealing locally with a reputable company like **COMPANY NAME** makes sense, the convenience and time savings of internet shopping for business owners may be too alluring. If the store combined its local presence and excellent reputation with a state-of-the-art website, they may prove to be both unbeatable locally and a force outside their area.

5.0 Strategy and Implementation Summary

The primary focus for **COMPANY NAME**'s marketing strategy must be to increase sales and profitability quickly in its market segment of privately owned businesses without resorting to fixed expenses (such as a sales representative base salary or excessive mailing expenses) that have not been thoroughly market-tested. This can be achieved by gaining entry into targeted local customer service oriented businesses that are privately owned.

5.1 SWOT Analysis

The greatest obstacle facing the store for the next few years is a prolonged economic downturn. If businesses must limit their spending on "branding" and if families must make additional cutbacks, the customer base will not have the means to purchase custom apparel.

In addition to possible economic obstacles, but far less likely to occur, are the possible threats of a competitor opening a new location near the store or an industry wide technological advance that would create a competitive disadvantage unless the owner decided to obtain the newly available equipment.

If these threats do not materialize, the future of **COMPANY NAME** appears bright. The store possesses an excellent and centralized location that is convenient to those in the tri-county area. They are located in a growing community with low poverty levels and average family incomes. There are potential untapped markets such as those that may materialize from a more robust website or extended retail hours. Finally, the owner has already identified the stores primary needs to give it the financial strength and competitive edge it requires for future success which include a better debt structure, sales growth through an outside sales team, and diligent expense control.

5.1.1 Strengths

- Physical location is central to the tri-county area
- Local and experienced ownership for the past three years
- No local competition within a 30-minute radius
- Impeccable customer service tradition
- Reputation for high quality products and custom workmanship
- Can produce smaller jobs that some competitors will not accept

5.1.2 Weaknesses

1. Business has slowly declined financially over the past three years with the economic downturn
2. Existing website may not have the ability and sophistication to compete with other competitor websites
3. Cash flow is impaired by existing debt structure
4. Business hours are limited for a retail establishment (Monday through Friday 9:00 a.m. to 6:00 p.m.)

5.1.3 Opportunities

1. The area is growing in population and median household income
2. Should be able to capitalize on their competitive edge if sales representatives can communicate effectively to local business owners
3. A sophisticated website may attract both local and out-of-area customers

4. Better debt structure will enhance the business cash flow

5.1.4 Threats

- Prolonged economic downturn that hinders the rebound of area businesses and limits discretionary income
- Industry wide technological advances that could render existing store equipment as obsolete
- A new competitor opening in the immediate area

5.2 Competitive Edge

- Excellent reputation for high product quality and custom workmanship
- Impeccable customer service
- No local competition
- Ability to handle production runs of all sizes

5.3 Marketing Strategy

COMPANY NAME will focus their marketing efforts on the tri-county areas 14,717 private business establishments in hopes of capitalizing on their need for business "branding" in an effort to make their business and employees more recognizable to their patrons. Many business owners have found that they must develop a competitive edge to survive difficult economic times and to capitalize on good economic times. One relatively easy and inexpensive ways to do so is to purchase uniforms and coordinated logo apparel for themselves and their employees. Uniforms and coordinated apparel can give businesses that rely on face-to-face customer service a competitive advantage through name recognition. Apparel can enhance the chances for their business to be the number one choice in the minds of their customers.

The primary means by which this market segment should be approached is by individual contact with the business owners. Either an outside commissioned salesperson, or the store owner, or both should make every effort to make face-to-face contact with area business owners. This will allow trained store personnel to tell their story, demonstrate their ability to perform impeccably, and communicate the value in buying from **COMPANY NAME** rather than a faceless internet company that may or may not deliver as promised.

The secondary marketing focuses are the countless teams, groups, and organizations that desire or need uniforms. While this market segment is substantial, it is a more difficult market segment to identify as many teams and organizations can only be discovered through consistent networking. The store and its owners recognize the importance of this market segment and are willing to devote the time and effort required to expand this market segment. Even though networking is a much slower form of

advertising, it is by far less costly than attempting to market to every one of the 614,000 people in the tri-county area who may have a place in this market segment.

5.4 Sales Strategy

The Sales Forecast table summarizes our conservative sales forecast. We expect sales to increase dramatically from 2009 levels. Our sales strategy will focus on four key aspects of **COMPANY NAME**:

- We will sell the company and its heritage as being locally owned and operated with a convenient tri-county area hometown location
- We will sell our exceptional customer service as what you should expect and demand from anyone with whom you choose to do business
- We will sell our ability to deliver on our promises since we are your neighbors and have our impeccable three-year reputation to uphold
- We will sell our product quality and custom workmanship as being second to none and a constant source of pride with our business

5.4.1 Sales Forecast

The important elements of the Sales Forecasts are shown in the chart and table below. Assumptions include:

- A sales increase of 30% in 2010 due to the addition of a commissioned outside sales representative in July
- Sales increase an additional 25% in 2011 due to the continued effect of adding a commissioned outside sales representative in 2010
- Sales increase an additional 15.0% in 2012 due to the continued effect of adding a commissioned outside sales representative in 2010
- The relationship of apparel sales to total sales continues at its present level of 65%
- The cost of apparel continues at its present level of 50% of apparel sales
- The relationship of customization sales to total sales continues at its present level of 35%
- The cost of customization continues at its present level of 42.5% of customization sales
- Total gross margin remains constant at its three-year average of 52.5%

Table: Sales Forecast

SALES FORECAST			
	2010	2011	2012
Sales			
Apparel	\$205,500	\$256,875	\$295,406
Customization	\$110,559	\$138,199	\$158,929
	\$0		
Total Sales	\$316,059	\$395,074	\$454,335
Direct Cost of Sales	2010	2011	2012
Apparel	\$102,750	\$128,438	\$147,703
Customization Materials	\$46,988	\$58,734	\$67,545
	\$0		
Subtotal Direct Cost of Sales	\$149,738	\$187,172	\$215,248

Chart: Sales Monthly

Sales Monthly

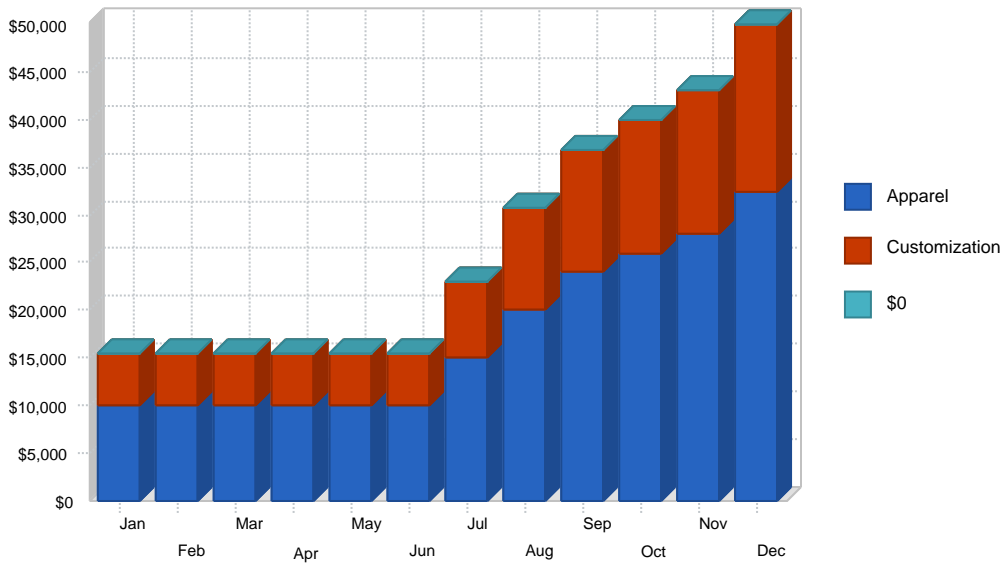
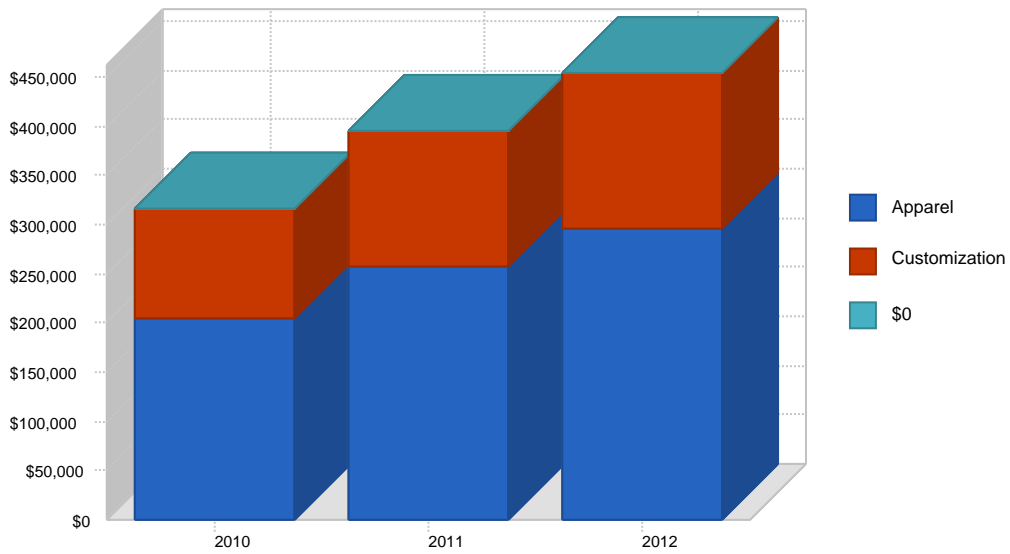


Chart: Sales by Year

Sales by Year



5.5 Milestones

The following assumptions were made with regards to the Milestones:

- The requested capital injection will be received around September 1, 2010

- Existing business debt will be paid off in September 2010 and will include both short-term and long-term debt
- The equipment will be ordered immediately and will take about 90 days to be delivered and installed with purchase terms of 50% down at time of order and the balance due upon delivery and installation
- A new company vehicle will be purchased for about \$40,000 to be used for sales related travel and large product order deliveries
- Two new employees will be hired; an outside commissioned salesperson in July 2010 and an inside person responsible for sales and equipment operation in November 2010
- The inside employee and the equipment will be ready for production by January 1, 2011

Table: Milestones

MILESTONES					
Milestone	Start Date	End Date	Budget	Manager	Department
Payoff Existing Business Debt	9/1/2010	9/30/2010	\$212,953		Owner
Purchase Company Vehicle	9/1/2010	9/30/2010	\$40,000		Owner
Purchase Digital Printer & POS Software	9/1/2010	11/30/2010	\$25,000		Owner

Totals	\$277,953

6.0 Management Summary

OWNER'S NAME have owned the store since May 2007. **INSERT NAME** is the hands-on owner and makes most of the day-to-day operational decisions. Her background includes eight years in retail management and four years in embroidery, silk-screening, and promotional products prior to purchasing the store.

The store currently employs one full-time and one part-time inside sales and service representative. **OWNER'S** plan to add a full-time outside commissioned sales representative (July 2010) and another full-time inside sales and service representative (November 2010).

6.1 Personnel Plan

The following personnel assumptions were made:

- The owner will remain at \$30,000 in 2010, then receive a \$1,000 increase in January 2011 and another \$1,000 in January 2012
- The two existing employees will remain at their current income levels throughout 2010, then receive a 3.0% pay increase in January 2011 and again in January 2012
- One new, full-time employee will be hired in November 2010 at an annual income of \$20,000 with a 3% pay increase in November 2011 and again in November 2012
- One commissioned sales representative will be hired in July 2010 and will be paid on a straight commission basis on personally generated orders

Table: Personnel

PERSONNEL PLAN	2010	2011	2012
Owners (1)	\$30,000	\$31,000	\$32,000

Existing Full Time Sales & Service Representative (1)	\$23,000	\$23,690	\$24,401
Existing Part Time Sales & Service Representative (1)	\$2,000	\$2,060	\$2,122
New Full Time Outside Sales Representative (1)	\$12,600	\$28,800	\$32,000
New Full Time Sales & Service Representative (1)	\$3,333	\$20,104	\$20,707
Total People	5	5	5
Total Payroll	\$70,933	\$105,654	\$111,230

7.0 Financial Plan

The addition of an inside sales and service representative to take some of the day-to-day burden of customer service away from the owner, an emphasis by the owner to personally generate outside sales rather than inside sales, and the addition of an outside commissioned sales representative are key to the overall financial plan. With both the owner and an outside sales representative calling on business owners and team organizers to promote the store, sales forecasts may be very conservative despite aggressive growth projections.

A diligent plan to control those expenses that can be controlled (such as marketing, utilities, and miscellaneous) will be developed and enacted to keep expenses in check throughout the three-year forecast and into the future.

Paying off existing business debt will enhance the cash flow dramatically as debt payments are eliminated. Paying back the start up business loan to the owners will also give them additional resources to

The combination of aggressive sales growth and diligent expense control will bring **COMPANY NAME** back to profitability in 2012.

7.1 Important Assumptions

The following assumptions are made with respect to this business plan:

- Short term interest rates will remain low at 6.00% throughout 2010 until more Americans are employed and the economic downturn begins to subside
- Short term interest rates will gradually rise (6.50% in 2011; 7.00% in 2012) as the economy continues to improve

- Long term rates will rise as short term rates rise remaining at a constant 1.00% spread

7.2 Break-even Analysis

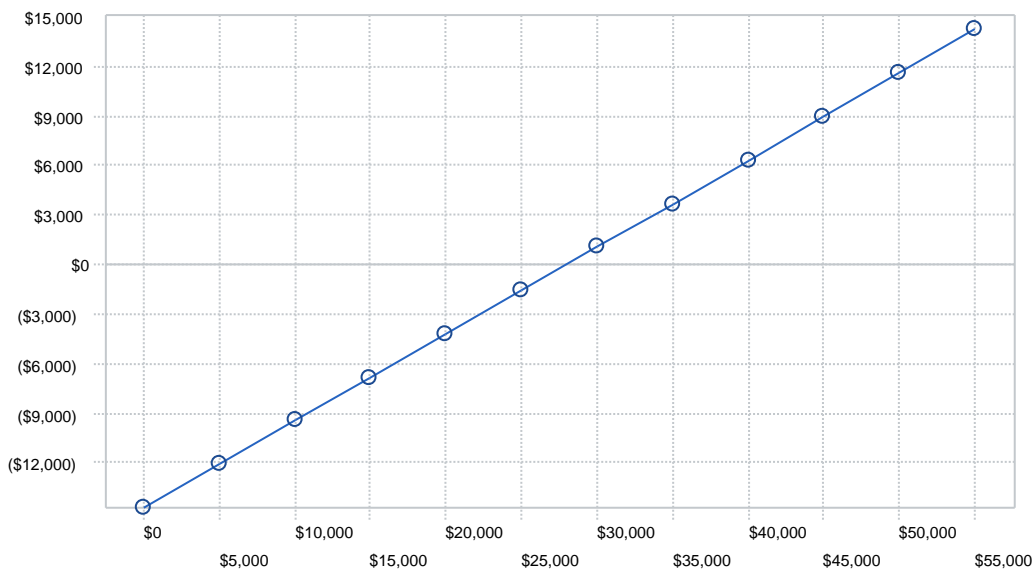
The following chart and table summarize our break-even analysis.

Table: Break-even Analysis

BREAK-EVEN ANALYSIS	
Monthly Revenue Break-even	\$27,978
Assumptions:	
Average Percent Variable Cost	47%
Estimated Monthly Fixed Cost	\$14,723

Chart: Break-even Analysis

Break-even Analysis



7.3 Projected Profit and Loss

The Profit and Loss table is summed up as follows:

- Sales will dramatically increase with the addition of an outside commissioned sales representative and the refocused efforts of the owner on outside sales (see sales forecast)
- Diligent control of expenses such as utilities, marketing, and miscellaneous expenses now and into the future (resulting in only 2% increases in the final two years of the forecast)
- The company returns to profitability in 2012

Table: Profit and Loss

<i>PRO FORMA PROFIT AND LOSS</i>			
	2010	2011	2012
Sales	\$316,059	\$395,074	\$454,335
Direct Cost of Sales	\$149,738	\$187,172	\$215,248
Other Costs of Sales	\$0	\$0	\$0
Total Cost of Sales	\$149,738	\$187,172	\$215,248
Gross Margin	\$166,321	\$207,902	\$239,087
Gross Margin %	52.62%	52.62%	52.62%
Expenses			
Payroll	\$70,933	\$105,654	\$111,230
Marketing/Promotion	\$4,800	\$5,000	\$5,200
Depreciation	\$14,304	\$22,042	\$22,042
Rent	\$36,000	\$36,000	\$36,000

Utilities	\$14,400	\$14,688	\$14,982
Insurance	\$1,600	\$1,632	\$1,665
Payroll Taxes	\$10,640	\$15,848	\$16,684
Other	\$24,000	\$24,480	\$24,970
Total Operating Expenses	\$176,677	\$225,344	\$232,772
Profit Before Interest and Taxes	(\$10,356)	(\$17,442)	\$6,315
EBITDA	\$3,948	\$4,600	\$28,357
Interest Expense	\$5,248	\$0	\$0
Taxes Incurred	\$0	\$0	\$1,894
Other Income			
	\$0	\$0	\$0
	\$0		
Total Other Income	\$0	\$0	\$0
Other Expense			
	\$0	\$0	\$0
	\$0		
Total Other Expense	\$0	\$0	\$0
Net Other Income	\$0	\$0	\$0
Net Profit	(\$15,603)	(\$17,442)	\$4,420
Net Profit/Sales	-4.94%	-4.41%	0.97%

Chart: Profit Monthly

Profit Monthly

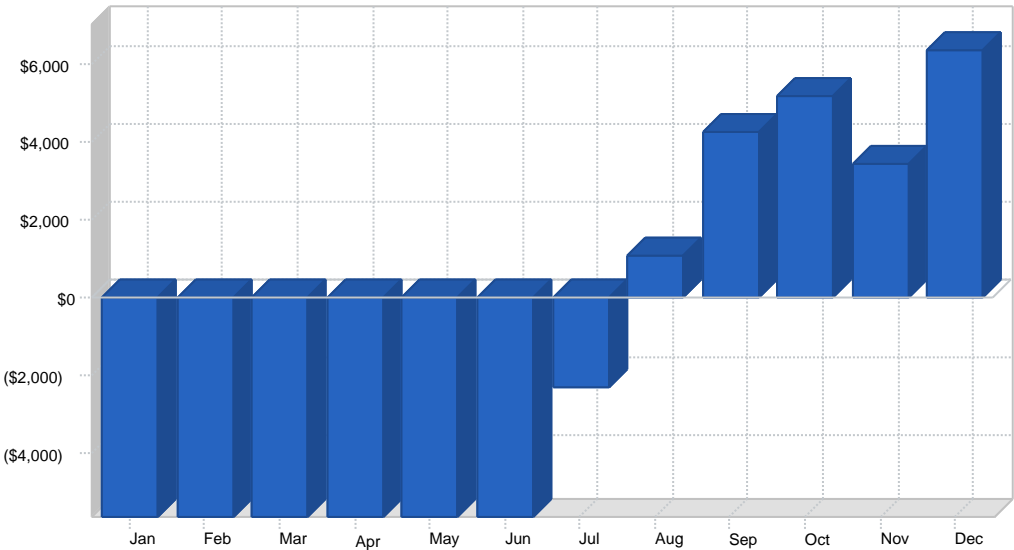


Chart: Profit Yearly

Profit Yearly

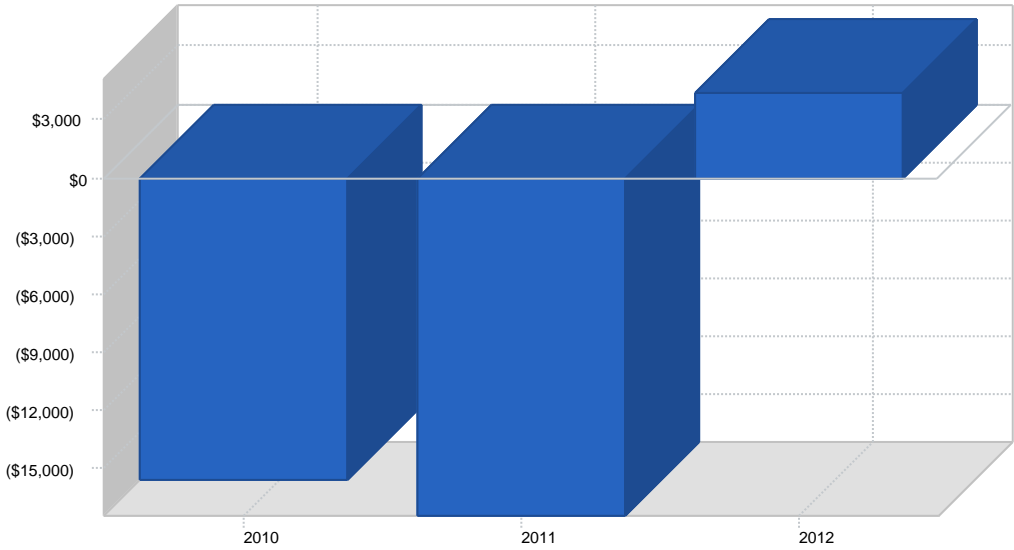


Chart: Gross Margin Monthly

Gross Margin Monthly

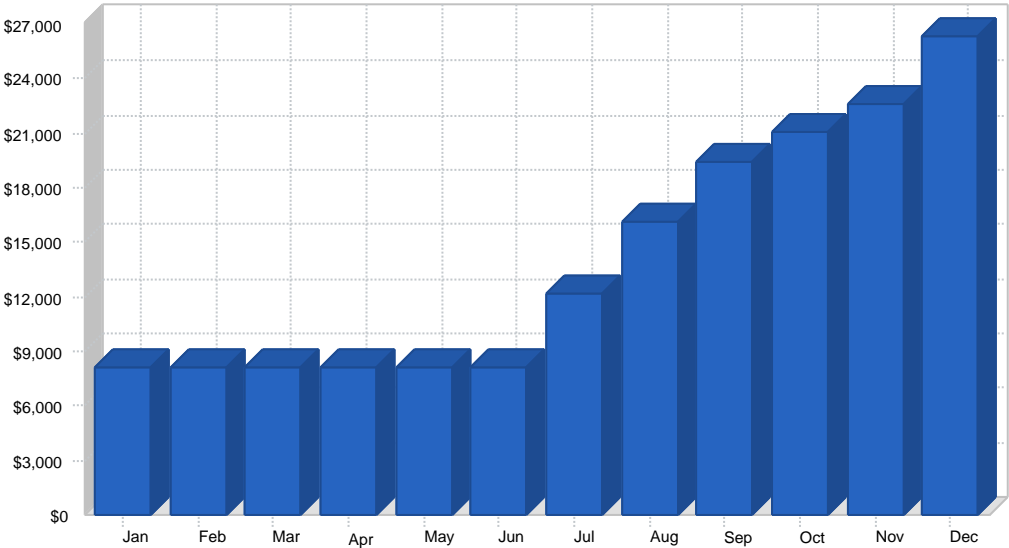
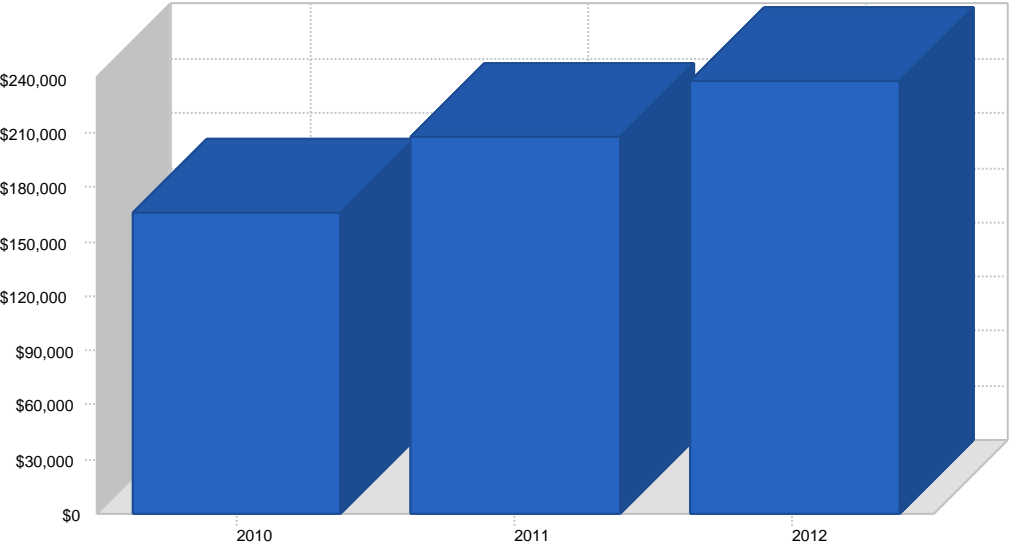


Chart: Gross Margin Yearly

Gross Margin Yearly



7.4 Projected Cash Flow

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

An entry needing further explanation is the entry for "Dividends". It represents a payment to the current owners of \$30,000 to pay off a start-up loan they made to the business and a payment to the previous owners of \$80,000 to pay off the remainder of the sales price of the business when it was purchased by the current owners (this loan is off the business balance sheet).

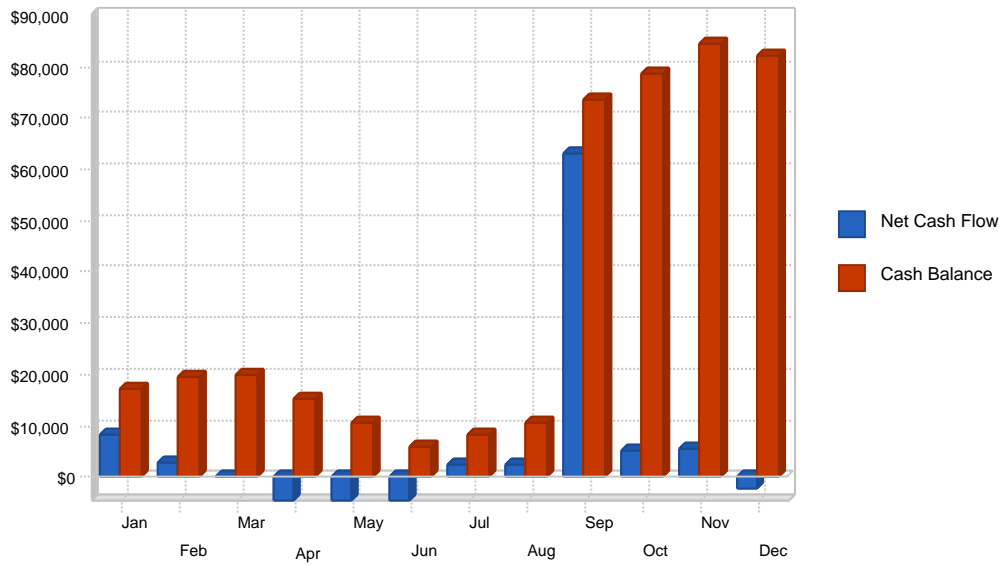
Table: Cash Flow

<i>PRO FORMA CASH FLOW</i>			
	2010	2011	2012
Cash Received			
Cash from Operations			
Cash Sales	\$316,059	\$395,074	\$454,335
Subtotal Cash from Operations	\$316,059	\$395,074	\$454,335
Additional Cash Received			
Non Operating (Other) Income	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$337,000	\$0	\$0
Subtotal Cash Received	\$653,059	\$395,074	\$454,335
Expenditures	2010	2011	2012

Expenditures from Operations			
Cash Spending	\$70,933	\$105,654	\$111,230
Bill Payments	\$217,984	\$300,327	\$318,315
Subtotal Spent on Operations	\$288,917	\$405,981	\$429,545
Additional Cash Spent			
Non Operating (Other) Expense	\$0	\$0	\$0
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$22,953	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$92,777	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$65,000	\$0	\$0
Dividends	\$110,000	\$0	\$0
Subtotal Cash Spent	\$579,647	\$405,981	\$429,545
Net Cash Flow	\$73,412	(\$10,907)	\$24,790
Cash Balance	\$82,047	\$71,140	\$95,930

Chart: Cash

Cash



7.5 Projected Balance Sheet

The table below outlines the projected balance sheet.

Table: Balance Sheet

<i>PRO FORMA BALANCE SHEET</i>			
	2010	2011	2012
Assets			
Current Assets			
Cash	\$82,047	\$71,140	\$95,930
Inventory	\$22,260	\$27,825	\$31,999
Other Current Assets	\$0	\$0	\$0
Total Current Assets	\$104,308	\$98,966	\$127,929
Long-term Assets			
Long-term Assets	\$225,640	\$225,640	\$225,640

Accumulated Depreciation	\$74,648	\$96,690	\$118,732
Total Long-term Assets	\$150,992	\$128,950	\$106,908
Total Assets	\$255,300	\$227,916	\$234,837
Liabilities and Capital	2010	2011	2012
Current Liabilities			
Accounts Payable	\$33,809	\$23,867	\$26,368
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0
Subtotal Current Liabilities	\$33,809	\$23,867	\$26,368
Long-term Liabilities	\$0	\$0	\$0
Total Liabilities	\$33,809	\$23,867	\$26,368
Paid-in Capital	\$353,466	\$353,466	\$353,466
Retained Earnings	(\$116,372)	(\$131,975)	(\$149,418)
Earnings	(\$15,603)	(\$17,442)	\$4,420
Total Capital	\$221,491	\$204,048	\$208,469
Total Liabilities and Capital	\$255,300	\$227,916	\$234,837
Net Worth	\$221,491	\$204,048	\$208,469

7.6 Business Ratios

COMPANY NAME ratios can be seen in the table below. Standard Industrial Classification code 5651 (Family Clothing Store) was used for industry profile comparisons.

Table: Ratios

RATIO ANALYSIS	2010	2011	2012	Industry Profile
Sales Growth	30.04%	25.00%	15.00%	4.71%
Percent of Total Assets				
Inventory	8.72%	12.21%	13.63%	54.17%
Other Current Assets	0.00%	0.00%	0.00%	26.44%
Total Current Assets	40.86%	43.42%	54.48%	86.27%
Long-term Assets	59.14%	56.58%	45.52%	13.73%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	13.24%	10.47%	11.23%	44.62%
Long-term Liabilities	0.00%	0.00%	0.00%	13.67%
Total Liabilities	13.24%	10.47%	11.23%	58.29%
Net Worth	86.76%	89.53%	88.77%	41.71%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	52.62%	52.62%	52.62%	30.38%
Selling, General & Administrative Expenses	57.56%	57.04%	51.65%	10.97%
Advertising Expenses	1.52%	1.27%	1.14%	1.88%
Profit Before Interest and Taxes	-3.28%	-4.41%	1.39%	0.11%

Main Ratios				
Current	3.09	4.15	4.85	1.75
Quick	2.43	2.98	3.64	0.45
Total Debt to Total Assets	13.24%	10.47%	11.23%	67.49%
Pre-tax Return on Net Worth	-7.04%	-8.55%	3.03%	0.49%
Pre-tax Return on Assets	-6.11%	-7.65%	2.69%	0.16%
Additional Ratios				
	2010	2011	2012	
Net Profit Margin	-4.94%	-4.41%	0.97%	n.a
Return on Equity	-7.04%	-8.55%	2.12%	n.a
Activity Ratios				
Inventory Turnover	12.34	7.47	7.20	n.a
Accounts Payable Turnover	7.39	12.17	12.17	n.a
Payment Days	27	36	29	n.a
Total Asset Turnover	1.24	1.73	1.93	n.a
Debt Ratios				
Debt to Net Worth	0.15	0.12	0.13	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	\$70,499	\$75,098	\$101,561	n.a
Interest Coverage	-1.97	0.00	0.00	n.a
Additional Ratios				
Assets to Sales	0.81	0.58	0.52	n.a

Current Debt/Total Assets	13%	10%	11%	n.a
Acid Test	2.43	2.98	3.64	n.a
Sales/Net Worth	1.43	1.94	2.18	n.a
Dividend Payout	0.00	0.00	0.00	n.a

[Go to Top](#)