How to Start a Internet Cafe Business

By the BizMove.com Team

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1. Determining the Feasibility of Your New Business

A. Preliminary Analysis

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

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

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

Preliminary Analysis

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

General Personal Considerations

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

1. Do you like to make your own decisions?

2. Do you enjoy competition?

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

4. Do you plan ahead?

5. Do you get things done on time?

6. Can you take advise from others?

7. Are you adaptable to changing conditions?

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

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

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

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

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

12. Are you prepared to loose your savings?

Specific Personal Considerations

1. Do you know which skills and areas of expertise are critical to the success of your project?

2. Do you have these skills?

3. Does your idea effectively utilize your own skills and abilities?

4. Can you find personnel that have the expertise you lack?

5. Do you know why you are considering this project?

6. Will your project effectively meet your career aspirations

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

7. Do you have the ability to perform the feasibility study?

8. Do you have the time to perform the feasibility study?

9. Do you have the money to pay for the feasibility study done?

General Project Description

1. Briefly describe the business you want to enter.

____

____

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

____

3. Describe who will use your products/services

____

4. Why would someone buy your product/service?

____

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

____

6. List your product/services suppliers.

____

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

____

____

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

____

____

B. Requirements For Success

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

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

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

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

Major Flaws

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

1. Are there any causes (i.e., restrictions, monopolies, shortages) that make any of the required factors of production unavailable (i.e., unreasonable cost, 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

A. Things to Consider Before You Start

This guide will walk you step by step through all the essential phases of starting a successful service business. To profit in a service based business, you need to consider the following questions: What business am I in? What services do I provide? 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 firm? How will I get the work done? What management controls are needed? How can they be carried out? When should I revise my plan? And many more.

No one can answer such questions for you. As the owner-manager you have to answer them and draw up your business plan. The pages of this guide are a combination of text and workspaces so you can write in the information you gather in developing your business plan - a logical progression from a commonsense starting point to a commonsense ending point.

It takes time and energy and patience to draw up a satisfactory business plan. Use this Guide to get your ideas and the supporting facts down on paper. And, above all, make changes in your plan on these pages as that plan unfolds and you see the need for changes.

Bear in mind that anything you leave out of the picture will create an additional cost, or drain on your money, when it crops up later on. If you leave out or ignore enough items, your business is headed for disaster.

Keep in mind too, that your final goal is to put your plan into action. More will be said about this near the end of this Guide.

What's in this for Me?

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 drawn up a plan, you are right in wanting to hear about the possible benefits before you do your work.

A business plan offers at least four benefits. You may find others as you make and use such a plan. The four are:

(1) The first, and most important, benefit is that a plan gives you a path to follow. A plan makes the future what you want it to be. A plan with goals and action steps allows you to guide your business through turbulent economic seas and into harbors of your choice. The alternative is drifting into "any old port in a storm."

(2) A plan makes it easy to let your banker in on the action. By reading, or hearing, the details of your plan he will have real insight into your situation if he is to lend you money.

(3) A plan can be a communications tool when you need to orient sales personnel, suppliers, and others about your operations and goals.

(4) A plan can help you develop as a manager. It can give you practice in thinking about competitive conditions, promotional opportunities, and situation that seem to be advantageous to your business. Such practice over a period of time can help increase an owner-manager's ability to make judgments.

Why am I in Business?

Many enterprising people are drawn into starting their own business by the possibilities of making money and being their own boss. But the long hours, hard work, and responsibilities of being the boss quickly dispel and preconceived glamour.

Profit is the reward for satisfying consumer needs. But it must be worked for. Sometimes a new business might need two years before it shows a profit. So where, then, are reasons for having your own business?

Every business owner-manager will have his or her own individual reasons for being in business. For some, satisfaction come from serving their community. They take pride in serving their neighbors and giving them quality work which they stand behind. For others, their business offers them a chance to contribute to their employees' financial security.

There are as many rewards and reasons for being in business as there are business owners. Why are you in business?

____

____

____

What business am I in?

In making your business plan, the first question to consider is: What business am I really in. At the 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." But hold on. Some owner-managers go broke and others waste their saving because they are confused about the business they are in.

The changeover of barbershops from cutting hair to styling hair is one example of thinking about what business you're really in.

Consider this example, also. Joe Riley had a small radio and TV store. He thought of his business as a retail store though he also serviced and repaired anything he sold. As his suburb grew, appliance stores emerged and cut heavily into his sales. However, there was an increased call for quality repair work.

When Mr. Riley considered his situation, he decided that he was in the repair business. As a result of thinking about what business he was really in, he profitably built up his repair business and has a contract to take care of the servicing and repair business for one of the appliance stores.

Decide what business you are in and write your answer in the following spaces. To help you decide, think of the answers to questions such as: What inventory of parts and materials must you keep on hand? What services do you offer? What services do people ask for that you do not offer? What is it you are trying to do better, more of, or differently from your competitors?

____

How to Plan Your Marketing

When you have decided what business you're in, you have made your first marketing decision. Now you are ready for other important considerations.

Successful marketing starts with the owner-manager. You have to know your service and the needs of your customers.

The narrative and work blocks that follow are designed to help you work out a marketing plan for your firm. The blocks are divided into three sections:

Section One - Determining the Sales Potential

Section Two - Attracting Customers

Section Three - Selling to Customers

Section One - Determining the Sales Potential

In the service business, your sales potential will depend on the area you serve. That is, how many customers in this area will need your services? Will your customers be industrial, commercial, consumer, or all of these?

When picking a site to locate your business, consider the nature of your service. If you pick up and deliver, you will want a site where the travel time will be low and you may later install a radio dispatch system. Or, if the customer must come to your place of business, the site must be conveniently located and easy to find.

You must pick the site that offers the best possibilities of being profitable. The following questions will help you think through this problem.

In selecting an area to serve, consider the following:

Population and its growth potential

Income, age, occupation of population

Number of competitive services in and around your proposed location

Local ordinances and zoning regulations

Type of trading area (commercial, industrial, residential, seasonal)

For additional help in choosing an area, you might try the local chamber of commerce and the manufacturer and distributor of any equipment and supplies you will be using.

You will want to consider the next list of questions in picking the specific site for your business:

Will the customer come to your place of business?

How much space do you need?

Will you want to expand later on?

Do you need any special features required in lighting, heating, ventilation?

Is parking available?

Is public transportation available?

Is the location conducive to drop-in customers?

Will you pick up and deliver?

Will travel time be excessive?

Will you prorate travel time to service call?

Would a location close to an expressway or main artery cut down on travel time?

If you choose a remote location, will savings in rent off-set the inconvenience?

If you choose a remote location, will you have to pay as much as you save in rent for advertising to make your service known?

If you choose a remote location, will the customer be able to readily locate your business?

Will the supply of labor be adequate and the necessary skills available?

What are the zoning regulations of the area?

Will there be adequate fire and police protection?

Will crime insurance be needed and be available at a reasonable rate?

I plan to locate in ___________ because:

____

____

____

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?

Write your opinion of the area's economic base and your reason for that opinion here.:

____

____

Will you build? ________ What are the terms of the loan or mortgage?

____

____

Will you rent? _________ What are the terms of the lease?

____

____

Is the building attractive? _________ In good repair? _________

Will it need remodeling? __________ Cost of remodeling? __________

What services does the landlord provide?

____

____

What is the competition in the area you have picked?

The number of firms that handle my service _________

Does the area appear to be saturated? _________

How many of these firms look prosperous? _________

Do they have any apparent advantages over you? _________

How many look as though they're barely getting by? _________

How many similar services went out of business in the area last year? _________

Can you find out why they failed? _________

How many new services opened up in the last year? _________

How much do your competitors charge for your service? _________

Which firm or firms in the area will be your biggest competition? _________

List the reasons for your opinion here:

____

____

Section Two - Attracting Customers

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

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

Image

Whether you like it or not, your service business is going to have an image. The way people think of your firm will be influenced by the way you conduct your business. If people come to your place of business for your service, the cleanliness of the floors, the manner in which they are treated, and the quality of your work will help form your image. If you take your service to the customer, the conduct of your employees will influence your image. Pleasant, prompt, courteous service before and after the sale will help make satisfied customers your best form of advertising.

Thus, you can control your image, Whatever image you seek to develop. It should be concrete enough to promote in your advertising. For example, "service with a smile" is an often used image.

Write out what image you want customers to have of your business.

____

____

Pricing

In setting prices for your service, there are four main elements you must consider:

(1) Materials and supplies

(2) Labor and operating expenses

(3) Planned profit

(4) Competition

Further along in this Guide you will have the opportunity to figure out the specifics of materials, supplies, labor, and operating expenses. From there you may want the assistance of your accountant in developing a price structure that will not only be fair to the customer, but also fair to yourself. This means that not only must you cover all expenses but also allow enough margin to pay yourself a salary.

One other thing to consider. Will you offer credit? __________ Most businesses use a credit card system. These credit costs have to come from somewhere. Plan for them. If you use a credit card system, what will it cost you? __________

Can you add to your prices to absorb this cost?

Some trade association have a schedule for service charges. It would be a good idea to check with the trade association for your line of business. Their figures will make a good yardstick to make sure your prices are competitive.

And, of course, your prices must be competitive. You've already found out your competitors' prices. Keep these in mind when you are working with your accountant. If you will not be able to make an adequate return, now is the time to find out.

Customer Service Policies

Customers expect certain services or conveniences, for example, parking. These services may be free to the customer, but not to you. If you do provide parking, you either pay for your own lot or pick up your part of the cost of a lot which you share with other businesses. Since these conveniences will be an expense, plan for them.

List the services that your competitors provide to customers:

____

____

____

Now list the services that you will provide your customers:

Service / Estimated Cost

_______________ _______________

_______________ _______________

_______________ _______________

_______________ _______________

Planning Your Advertising Activities

In this section on attracting customers, advertising was saved until last because you have to have something to say before advertising can be effective. When you have an image, price range, and customers services, you are ready to tell prospective customers why they should use your services.

When the money you can spend on advertising is limited it is vital that your advertising be on target. Before you can think about how much money you can afford for advertising, take time to determine what jobs you want advertising to do for your business. The work blanks that follow should be helpful to your thinking.

The strong points about my service business are:

____

My service business is different from my competition in the following ways:

____

My advertising should tell customers and prospective customers the following facts about my business and services:

____

When you have these facts in mind, you now need to determine who you are going to tell it to. Your advertising needs to be aimed at a target audience - those people who are most likely to use your services. In the space
below, describe your customers in terms of age, sex, occupation, and whatever else is

necessary depending on the nature of your business. This is your customer profile of "male and female automobile owners, 18 years old and above." Thus, for this repair business, anyone over 18 who owns a car is likely to need its service.

The customer profile for my business is

____

Now you are ready to think about the form your advertising should take and its cost. You are looking for the most effective means to tell your story to those most likely to use your service. Ask the local media (newspapers, radio and television, and the printers of direct mail pieces) for information about the services and the 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. As one consultant describes this pitfall: It is amazing the way many managers consider themselves experts on advertising copy and media selection without any experience in these areas.

The following blanks should 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	Estimated Cost
________	________	________	________	________
________	________	________	________	________
________	________	________	________	________
________	________	________	________	________
			Total	________

When you have a figure on what your advertising for the next 12 months will cost, check it against one of the operating ratios (expenses as a percentage of sales) which trade associations and other organizations gather. If your estimated cost for advertising is substantially higher than this average for your line of service, 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 comes down to: How much can I afford to spend and still do the job that needs to be done?

Section Three - Selling to Customers

To complete your work on marketing, you need to think about what you want to happen after you get a customer. Your goal is to provide your service, satisfy customers, and put money into the cash register.

One-time customers can't do the job. You need repeat customers to build a profitable annual sales volume. When someone returns for your service, it is probably because he was satisfied by his previous experience. Satisfied customers are the best form of advertising.

If you previously decided to work only for cash, take a hard look at your decision. Americans like to buy on credit. Often a credit card, or other system of credit and collections, is needed to attract and hold customers.

Based on this description and the dollar amount of business you indicated that you intend to do this year, fill in the following workblocks.

Fixtures and Equipment

No matter whether or not customers will come to your place of business, there will be certain equipment and furniture you will need in your place of business which will allow you to perform your service.

Parts and Material

You will probably need some kind of parts or material to provide your service.

I plan to buy parts and material from:

____

Before you make any supply arrangements, examine the supplier's obsolescence policy. This can be a vital factor in service parts purchasing. You also look at the supplier's warranty policy.

Now that you have determined the parts and materials you'll need. you should think about the type of stock control system you'll use. A 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, (3) what has been used. (Some trade associations and suppliers provide systems to members and customers.)

When you have decided on a system for stock control, estimate its cost. My system for stock control will cost me __________ for the first year.

Overhead

List the overhead items which will be needed. Examples are: rent, utilities, office help, insurance, interest, telephone, postage, accountant, payroll taxes, and licenses or other local taxes. If you plan to hire others to help you manage, their salaries should be listed as overhead.

____

Getting the Work Done

An important step in setting up your business is to find and hire capable employees. Then you must train them to work together to get the job done. Obviously, organization is needed if your business is to produce what you expect it to produce, namely profits.

Organization is essential because you as the owner-manager cannot do all the work. As your organization grows, you have to delegate work, responsibility and authority. A helpful tool in getting this done is the organization chart. It shows at a glance who is responsible for the major activities of a business.

As an additional aid in determining both what needs to be done and who will do it, list each activity that is involved in your business. Next to the activity indicate who will do it. You may do this by name or some other designation such as "worker #1", Remember that a name may appear more than once.

Activity / Name

_____________ _______________

_____________ _______________

_____________ _______________

_____________ _______________

_____________ _______________

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 investment, the major source of money is the sale of your services. What dollar volume of business do you expect to do in the next 12 months? __________

Expenses

In connection with your annual dollar volume of business, you need to think about expenses. If, for example you plan to do 100,000 in business, what will it cost you to do this amount of servicing? And even more important, what will be left over as profit at the end of the year? Never lose sight of the fact that profit is your pay. Even if you pay yourself a salary for living expenses, your business must make a profit if it is to continue year after year and pay back the money you invested in it.

The following workblock is designed to help you make a quick estimate of your expenses. To use this formula, you need to get only one figure - the cost of sales figure for your line of business. If you don't have this operating ratio, check with your trade association.

	Expressed in percentage	Expressed in dollars	your percentage	your dollars
1. Sales	100	100,000	100	$ __________
2. Cost of sales	-61.7	-61,700	________	-$ __________
3. Gross margin	38.3	38,300	________	$ ___________

Start-Up Costs

If you are starting a new business, list the following estimated start-up costs:

Fixtures and equipment	__________
Starting inventory	__________
Office supplies	__________
Decorating and remodeling	__________
Installation of equipment	__________
Deposits for utilities	__________
Legal and professional fees	__________
Licenses and permits	__________
Advertising for the opening	__________
Operating cash	__________
Owner's withdraw during prep-start-up time	__________
Total	__________

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

Break Down Your Expenses

Your quick estimate of expenses provides a starting point. The next step is to break down your expenses so they can be handled over the 12 months. Use an "Expenses Worksheet" form to make up an expense budget.

Matching Money and Expenses

A budget helps you to see the dollar amount of your expenses each month. Then from month to month the question is: Will sales bring in enough money to pay the firm's bills on time? The answer is "maybe not" or "I hope so" unless the owner-manager prepares for the "peaks and valleys" that are in many service operations.

A cash forecast is a management tool which can eliminate much of the anxiety that can plague you if your business goes through lean months. Use a worksheet, "Estimated Cash Forecast", or ask your accountant to use it to estimate the amounts of cash you expect to flow through your business during the next 12 months.

Is Additional Money needed?

Suppose at this point you have determined that your business plan needs more money than can be generated by sales. What do you do?

What you do depends on the situation. For example, the need may be for bank credit to tide your business over during the lean months. This loan can be repaid during the fat sales months when expenses are far less than sales. Adequate working capital is necessary for success and survival.

Whether an owner-manager seeks to borrow money for only a month or so or on a long-term basis, the lender needs to know whether the store's financial position is strong or weak. Your lender will ask to see a current balance sheet.

Even if you don't need to borrow, use it, to draw the "picture" of your firm's financial condition. Moreover, if you don't need to borrow money, you may want to show your plan to the bank that handles your store's checking account. It is never too early to build good relations with your banker, to show that you are a manager who knows where you want to go rather than a store owner who hopes to make a success.

Control and Feedback

To make your plan work you will need feedback. For example, the year-end profit and loss statement shows whether your business made a profit or loss for the past 12 months.

But you can't wait 12 months for the score. To keep your plan on target you need readings at frequent intervals. A profit and loss statement at the end of each month or at the end of each quarter is one type of frequent feedback. However, the income statement or profit and loss statement (P and L) may be more of a loss than a profit statement if you rely only on it. You must set up management controls which will help you to insure that the right things are being done from day to day and from week to week. In a new business, the record-keeping system should be set up before your business opens. After you're in business is too late. For one thing, you may be too busy to give a record-keeping system the proper attention.

The control system which you set up should give you information about: stock, sales, and disbursement. The simpler the system, the better. Its purpose is to give you current information. You are after facts with emphasis on trouble spots. Outside advisers, such as an accountant, can be helpful.

Stock Control

The purpose of controlling parts and materials inventory is to provide maximum service to your customers and to see that parts and materials are not lost through pilferage, shrinkage, errors, or waste. Your aim should be to achieve a high turnover on your inventory. The fewer dollars you tie up in inventory, the better.

In a business, inventory control helps the owner-manager to offer customers efficient service. The 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 used.

In setting up inventory controls, keep in mind that the cost of the inventory is not your only cost. You will also have costs such as the cost of purchasing, the cost of keeping control records, and the cost of receiving and storing your inventory.

Sales

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

Disbursements

Your manager controls should also give you information about the dollars your company pays out. In checking on your bills, you do not want to know what major items, such as paying bills on time to get the supplier's discount, are being handled according to your policies. Your review system will also give you the opportunity to make judgments on the use of 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 moneys such as payroll income tax deductions, are set aside and paid out at the proper time.

Break-Even Analysis

Break-even analysis is a management control device because the break-even point shows how much you must sell under given conditions in order to just cover your costs with No profit and No loss.

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 factors will do to your profits. To figure a break-even point, fixed costs, such as rent, must be separated from variable costs, such as the cost of sales and the other items listed under "controllable expenses" on the expense worksheet, of this Guide.

The formula is:

Break-even point (in sales dollars) =

$$\frac{\text{Total fixed costs}}{1 - \dfrac{\text{...........Total variable costs}}{\text{........Corresponding sales volume}}}$$

An example of the formula is: Bill Jackson plans to open a laundry. He estimates his fixed expenses at about $9,000, the first year. He estimates his variable expenses at about $700 for every $1,000 of sales.

$$\text{BE point} = \frac{\$9{,}000}{1 - \frac{700}{1{,}000}} = \frac{\$9{,}000}{1 - .70} = \frac{\$9{,}000}{30} = \$30{,}000$$

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 6 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 one year. If any of your cost items are too high or too low, change them. You can write your changes in the white spaces above or below your original entries on that worksheet. When you finish making your adjustments, you will have a Revised projected statement of sales and expenses for 12 months.

With your revised figures work out a revised break-even point. Whether the new break-even point looks good or bad, take one or more precaution. Show your plan to someone who has not been involved in working out the details.

Your banker, or other advisor outside of your business may see weaknesses that failed to appear as you pored over the details of your plan. They may put a finger on strong points which your plan should emphasize.

Put Your Plan into Action

When your plan is as near on target 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 pleasant dream that evaporates over the breakfast coffee.

A successful owner-manager does not stop after he has gathered information and drawn up a plan, as you have done in working through this Guide. He begins to use his 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. For example, if your business plan calls for an increase in sales, one action to be done will be providing 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 by arranging liberal commercial credit terms.

If you are starting a new business, one action step may be to get a loan for fixtures, employee salaries, and other expenses. Another action step will be to find and hire capable employees.

In the spaces that follow, list 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 do the following:

Action / Completion Date

____________ ____________

____________ ____________

____________ ____________

____________ ____________

____________ ____________

Keeping Your Plan Up To Date

Once you put your plan into action, look out for changes. They can cripple the best made business plan if the owner-manager lets them.

Stay on top of changing conditions and adjust your business plan accordingly.

Sometimes the change is made within your company. For example, several of your employees quit their jobs. Sometimes the change is with customers: for example, their desires and tastes shift. Sometimes the change is technological as when raw materials are put on the market introducing the need for new processes and procedures.

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

(1) Be alert to the changes that come in your company, line of business, market, and customers.

(2) Check your plan against these changes.

(3) Determine what revisions, if any, are needed in your plan.

The method you use to keep your plan current so that your business can weather the forces of the market place is up to you. Read the trade papers and magazines for your line of business. Another suggestion concerns your time. Set some time - two hours, three hours, whatever is necessary-to review your plan periodically. Once each month, or every other month, go over your plan to see whether it needs adjusting. If revisions are needed, make them and put them into action.

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3. Complete Internet Cafe Business Plan Template

Table of Contents

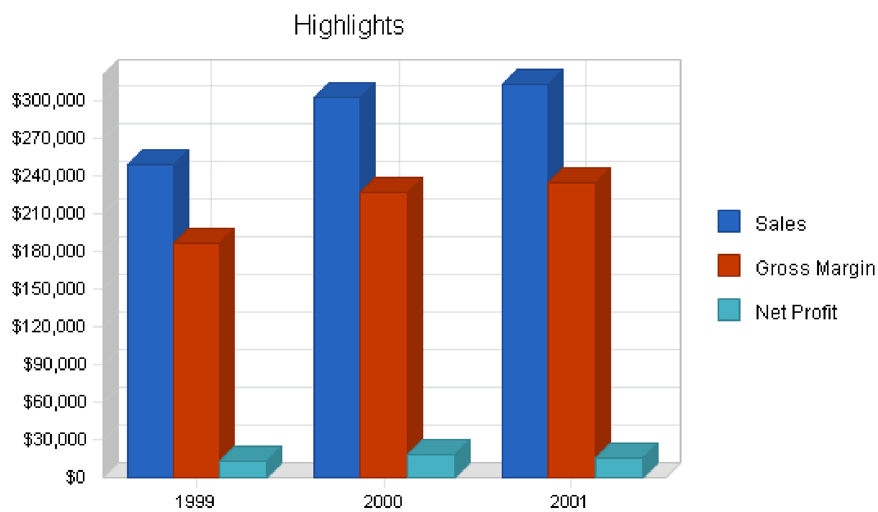
Executive Summary

[BUSINESS NAME], unlike a typical cafe, will provide a unique forum for communication and entertainment through the medium of the Internet. [BUSINESS NAME] is the answer to an increasing demand. The public wants: (1) access to the methods of communication and volumes of information now available on the Internet, and (2) access at a cost they can afford and in such a way that they aren't socially, economically, or politically isolated. [BUSINESS NAME] 's goal is to provide the community with a social, educational, entertaining, atmosphere for worldwide communication.

This business plan is prepared to obtain financing in the amount of $24,000. The supplemental financing is required to begin work on site preparation and modifications, equipment purchases, and to cover expenses in the first year of operations. Additional financing has already been secured in the form of: (1) $24,000 from the Sun Economic Development Fund (2) $19,000 of personal savings from owner Cale Bruckner (3) $36,000 from three investors (4) and $9,290 in the form of short-term loans.

[BUSINESS NAME] will be incorporated as an LLC corporation. This will shield the owner Cale Bruckner, and the three outside investors,Luke Walsh, Doug Wilson, and John Underwood, from issues of personal liability and double taxation. The investors will be treated as shareholders and therefore will not be liable for more than their individual personal investment of $12,000 each.

The financing, in addition to the capital contributions from the owner, shareholders and the Sun Economic Development Fund, will allow [BUSINESS NAME] to successfully open and maintain operations through year one. The large initial capital investment will allow [BUSINESS NAME] to provide its customers with a full featured Internet cafe. A unique, upscale, and innovative environment is required to provide the customers with an atmosphere that will spawn socialization. Successful operation in year one will provide [BUSINESS NAME] with a customer base that will allow it to be self sufficient in year two.



1.1 Objectives

[BUSINESS NAME]'s objectives for the first three years of operation include:

- The creation of a unique, upscale, innovative environment that will differentiate [BUSINESS NAME] from local coffee houses.
- Educating the community on what the Internet has to offer.
- The formation of an environment that will bring people with diverse interests and backgrounds together in a common forum.
- Good coffee and bakery items at a reasonable price.
- Affordable access to the resources of the Internet and other online services.

1.2 Keys to Success

The keys to the success for [BUSINESS NAME] are:

- The creation of a unique, innovative, upscale atmosphere that will differentiate [BUSINESS NAME] from other local coffee shops and future Internet cafes.

- The establishment of [BUSINESS NAME] as a community hub for socialization and entertainment.
- The creation of an environment that won't intimidate the novice user. [BUSINESS NAME] will position itself as an educational resource for individuals wishing to learn about the benefits the Internet has to offer.
- Great coffee and bakery items.

1.3 Mission

As the popularity of the Internet continues to grow at an exponential rate, easy and affordable access is quickly becoming a necessity of life. [BUSINESS NAME] provides communities with the ability to access the Internet, enjoy a cup of coffee, and share Internet experiences in a comfortable environment. People of all ages and backgrounds will come to enjoy the unique, upscale, educational, and innovative environment that [BUSINESS NAME] provides.

1.4 Risks

The risks involved with starting [BUSINESS NAME] are:

- Will there be a demand for the services offered by [BUSINESS NAME] in Eugene?
- Will the popularity of the Internet continue to grow, or is the Internet a fad?
- Will individuals be willing to pay for the service [BUSINESS NAME] offers?
- Will the cost of accessing the Internet from home drop so significantly that there will not be a market for Internet Cafes such as [BUSINESS NAME]?

Company Summary

[BUSINESS NAME], soon to be located in downtown Eugene on 10th and Oak, will offer the community easy and affordable access to the Internet. [BUSINESS NAME] will provide full access to email, WWW, FTP, Usenet and other Internet applications such as Telnet and Gopher. [BUSINESS NAME] will also provide customers with a unique and innovative environment for enjoying great coffee, specialty beverages, and bakery items.

[BUSINESS NAME] will appeal to individuals of all ages and backgrounds. The instructional Internet classes, and the helpful staff that [BUSINESS NAME] provides, will appeal to the audience that does not associate themselves with the computer age. This educational aspect will attract younger and elderly members of the community who are rapidly gaining interest in the unique resources that online communications have to offer. The downtown location will provide business people with convenient access to their morning coffee and online needs.

2.1 Company Ownership

[BUSINESS NAME] is a privately held Oregon Limited Liability Corporation. Cale Bruckner, the founder of [BUSINESS NAME], is the majority owner. Luke Walsh, Doug Wilson, and John Underwood, all hold minority stock positions as private investors.

2.2 Start-up Summary

[BUSINESS NAME]'s start-up costs will cover coffee making equipment, site renovation and modification, capital to cover losses in the first year, and the communications equipment necessary to get its customers online.

The communications equipment necessary to provide [BUSINESS NAME]'s customers with a high-speed connection to the Internet and the services it has to offer make up a large portion of the start-up costs. These costs will include the computer terminals and all costs associated with their set-up. Costs will also be designated for the purchase of two laser printers and a scanner.

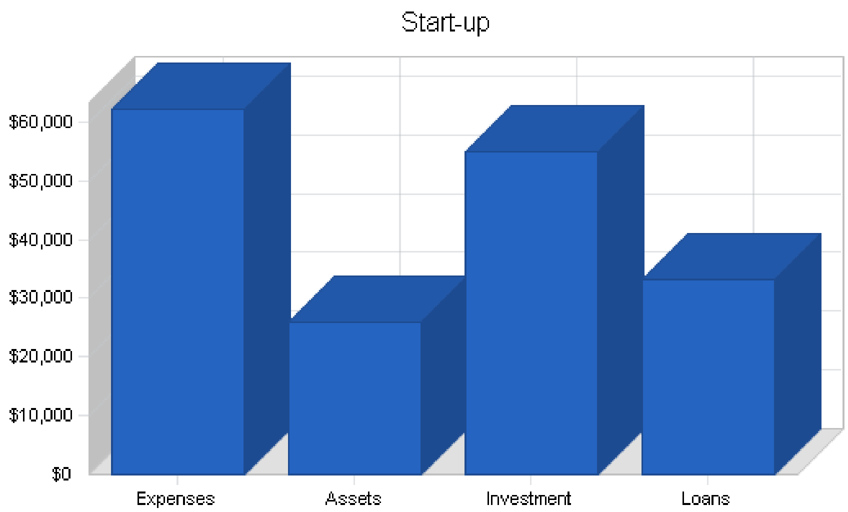
In addition, costs will be allocated for the purchase of coffee making equipment. One espresso machine, an automatic coffee grinder, and minor additional equipment will be purchased from Allann Brothers.

The site at 10th and Oak will require funds for renovation and modification. A single estimated figure will be allocated for this purpose. The renovation/modification cost estimate will include the costs associated with preparing the site for opening business.

Start-up Expense Details:

- 11 computers = $22,000
- two printers = $1,000
- one scanner = $500
- software = $810
- one espresso machine = $10,700
- one automatic espresso grinder = $795
- other fixtures and remodeling:
  - two coffee/food preparation counters = $1,000
  - one information display counter = $1,000
  - one drinking/eating counter = $500
  - sixteen stools = $1,600
  - six computer desks w/chairs = $2,400
  - stationery goods = $500

- two telephones = $200
- decoration expense = $13,000



Start-up

Requirements

Start-up Expenses

Legal	$500
Stationery etc.	$500
Brochures	$500
Consultants	$2,000
Insurance	$700

Rent	$1,445
4-group Automatic Coffee Machine	$10,700
Bean Grinder	$795
Computer Systems (x11), Software, Printer, Scanner	$24,310
Communication Lines	$840
Fixtures/Remodel	$20,000
Total Start-up Expenses	$62,290
Start-up Assets	
Cash Required	$24,000
Start-up Inventory	$2,000
Other Current Assets	$0
Long-term Assets	$0
Total Assets	$26,000
Total Requirements	$88,290

2.3 Company Locations and Facilities

A site has been chosen at 10th and Oak in downtown Eugene. This site was chosen for various reasons, including:

- Proximity to the downtown business community.

- Proximity to trendy, upscale restaurants such as West Brothers.
- Proximity to LTD's Eugene Station. Parking availability.
- Low cost rent - $.85 per square foot for 1700 square feet.
- High visibility.

All of these qualities are consistent with [BUSINESS NAME]'s goal of providing a central hub of communication and socialization for the Eugene community

Services

[BUSINESS NAME] will provide full access to email, WWW, FTP, Usenet and other Internet applications such as Telnet and Gopher. Printing, scanning, and introductory courses to the Internet will also be available to the customer. [BUSINESS NAME] will also provide customers with a unique and innovative environment for enjoying great coffee, specialty beverages, and bakery items.

3.1 Service Description

[BUSINESS NAME] will provide its customers with full access to the Internet and common computer software and hardware. Some of the Internet and computing services available to [BUSINESS NAME] customers are listed below:

- Access to external POP3 email accounts.
- Customers can sign up for a [BUSINESS NAME] email account. This account will be managed by [BUSINESS NAME] servers and accessible from computer systems outside the [BUSINESS NAME] network.
- FTP, Telnet, Gopher, and other popular Internet utilities will be available.
- Access to Netscape or Internet Explorer browser.
- Access to laser and color printing.
- Access to popular software applications like Adobe PhotoShop and Microsoft Word.

[BUSINESS NAME] will also provide its customers with access to introductory Internet and email classes. These classes will be held in the afternoon and late in the evening. By providing these classes, [BUSINESS NAME] will build a client base familiar with its services. The computers, Internet access, and classes wouldn't mean half as much if taken out of the environment [BUSINESS NAME] will provide. Good coffee, specialty drinks, bakery goods, and a comfortable environment will provide [BUSINESS NAME] customers with a home away from home. A place to enjoy the benefits of computing in a comfortable and well-kept environment.

3.2 Competitive Comparison

[BUSINESS NAME] will be the first Internet cafe in Eugene. [BUSINESS NAME] will differentiate itself from the strictly-coffee cafes in Eugene by providing its customers with Internet and computing services.

3.3 Fulfilment

[BUSINESS NAME] will obtain computer support and Internet access from Bellevue Computers located in Eugene. Bellevue will provide the Internet connections, network consulting, and the hardware required to run the [BUSINESS NAME]work. Allann Brothers will provide [BUSINESS NAME] with coffee equipment, bulk coffee, and paper supplies. At this time, a contract for the bakery items has not been completed. [BUSINESS NAME] is currently negotiating with Humble Bagel and the French Horn to fulfil the requirement.

3.4 Technology

[BUSINESS NAME] will invest in high-speed computers to provide its customers with a fast and efficient connection to the Internet. The computers will be reliable and fun to work with. [BUSINESS NAME] will continue to upgrade and modify the systems to stay current with communications technology. One of the main attractions associated with Internet cafes, is the state of the art equipment available for use. Not everyone has a Pentium PC in their home or office.

3.5 Future Services

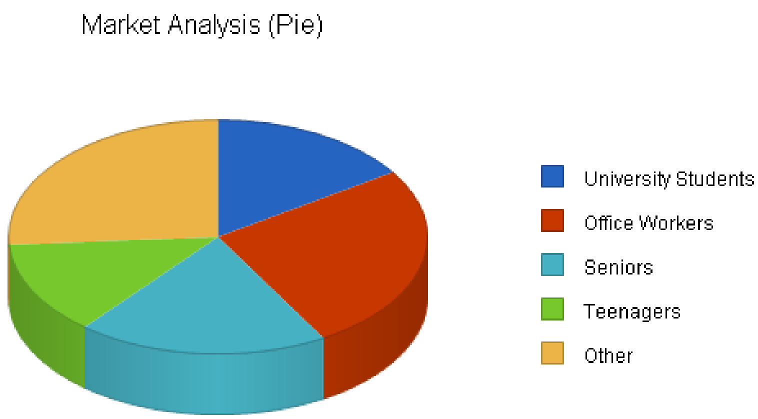
As [BUSINESS NAME] grows, more communications systems will be added. The possibility of additional units has been accounted for in the current floor plan. As the demand for Internet connectivity increases, along with the increase in competition, [BUSINESS NAME] will continue to add new services to keep its customer base coming back for more.

Market Analysis Summary

[BUSINESS NAME] is faced with the exciting opportunity of being the first-mover in the Eugene cyber-cafe market. The consistent popularity of coffee, combined with the growing interest in the Internet, has been proven to be a winning concept in other markets and will produce the same results in Eugene.

4.1 Market Segmentation

[BUSINESS NAME]'s customers can be divided into two groups. The first group is familiar with the Internet and desires a progressive and inviting atmosphere where they can get out of their offices or bedrooms and enjoy a great cup of coffee. The second group is not familiar with the Internet, yet, and is just waiting for the right opportunity to enter the online community. [BUSINESS NAME]'s target market falls anywhere between the ages of 18 and 50. This extremely wide range of ages is due to the fact that both coffee and the Internet appeal to a variety of people. In addition to these two broad categories, [BUSINESS NAME]'s target market can be divided into more specific market segments. The majority of these individuals are students and business people. See the Market Analysis chart and table below for more specifics.



Market Analysis

		1999	2000	2001	2002	2003	
Potential Customers	Growth						CAGR
University Students	4%	15,000	15,600	16,224	16,873	17,548	4.00%
Office Workers	3%	25,000	25,750	26,523	27,319	28,139	3.00%
Seniors	5%	18,500	19,425	20,396	21,416	22,487	5.00%
Teenagers	2%	12,500	12,750	13,005	13,265	13,530	2.00%
Other	0%	25,000	25,000	25,000	25,000	25,000	0.00%
Total	2.68%	96,000	98,525	101,148	103,873	106,704	2.68%

4.2 Target Market Segment Strategy

[BUSINESS NAME] intends to cater to people who want a guided tour on their first spin around the Internet and to experienced users eager to indulge their passion for computers in a social setting. Furthermore, [BUSINESS NAME] will be a magnet for local and traveling professionals who desire to work or check their email messages in a friendly atmosphere. These professionals will either use [BUSINESS NAME]'s PCs, or plug their notebooks into Internet connections. [BUSINESS NAME]'s target market covers a wide range of ages: from members of Generation X who grew up surrounded by computers, to Baby Boomers who have come to the realization that people today cannot afford to ignore computers.

4.2.1 Market Trends

A market survey was conducted in the Fall of 1996. Key questions were asked of fifty potential customers. Some key findings include:

- 35 subjects said they would be willing to pay for access to the Internet.
- Five dollars an hour was the most popular hourly Internet fee.
- 24 subjects use the Internet to communicate with others on a regular basis.

4.2.2 Market Needs

Factors such as current trends, addiction, and historical sales data ensure that the high demand for coffee will remain constant over the next five years. The rapid growth of the Internet and online services, that has been witnessed worldwide, is only the tip of the iceberg. The potential growth of the Internet is enormous, to the point where one day, a computer terminal with an online connection will be as common and necessary as a telephone. This may be 10 or 20 years down the road, but for the next five years, the online service provider market is sure to experience tremendous growth. Being the first cyber-cafe in Eugene, [BUSINESS NAME] will enjoy the first-mover advantages of name recognition and customer loyalty. Initially, [BUSINESS NAME] will hold a 100 percent share of the cyber-cafe market in Eugene. In the next five years, competitors will enter the market. [BUSINESS NAME] has set a goal to maintain greater than a 50 percent market share.

4.3 Service Business Analysis

The retail coffee industry in Eugene experienced rapid growth at the beginning of the decade and is now moving into the mature stage of its life cycle. Many factors contribute to the large demand for good coffee in Eugene. The University is a main source of demand for coffee retailers. The climate in Eugene is extremely conducive to coffee consumption. Current trends in the Northwest reflect the popularity of fresh, strong, quality coffee and specialty drinks. Eugene is a haven for coffee lovers.

The popularity of the Internet is growing exponentially. Those who are familiar with the Internet are well aware of how fun and addictive surfing the Net can be. Those who have not yet experienced the Internet, need a convenient, relaxed atmosphere where they can feel comfortable learning about and utilizing the current technologies. [BUSINESS NAME] seeks to provide its customers with affordable Internet access in an innovative and supportive environment.

Due to intense competition, cafe owners must look for ways to differentiate their place of business from others in order to achieve and maintain a competitive advantage. The founder of [BUSINESS NAME] realizes the need for differentiation and strongly believes that combining a cafe with complete Internet service is the key to success. The fact that no cyber-cafes are established in Eugene, presents [BUSINESS NAME] with a chance to enter the window of opportunity and enter into a profitable niche in the market.

4.3.1 Competition and Buying Patterns

The main competitors in the retail coffee segment are Cafe Paradisio, Full City, Coffee Corner and Allann Bros. These businesses are located in or near the downtown area, and target a similar segment to [BUSINESS NAME]'s (i.e. educated, upwardly-mobile students and business people).

Competition from online service providers comes from locally-owned businesses as well as national firms. There are approximately eight, local, online service providers in Eugene. This number is expected to grow with the increasing demand for Internet access. Larger, online service providers, such as AOL and CompuServe are also a competitive threat to [BUSINESS NAME]. Due to the nature of the Internet, there are no geographical boundaries restricting competition.

4.3.2 Business Participants

There are approximately 16 coffee wholesalers in Lane County. These wholesalers distribute coffee and espresso beans to over 20 retailers in the Eugene area. Competition in both channels creates an even amount of bargaining power between buyers and suppliers resulting in extremely competitive pricing. Some of these major players in the industry (i.e. Allann Brothers Coffee Co., Inc. and Coffee Corner Ltd.) distribute and retail coffee products.

The number of online service providers in Eugene is approximately eight and counting. These small, regional service providers use a number of different pricing strategies. Some charge a monthly fee, while others charge hourly and/or phone fees. Regardless of the pricing method used, obtaining Internet access through one of these firms can be expensive. Larger Internet servers such as America Online (AOL), Prodigy, and CompuServe, are also fighting for market share in this rapidly growing industry. These service providers are also rather costly for the average consumer. Consumers who are not convinced they would frequently and consistently travel the Internet, will not be willing to pay these prices.

4.3.3 Distributing a Service

The dual product/service nature of [BUSINESS NAME]'s business faces competition on two levels. [BUSINESS NAME] competes not only with coffee retailers, but also with

Internet service providers. The good news is that [BUSINESS NAME] does not currently face any direct competition from other cyber-cafes in the Eugene market. There are a total of three cyber-cafes in the state of Oregon: one located in Portland and two in Ashland.

Heavy competition between coffee retailers in Eugene creates an industry where all firms face the same costs. There is a positive relationship between price and quality of coffee. Some coffees retail at $8/pound while other, more exotic beans may sell for as high as $16/pound. Wholesalers sell beans to retailers at an average of a 50 percent discount. For example, a pound of Sumatran beans wholesales for $6.95 and retails for $13.95. And as in most industries, price decreases as volume increases.

Marketing Strategy and Implementation Summary

[BUSINESS NAME] has three main strategies. The first strategy focuses on attracting novice Internet users. By providing a novice friendly environment, [BUSINESS NAME] hopes to educate and train a loyal customer base.

The second, and most important, strategy focuses on pulling in power Internet users. Power Internet users are extremely familiar with the Internet and its offerings. This group of customers serves an important function at [BUSINESS NAME]. Power users have knowledge and web-browsing experience that novice Internet users find attractive and exciting.

The third strategy focuses on building a social environment for [BUSINESS NAME] customers. A social environment, that provides entertainment, will serve to attract customers that wouldn't normally think about using the Internet. Once on location at [BUSINESS NAME], these customers that came for the more standard entertainment offerings, will realize the potential entertainment value the Internet can provide.

5.1 SWOT Analysis

The SWOT analysis provides us with an opportunity to examine the internal strengths and weaknesses [BUSINESS NAME] must address. It also allows us to examine the opportunities presented to [BUSINESS NAME] as well as potential threats.

[BUSINESS NAME] has a valuable inventory of strengths that will help it succeed. These strengths include: a knowledgeable and friendly staff, state-of-the-art computer hardware, and a clear vision of the market need. Strengths are valuable, but it is also important to realize the weaknesses [BUSINESS NAME] must address. These weaknesses include: a dependence on quickly changing technology, and the cost factor associated with keeping state-of-the art computer hardware.

[BUSINESS NAME]'s strengths will help it capitalize on emerging opportunities. These opportunities include, but are not limited to, a growing population of daily Internet users, and the growing social bonds fostered by the new Internet communities. Threats that [BUSINESS NAME] should be aware of include, the rapidly falling cost of Internet access, and emerging local competitors.

5.1.1 Strengths

1. Knowledgeable and friendly staff. We've gone to great lengths at [BUSINESS NAME] to find people with a passion for teaching and sharing their Internet experiences. Our staff is both knowledgeable and eager to please.

2. State-of-the art equipment. Part of the [BUSINESS NAME] experience includes access to state-of-the-art computer equipment. Our customers enjoy beautiful flat-screen displays, fast machines, and high-quality printers.

3. Upscale ambiance. When you walk into [BUSINESS NAME], you'll feel the technology. High backed mahogany booths with flat-screen monitors inset into the walls provide a cozy hideaway for meetings and small friendly gatherings. Large round tables with displays viewable from above provide a forum for larger gatherings and friendly "how-to" classes on the Internet. Aluminum track lighting and art from local artists sets the mood. Last, but not least, quality cappuccino machines and a glass pastry display case provide enticing refreshments.

4. Clear vision of the market need. [BUSINESS NAME] knows what it takes to build an upscale cyber cafe. We know the customers, we know the technology, and we know how to build the service that will bring the two together.

5.1.2 Weaknesses

1. A dependence on quickly changing technology. [BUSINESS NAME] is a place for people to experience the technology of the Internet. The technology that is the Internet changes rapidly. Product lifecycles are measured in weeks, not months. [BUSINESS NAME] needs to keep up with the technology because a lot of the [BUSINESS NAME] experience is technology.

2. Cost factor associated with keeping state-of-the-art hardware. Keeping up with the technology of the Internet is an expensive undertaking. [BUSINESS NAME] needs to balance technology needs with the other needs of the business. One aspect of the business can't be sacrificed for the other.

5.1.3 Opportunities

1. Growing population of daily Internet users. The importance of the Internet almost equals that of the telephone. As the population of daily Internet users increases, so will the need for the services [BUSINESS NAME] offers.

2. Social bonds fostered by the new Internet communities. The Internet is bringing people from across the world together unlike any other communication medium. [BUSINESS NAME] will capitalize on this social trend by providing a place for smaller and local Internet communities to meet in person. [BUSINESS NAME] will grow some of these communities on its own by establishing chat areas and community programs. These programs will be designed to build customer loyalty.

5.1.4 Threats

1. Rapidly falling cost of Internet access. The cost of access to the Internet for home users is dropping rapidly. Internet access may become so cheap and affordable that nobody will be willing to pay for access to it. [BUSINESS NAME] is aware of this threat and will closely monitor pricing.
2. Emerging local competitors. Currently, [BUSINESS NAME] is enjoying a first-mover advantage in the local cyber-cafe market. However, additional competitors are on the horizon, and we need to be prepared for their entry into the market. Many of our programs will be designed to build customer loyalty, and it is our hope that our quality service and up-scale ambiance won't be easily duplicated.

5.2 Strategy Pyramid

The following subtopics provide an overview of [BUSINESS NAME]'s three key strategies. Strategy pyramid graphics are presented in the appendix of this plan.

5.2.1 Attract Novice Internet Users

[BUSINESS NAME]'s first strategy focuses on attracting novice Internet users. [BUSINESS NAME] plans on attracting these customers by:

- Providing a novice friendly environment. [BUSINESS NAME] will be staffed by knowledgeable employees focused on serving the customer's needs.
- A customer service desk will always be staffed. If a customer has any type of question or concern, a [BUSINESS NAME] employee will always be available to assist.
- [BUSINESS NAME] will offer introductory classes on the Internet and email. These classes will be designed to help novice users familiarize themselves with these key tools and the [BUSINESS NAME] computer systems.

5.2.2 Attract Power Internet Users

[BUSINESS NAME]'s second strategy will be focused on attracting power Internet users. Power Internet users provide an important function at [BUSINESS NAME]. [BUSINESS NAME] plans on attracting this type of customer by:

- Providing the latest in computing technology.
- Providing scanning and printing services.
- Providing access to powerful software applications.

5.2.3 Social Hub

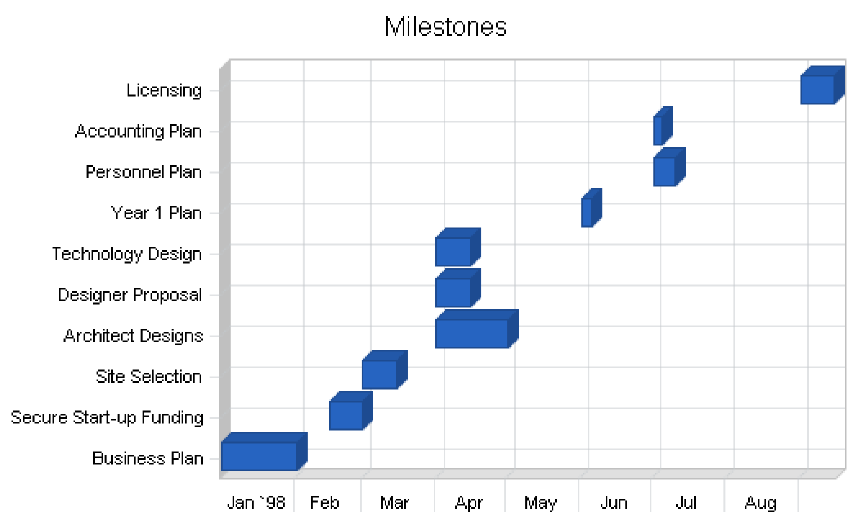
The third strategy focuses on building a social environment for [BUSINESS NAME] customers. A social environment, that provides entertainment, will serve to attract customers that wouldn't normally think about using the Internet. Once on location at [BUSINESS NAME], these customers that came for the more standard entertainment offerings, will realize the potential entertainment value the Internet can provide.

5.3 Competitive Edge

[BUSINESS NAME] will follow a differentiation strategy to achieve a competitive advantage in the cafe market. By providing Internet service, [BUSINESS NAME] separates itself from all other cafes in Eugene. In addition, [BUSINESS NAME] provides a comfortable environment with coffee and bakery items, distinguishing itself from other Internet providers in Eugene.

5.4 Milestones

The [BUSINESS NAME] management team has established some basic milestones to keep the business plan priorities in place. Responsibility for implementation falls on the shoulders of Cale Bruckner. This Milestones Table below will be updated as the year progresses using the actual tables. New milestones will be added as the first year of operations commences.



Milestones

Milestone	Start Date	End Date	Budget	Manager	Department
Business Plan	1/1/1998	2/1/1998	$1,000	Cale Bruckner	Admin
Secure Start-up	2/15/1998	3/1/1998	$1,000	Cale	Admin

Funding				Bruckner	
Site Selection	3/1/1998	3/15/1998	$1,000	Cale Bruckner	Admin
Architect Designs	4/1/1998	5/1/1998	$1,000	Cale Bruckner	Admin
Designer Proposal	4/1/1998	4/15/1998	$1,000	Cale Bruckner	Admin
Technology Design	4/1/1998	4/15/1998	$1,000	Cale Bruckner	Admin
Year 1 Plan	6/1/1998	6/5/1998	$1,000	Cale Bruckner	Admin
Personnel Plan	7/1/1998	7/10/1998	$1,000	Cale Bruckner	Admin
Accounting Plan	7/1/1998	7/5/1998	$1,000	Cale Bruckner	Admin
Licensing	9/1/1998	9/15/1998	$1,000	Cale Bruckner	Admin
Totals			$10,000		

5.5 Marketing Strategy

[BUSINESS NAME] will position itself as an upscale coffee house and Internet service provider. It will serve high-quality coffee and espresso specialty drinks at a competitive price. Due to the number of cafes in Eugene, it is important that [BUSINESS NAME] sets fair prices for its coffee. [BUSINESS NAME] will use advertising as its main source of promotion. Ads placed in The Register Guard, Eugene Weekly, and the Emerald will help build customer awareness. Accompanying the ad will be a coupon for a free hour of Internet travel. Furthermore, [BUSINESS NAME] will give away three free hours of Internet use to beginners who sign up for an introduction to the Internet workshop provided by [BUSINESS NAME].

5.5.1 Promotion Strategy

[BUSINESS NAME] will implement a pull strategy in order to build consumer awareness and demand. Initially, [BUSINESS NAME] has budgeted $5,000 for promotional efforts which will include advertising with coupons for a free hour of Internet time in local publications and in-house promotions such as offering customers free Internet time if they pay for an introduction to the Internet workshop taught by [BUSINESS NAME]'s computer technician.

[BUSINESS NAME] realizes that in the future, when competition enters the market, additional revenues must be allocated for promotion in order to maintain market share.

5.5.2 Pricing Strategy

[BUSINESS NAME] bases its prices for coffee and specialty drinks on the "retail profit analysis" provided by our supplier, Allann Brothers Coffee Co., Inc. Allann Brothers has been in the coffee business for 22 years and has developed a solid pricing strategy.

Determining a fair market, hourly price, for online use is more difficult because there is no direct competition from another cyber-cafe in Eugene. Therefore, [BUSINESS NAME] considered three sources to determine the hourly charge rate. First, we considered the cost to use other Internet servers, whether it is a local networking firm or a provider such as America Online. Internet access providers use different pricing schemes. Some charge a monthly fee, while others charge an hourly fee. In addition, some providers use a strategy with a combination of both pricing schemes. Thus, it can quickly become a high monthly cost for the individual. Second, [BUSINESS NAME] looked at how cyber-cafes in other markets such as Portland and Ashland went about pricing Internet access. Third, [BUSINESS NAME] used the market survey conducted in the Fall of 1996. Evaluating these three factors resulted in [BUSINESS NAME]'s hourly price of five dollars.

5.6 Sales Strategy

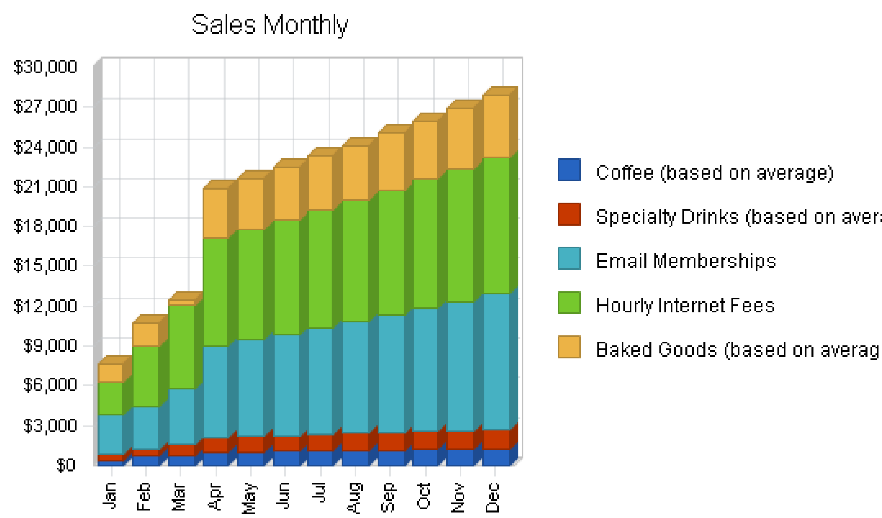
As a retail establishment, [BUSINESS NAME] employs people to handle sales transactions. Computer literacy is a requirement for [BUSINESS NAME] employees. If an employee does not possess basic computer skills when they are hired, they are trained by our full-time technician. Our full-time technician is also available for customers in need of assistance. [BUSINESS NAME]'s commitment to friendly, helpful service is one of the key factors that distinguishes [BUSINESS NAME] from other Internet cafes.

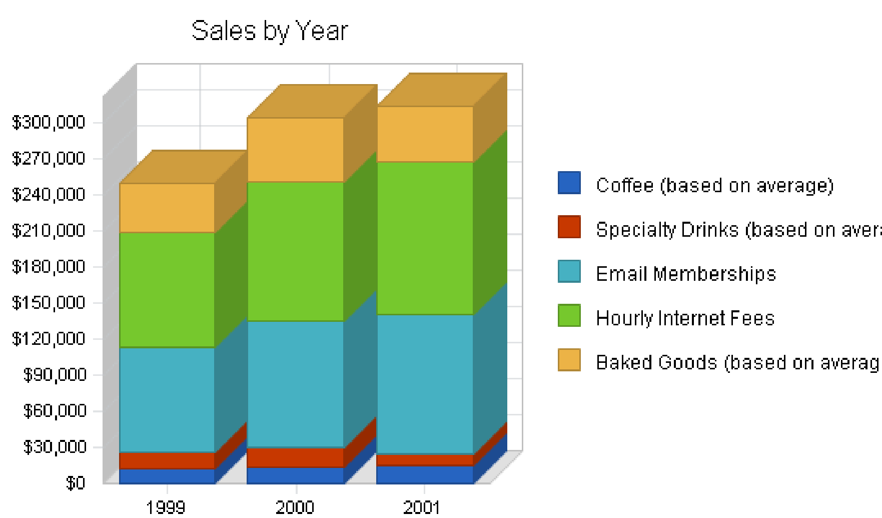
5.6.1 Sales Forecast

Sales forecast data is presented in the chart and table below.

Sales: [BUSINESS NAME] is basing their projected coffee and espresso sales on the financial snapshot information provided to them by Allann Bros. Coffee Co. Internet sales were estimated by calculating the total number of hours each terminal will be active each day and then generating a conservative estimate as to how many hours will be purchased by consumers.

Cost of Sales: The cost of goods sold for coffee-related products was determined by the "retail profit analysis" we obtained from Allann Bros. Coffee Co. The cost of bakery items is 20% of the selling price. The cost of Internet access is $660 per month, paid to Bellevue Computers for networking fees. The cost of e-mail accounts is 25% of the selling price.





Sales Forecast

	1999	2000	2001

Unit Sales			
Coffee (based on average)	12,016	14,068	15,475
Specialty Drinks (based on average)	6,654	7,913	8,705
Email Memberships	8,703	10,505	11,556
Hourly Internet Fees	38,269	46,365	51,002
Baked Goods (based on average)	32,673	42,150	46,365
Total Unit Sales	98,315	121,001	133,103

Unit Prices	1999	2000	2001
Coffee (based on average)	$1.00	$1.00	$1.00
Specialty Drinks (based on average)	$2.00	$2.00	$1.00
Email Memberships	$10.00	$10.00	$10.00
Hourly Internet Fees	$2.50	$2.50	$2.50
Baked Goods (based on average)	$1.25	$1.25	$1.00

Sales			
Coffee (based on average)	$12,016	$14,068	$15,475
Specialty Drinks (based on average)	$13,308	$15,826	$8,705
Email Memberships	$87,030	$105,050	$115,560

Hourly Internet Fees	$95,673	$115,913	$127,505
Baked Goods (based on average)	$40,841	$52,688	$46,365
Total Sales	$248,868	$303,544	$313,610

Direct Unit Costs	1999	2000	2001
Coffee (based on average)	$0.25	$0.25	$0.25
Specialty Drinks (based on average)	$0.50	$0.50	$0.25
Email Memberships	$2.50	$2.50	$2.50
Hourly Internet Fees	$0.63	$0.63	$0.63
Baked Goods (based on average)	$0.31	$0.31	$0.25

Direct Cost of Sales			
Coffee (based on average)	$3,004	$3,517	$3,869
Specialty Drinks (based on average)	$3,327	$3,957	$2,176
Email Memberships	$21,758	$26,263	$28,890
Hourly Internet Fees	$23,918	$28,978	$31,876
Baked Goods (based on average)	$10,210	$13,172	$11,591
Subtotal Direct Cost of Sales	$62,217	$75,886	$78,403

Management Plan

[BUSINESS NAME] is owned and operated by Mr. Cale Bruckner. The company, being small in nature, requires a simple organizational structure. Implementation of this organizational form calls for the owner, Mr. Bruckner, to make all of the major management decisions in addition to monitoring all other business activities.

6.1 Personnel Plan

The staff will consist of six part-time employees working thirty hours a week at $5.50 per hour. In addition, one full-time technician (who is more technologically oriented to handle minor terminal repairs/inquiries) will be employed to work forty hours a week at $10.00 per hour. The three private investors, Luke Walsh, Doug Wilson and John Underwood will not be included in management decisions. This simple structure provides a great deal of flexibility and allows communication to disperse quickly and directly. Because of these characteristics, there are few coordination problems seen at [BUSINESS NAME] that are common within larger organizational chains. This strategy will enable [BUSINESS NAME] to react quickly to changes in the market.

Personnel Plan

	1999	2000	2001
Owner	$24,000	$26,400	$29,040
Part Time 1	$7,920	$7,920	$7,920
Part Time 2	$7,920	$7,920	$7,920
Part Time 3	$7,920	$7,920	$7,920
Part Time 4	$7,920	$7,920	$7,920
Part Time 5	$7,920	$7,920	$7,920
Part Time 6	$3,960	$7,920	$7,920
Technician	$21,731	$23,904	$26,294
Manager	$4,000	$24,000	$26,400

Total People	9	9	9
Total Payroll	$93,291	$121,824	$129,254

Financial Plan

The following sections lay out the details of our financial plan for the next three years.

7.2 Start-up Funding

This business plan is prepared to obtain financing in the amount of $24,000. The supplemental financing is required to begin work on site preparation and modifications, equipment purchases, and to cover expenses in the first year of operations.

Additional financing has already been secured as follows:

1. $24,000 from the Oregon Economic Development Fund
2. $19,000 of personal savings from owner Cale Bruckner
3. $36,000 from three investors
4. and $9,290 in the form of short-term loans

Start-up Funding

Start-up Expenses to Fund	$62,290
Start-up Assets to Fund	$26,000
Total Funding Required	$88,290
Assets	
Non-cash Assets from Start-up	$2,000
Cash Requirements from Start-up	$24,000

Additional Cash Raised	$0
Cash Balance on Starting Date	$24,000
Total Assets	$26,000

Liabilities and Capital

Liabilities

Current Borrowing	$9,290
Long-term Liabilities	$24,000
Accounts Payable (Outstanding Bills)	$0
Other Current Liabilities (interest-free)	$0
Total Liabilities	$33,290

Capital

Planned Investment

Cale Bruckner	$19,000
Luke Walsh	$12,000

Doug Wilson	$12,000
John Underwood	$12,000
Additional Investment Requirement	$0
Total Planned Investment	$55,000
Loss at Start-up (Start-up Expenses)	($62,290)
Total Capital	($7,290)
Total Capital and Liabilities	$26,000
Total Funding	$88,290

7.3 Important Assumptions

Basic assumptions are presented in the table below.

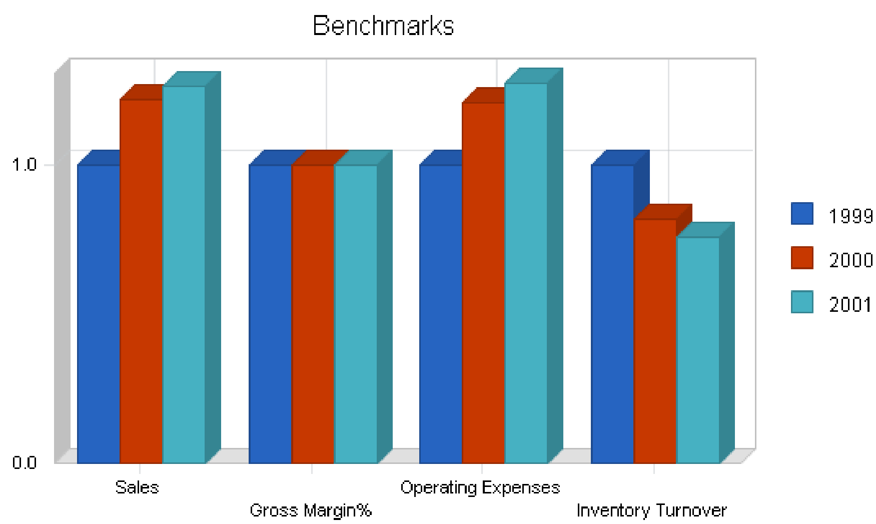
General Assumptions

	1999	2000	2001
Plan Month	1	2	3
Current Interest Rate	8.00%	8.00%	8.00%
Long-term Interest	10.00%	10.00%	10.00%

Rate			
Tax Rate	30.00%	30.00%	30.00%
Other	0	0	0

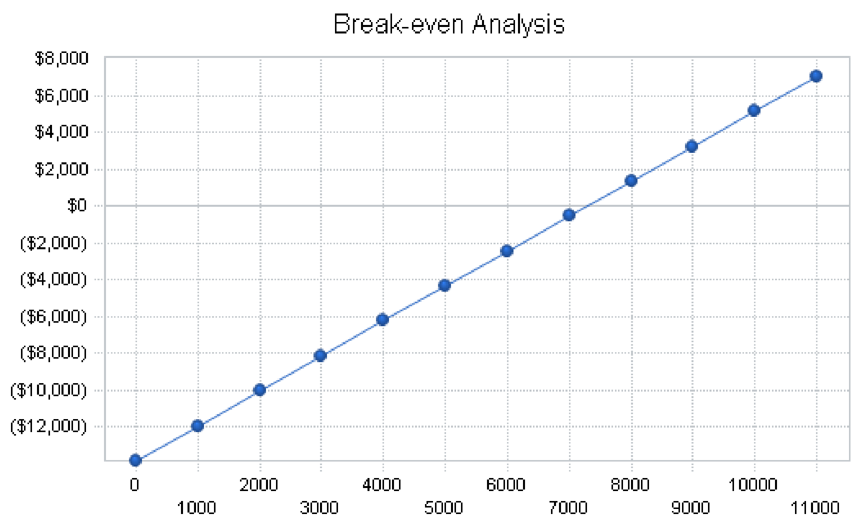
7.4 Key Financial Indicators

Important benchmark data is presented in the chart below.



7.5 Break-even Analysis

Break-even data is presented in the chart and table below.



Break-even Analysis

Monthly Units Break-even	7,294
Monthly Revenue Break-even	$18,462

Assumptions:

Average Per-Unit Revenue	$2.53
Average Per-Unit Variable Cost	$0.63
Estimated Monthly Fixed Cost	$13,847

7.6 Projected Profit and Loss

Payroll Expense: The founder of [BUSINESS NAME], Cale Bruckner, will receive a salary of $24,000 in year one, $26,400 in year two, and $29,040 in year three. [BUSINESS NAME] intends to hire six part-time employees by the end of year one at $5.75/hour and a full-time technician at $10.00/hour.

Rent Expense: [BUSINESS NAME] is leasing a 1700 square foot facility at $.85/sq. foot. The lease agreement [BUSINESS NAME] signed specifies that we pay $2,000/month for a total of 36 months. At the end of the third year, the lease is open for negotiations and [BUSINESS NAME] may or may not re-sign the lease depending on the demands of the lessor.

Utilities Expense: As stated in the contract, the lessor is responsible for the payment of utilities including gas, garbage disposal, and real estate taxes. The only utilities expense that [BUSINESS NAME] must pay is the phone bill generated by fifteen phone lines; thirteen will be dedicated to modems and two for business purposes. The basic monthly service charge for each line provided by US West is $17.29. The 13 lines used to connect the modems will make local calls to the network provided by Bellevue resulting in a monthly charge of $224.77. The two additional lines used for business communication will cost $34.58/month plus long distance fees. [BUSINESS NAME] assumes that it will not make more than $40.00/month in long distance calls. Therefore, the total cost associated with the two business lines is estimated at $74.58/month and the total phone expense at $299.35/month. In addition, there will be an additional utility expense of $800 for estimated EWEB bills.

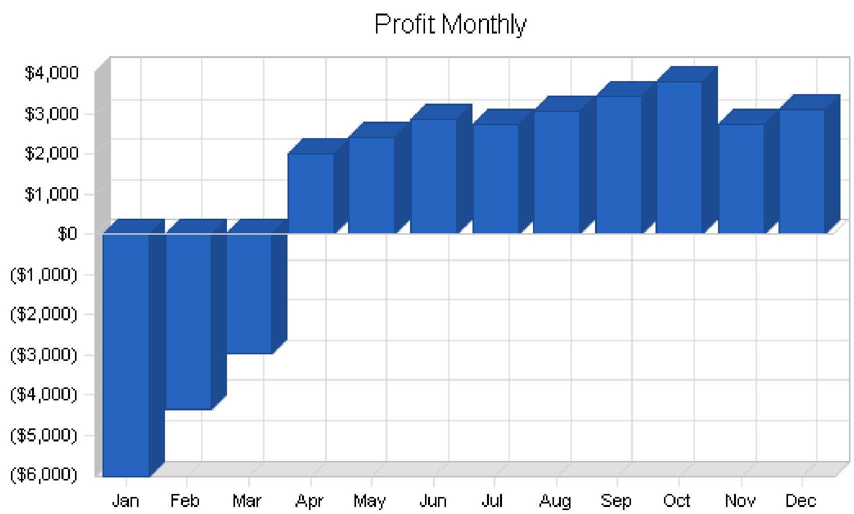
Marketing Expense: [BUSINESS NAME] will allocate $33,750 for promotional expenses over the first year. These dollars will be used for advertising in local newspapers in order to build consumer awareness. For additional information, please refer to section 5.0 of the business plan.

Insurance Expense: [BUSINESS NAME] has allocated $1,440 for insurance for the first year. As revenue increases in the second and third year of business, [BUSINESS NAME] intends to invest more money for additional insurance coverage.

Depreciation: In depreciating our capital equipment, [BUSINESS NAME] used the Modified Accelerated Cost Recovery Method. We depreciated our computers over a five-year time period and our fixtures over seven years.

Taxes: [BUSINESS NAME] is an LLC and, as an entity, it is not taxed. However, there is a 15% payroll burden.

Detailed Profit and Loss data is presented in the table below.


Profit Monthly
$4,000
$3,000
$2,000
$1,000
$0
($1,000)
($2,000)
($3,000)
($4,000)
($5,000)
($6,000)
Jan
Feb
Mar
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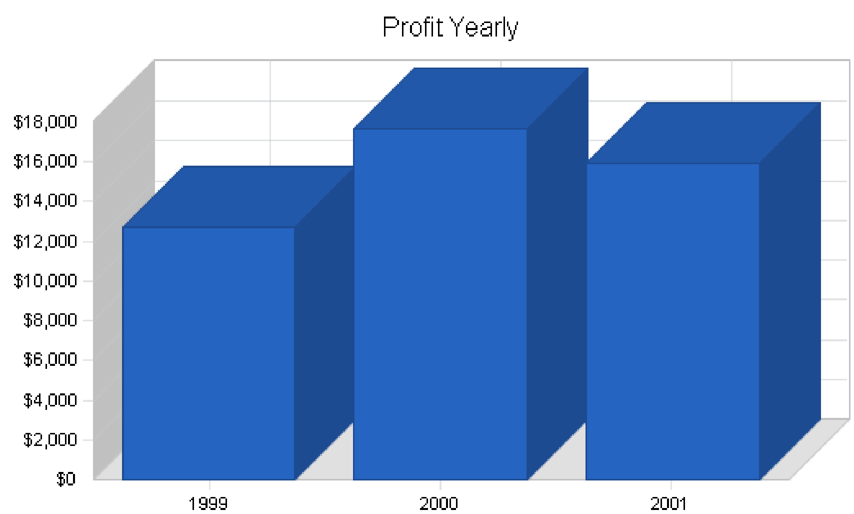
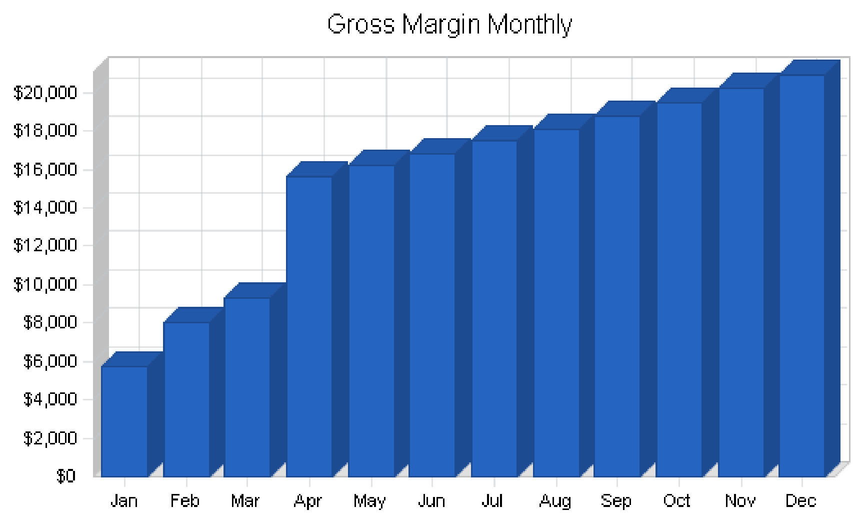

Profit Yearly
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
1999
2000
2001



Pro Forma Profit and Loss

	1999	2000	2001
Sales	$248,868	$303,544	$313,610
Direct Cost of Sales	$62,217	$75,886	$78,403
Other Costs of Sales	$0	$0	$0
Total Cost of Sales	$62,217	$75,886	$78,403
Gross Margin	$186,651	$227,658	$235,208
Gross Margin %	75.00%	75.00%	75.00%

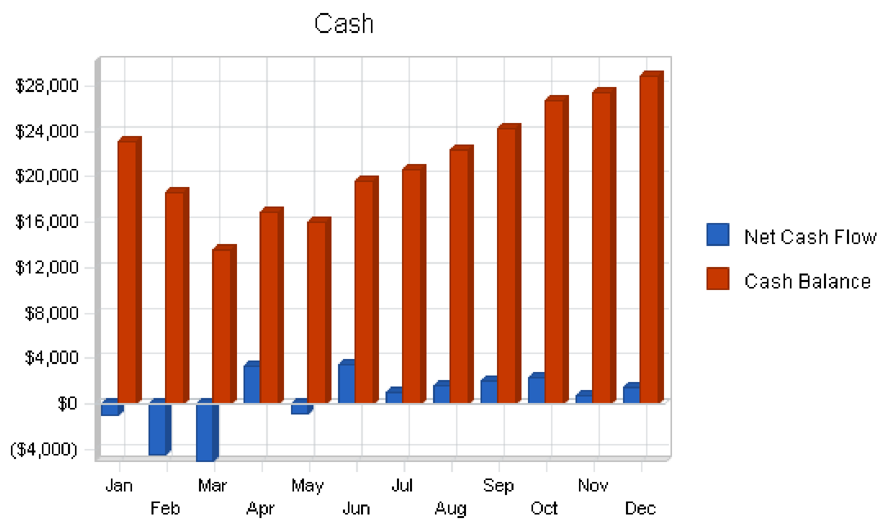
Expenses

Payroll	$93,291	$121,824	$129,254
Marketing/Promotion	$33,750	$40,000	$43,000
Depreciation	$0	$0	$0
Rent	$24,000	$24,000	$24,000
Utilities	$9,120	$9,120	$9,120
Insurance	$6,000	$6,000	$6,000
Payroll Taxes	$0	$0	$0
Other	$0	$0	$0
Total Operating Expenses	$166,161	$200,944	$211,374
Profit Before Interest and Taxes	$20,490	$26,714	$23,834
EBITDA	$20,490	$26,714	$23,834
Interest Expense	$2,325	$1,470	$1,100
Taxes Incurred	$5,450	$7,573	$6,820
Net Profit	$12,716	$17,671	$15,913
Net Profit/Sales	5.11%	5.82%	5.07%

7.7 Projected Cash Flow

Cash flow data is presented in the chart and table below.

Accounts Payable: [BUSINESS NAME] acquired a $24,000 loan from a bank at a 10% interest rate. The loan will be paid back at $800/month over the next three years. The $9,290 short term loan will be paid back at a rate of 8%.



Pro Forma Cash Flow

	1999	2000	2001
Cash Received			
Cash from Operations			
Cash Sales	$248,868	$303,544	$313,610
Subtotal Cash from Operations	$248,868	$303,544	$313,610
Additional Cash Received			

Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$2,000	$5,000	$0
New Other Liabilities (interest-free)	$0	$0	$0
New Long-term Liabilities	$0	$0	$0
Sales of Other Current Assets	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0
New Investment Received	$0	$0	$0
Subtotal Cash Received	$250,868	$308,544	$313,610

Expenditures	1999	2000	2001
Expenditures from Operations			
Cash Spending	$93,291	$121,824	$129,254
Bill Payments	$133,870	$165,945	$168,467
Subtotal Spent on Operations	$227,161	$287,769	$297,721
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$9,290	$2,000	$0

Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$9,600	$5,000	$4,800
Purchase Other Current Assets	$0	$0	$0
Purchase Long-term Assets	$0	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$246,051	$294,769	$302,521
Net Cash Flow	$4,817	$13,775	$11,089
Cash Balance	$28,817	$42,592	$53,681

7.8 Projected Balance Sheet

Our projected balance sheet is presented in the table below.

Pro Forma Balance Sheet

	1999	2000	2001
Assets			
Current Assets			
Cash	$28,817	$42,592	$53,681
Inventory	$6,980	$8,514	$8,796

Other Current Assets	$0	$0	$0
Total Current Assets	$35,797	$51,106	$62,478
Long-term Assets			
Long-term Assets	$0	$0	$0
Accumulated Depreciation	$0	$0	$0
Total Long-term Assets	$0	$0	$0
Total Assets	$35,797	$51,106	$62,478
Liabilities and Capital	1999	2000	2001
Current Liabilities			
Accounts Payable	$13,972	$13,610	$13,868
Current Borrowing	$2,000	$5,000	$5,000
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$15,972	$18,610	$18,868
Long-term Liabilities	$14,400	$9,400	$4,600
Total Liabilities	$30,372	$28,010	$23,468

Paid-in Capital	$55,000	$55,000	$55,000
Retained Earnings	($62,290)	($49,574)	($31,904)
Earnings	$12,716	$17,671	$15,913
Total Capital	$5,426	$23,096	$39,010
Total Liabilities and Capital	$35,797	$51,106	$62,478
Net Worth	$5,426	$23,096	$39,010

7.9 Business Ratios

The Standard Industrial Classification (SIC) Code for the Internet Service Provider industry is "Remote data base information retrieval" 7375.9903. We used the report for "Information retrieval services" 7375 to generate the industry profile. As we are also a food cafe we could have used the ratios based on SIC classification 5812, "Eating places". The combined nature of [BUSINESS NAME] Cafe makes our ratios a blend of the two industries.

Ratio Analysis

	1999	2000	2001	Industry Profile
Sales Growth	0.00%	21.97%	3.32%	0.90%
Percent of Total Assets				

Inventory	19.50%	16.66%	14.08%	2.17%
Other Current Assets	0.00%	0.00%	0.00%	84.78%
Total Current Assets	100.00%	100.00%	100.00%	86.95%
Long-term Assets	0.00%	0.00%	0.00%	13.05%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	44.62%	36.41%	30.20%	28.33%
Long-term Liabilities	40.23%	18.39%	7.36%	16.21%
Total Liabilities	84.84%	54.81%	37.56%	44.54%
Net Worth	15.16%	45.19%	62.44%	55.46%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	75.00%	75.00%	75.00%	100.00%
Selling, General & Administrative Expenses	69.89%	69.18%	69.93%	79.00%
Advertising Expenses	0.00%	0.00%	0.00%	1.01%
Profit Before Interest and Taxes	8.23%	8.80%	7.60%	1.62%

Main Ratios				
Current	2.24	2.75	3.31	0.00
Quick	1.80	2.29	2.85	0.00
Total Debt to Total Assets	84.84%	54.81%	37.56%	0.00%
Pre-tax Return on Net Worth	334.80%	109.30%	58.28%	0.00%
Pre-tax Return on Assets	50.74%	49.40%	36.39%	0.00%

Additional Ratios	1999	2000	2001	
Net Profit Margin	5.11%	5.82%	5.07%	n.a
Return on Equity	234.36%	76.51%	40.79%	n.a
Activity Ratios				
Inventory Turnover	12.00	9.80	9.06	n.a
Accounts Payable Turnover	10.58	12.17	12.17	n.a
Payment Days	27	30	30	n.a
Total Asset Turnover	6.95	5.94	5.02	n.a
Debt Ratios				
Debt to Net Worth	5.60	1.21	0.60	n.a

Current Liab. to Liab.	0.53	0.66	0.80	n.a
Liquidity Ratios				
Net Working Capital	$19,826	$32,496	$43,610	n.a
Interest Coverage	8.81	18.17	21.67	n.a
Additional Ratios				
Assets to Sales	0.14	0.17	0.20	n.a
Current Debt/Total Assets	45%	36%	30%	n.a
Acid Test	1.80	2.29	2.85	n.a
Sales/Net Worth	45.87	13.14	8.04	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Sales Forecast

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Unit Sales												

Coffee (based on average)	0%	400	680	750	970	1,019	1,070	1,102	1,135	1,169	1,204	1,240	1,277
Specialty Drinks (based on average)	0%	225	300	400	546	573	602	620	638	657	677	698	718
Email Memberships	0%	300	320	425	695	729	766	804	844	886	931	977	1,026
Hourly Internet Fees	0%	1,000	1,800	2,500	3,245	3,343	3,443	3,546	3,653	3,762	3,875	3,991	4,111
Baked Goods (based on average)	0%	1,000	1,400	300	2,950	3,039	3,130	3,224	3,321	3,420	3,523	3,629	3,737
Total Unit Sales		2,925	4,500	4,375	8,406	8,703	9,011	9,296	9,591	9,894	10,210	10,535	10,869

Unit Prices		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Coffee (based on average)		$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00	$1.00
Specialty Drinks (based		$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00	$2.00

on average)												
Email Memberships	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00	$10.00
Hourly Internet Fees	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50
Baked Goods (based on average)	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25	$1.25
Sales												
Coffee (based on average)	$400	$680	$750	$970	$1,019	$1,070	$1,102	$1,135	$1,169	$1,204	$1,240	$1,277
Specialty Drinks (based on average)	$450	$600	$800	$1,092	$1,146	$1,204	$1,240	$1,276	$1,314	$1,354	$1,396	$1,436
Email Memberships	$3,000	$3,200	$4,250	$6,950	$7,290	$7,660	$8,040	$8,440	$8,860	$9,310	$9,770	$10,260
Hourly Internet Fees	$2,500	$4,500	$6,250	$8,113	$8,358	$8,608	$8,865	$9,133	$9,405	$9,688	$9,978	$10,278
Baked	$1,2	$1,7	$375	$3,6	$3,7	$3,9	$4,0	$4,1	$4,2	$4,4	$4,5	$4,6

Goods (based on average)		50	50		88	99	13	30	51	75	04	36	71
Total Sales		$7,600	$10,730	$12,425	$20,812	$21,611	$22,454	$23,277	$24,135	$25,023	$25,959	$26,920	$27,922
Direct Unit Costs		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Coffee (based on average)	25.00%	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25	$0.25
Specialty Drinks (based on average)	25.00%	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50	$0.50
Email Memberships	25.00%	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50
Hourly Internet Fees	25.00%	$0.63	$0.63	$0.63	$0.63	$0.63	$0.63	$0.63	$0.63	$0.63	$0.63	$0.63	$0.63
Baked Goods (based on average)	25.00%	$0.31	$0.31	$0.31	$0.31	$0.31	$0.31	$0.31	$0.31	$0.31	$0.31	$0.31	$0.31

Direct Cost of Sales												
Coffee (based on average)	$100	$170	$188	$243	$255	$268	$276	$284	$292	$301	$310	$319
Specialty Drinks (based on average)	$113	$150	$200	$273	$287	$301	$310	$319	$329	$339	$349	$359
Email Memberships	$750	$800	$1,063	$1,738	$1,823	$1,915	$2,010	$2,110	$2,215	$2,328	$2,443	$2,565
Hourly Internet Fees	$625	$1,125	$1,563	$2,028	$2,089	$2,152	$2,216	$2,283	$2,351	$2,422	$2,494	$2,569
Baked Goods (based on average)	$313	$438	$94	$922	$950	$978	$1,008	$1,038	$1,069	$1,101	$1,134	$1,168
Subtotal Direct Cost of Sales	$1,900	$2,683	$3,106	$5,203	$5,403	$5,614	$5,819	$6,034	$6,256	$6,490	$6,730	$6,980

Personnel Plan

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec

Owner	0%	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Part Time 1	0%	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660
Part Time 2	0%	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660
Part Time 3	0%	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660
Part Time 4	0%	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660
Part Time 5	0%	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660	$660
Part Time 6	0%	$0	$0	$0	$0	$0	$0	$660	$660	$660	$660	$660	$660
Technician	0%	$1,500	$1,500	$1,500	$1,500	$1,500	$1,500	$1,650	$1,815	$1,997	$2,196	$2,416	$2,657
Manager	0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,000	$2,000
Total People		7	7	7	7	7	7	8	8	8	8	9	9
Total Payroll		$6,800	$6,800	$6,800	$6,800	$6,800	$6,800	$7,610	$7,775	$7,957	$8,156	$10,376	$10,617

General Assumptions

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Long-term Interest Rate	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

Pro Forma Profit and Loss

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	$7,600	$10,730	$12,425	$20,812	$21,611	$22,454	$23,277	$24,135	$25,023	$25,959	$26,920	$27,922
Direct Cost of Sales	$1,900	$2,683	$3,106	$5,203	$5,403	$5,614	$5,819	$6,034	$6,256	$6,490	$6,730	$6,980
Other Costs of Sales	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Cost of	$1,9	$2,6	$3,1	$5,2	$5,4	$5,6	$5,8	$6,0	$6,2	$6,4	$6,7	$6,9

Sales		00	83	06	03	03	14	19	34	56	90	30	80
Gross Margin		$5,700	$8,048	$9,319	$15,609	$16,208	$16,841	$17,458	$18,101	$18,767	$19,469	$20,190	$20,941
Gross Margin %		75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%	75.00%
Expenses													
Payroll		$6,800	$6,800	$6,800	$6,800	$6,800	$6,800	$7,610	$7,775	$7,957	$8,156	$10,376	$10,617
Marketing/Promotion		$4,000	$4,000	$3,250	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500	$2,500
Depreciation		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Rent		$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Utilities		$760	$760	$760	$760	$760	$760	$760	$760	$760	$760	$760	$760
Insurance		$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500	$500
Payroll Taxes	15%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Other		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Total Operating Expenses	$14,060	$14,060	$13,310	$12,560	$12,560	$12,560	$13,370	$13,535	$13,717	$13,916	$16,136	$16,377
Profit Before Interest and Taxes	($8,360)	($6,013)	($3,991)	$3,049	$3,648	$4,281	$4,088	$4,566	$5,050	$5,553	$4,054	$4,564
EBITDA	($8,360)	($6,013)	($3,991)	$3,049	$3,648	$4,281	$4,088	$4,566	$5,050	$5,553	$4,054	$4,564
Interest Expense	$250	$239	$227	$215	$204	$205	$194	$182	$170	$159	$147	$133
Taxes Incurred	($2,583)	($1,875)	($1,265)	$850	$1,033	$1,223	$1,168	$1,315	$1,464	$1,618	$1,172	$1,329
Net Profit	($6,027)	($4,376)	($2,953)	$1,984	$2,411	$2,853	$2,726	$3,069	$3,416	$3,776	$2,735	$3,102
Net Profit/Sales	-79.31%	-40.78%	-23.76%	9.53%	11.16%	12.70%	11.71%	12.72%	13.65%	14.55%	10.16%	11.11%

Pro Forma Cash Flow

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												

Cash from Operations													
Cash Sales		$7,600	$10,730	$12,425	$20,812	$21,611	$22,454	$23,277	$24,135	$25,023	$25,959	$26,920	$27,922
Subtotal Cash from Operations		$7,600	$10,730	$12,425	$20,812	$21,611	$22,454	$23,277	$24,135	$25,023	$25,959	$26,920	$27,922
Additional Cash Received													
Sales Tax, VAT, HST/GST Received	0.00%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Current Borrowing		$0	$0	$0	$0	$0	$2,000	$0	$0	$0	$0	$0	$0
New Other Liabilities (interest-free)		$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

New Long-term Liabilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales of Other Current Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
New Investment Received	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Cash Received	$7,600	$10,730	$12,425	$20,812	$21,611	$24,454	$23,277	$24,135	$25,023	$25,959	$26,920	$27,922

Expenditures	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Expenditures from Operations												
Cash Spendin	$6,8	$6,80	$6,80	$6,8	$6,8	$6,8	$7,6	$7,7	$7,9	$8,1	$10,	$10,

g	00	0	0	00	00	00	10	75	57	56	376	617
Bill Payments	$224	$6,806	$9,085	$9,172	$14,074	$12,613	$13,017	$13,159	$13,518	$13,885	$14,254	$14,063
Subtotal Spent on Operations	$7,024	$13,606	$15,885	$15,972	$20,874	$19,413	$20,627	$20,934	$21,475	$22,041	$24,630	$24,680
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Principal Repayment of Current Borrowing	$750	$750	$750	$750	$750	$750	$750	$750	$750	$750	$750	$1,040
Other Liabilities Principal Repayment	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Long-term Liabilitie	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800	$800

s Principal Repayment												
Purchase Other Current Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Purchase Long-term Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Dividends	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Cash Spent	$8,574	$15,156	$17,435	$17,522	$22,424	$20,963	$22,177	$22,484	$23,025	$23,591	$26,180	$26,520
Net Cash Flow	($974)	($4,426)	($5,010)	$3,290	($813)	$3,491	$1,100	$1,651	$1,998	$2,368	$740	$1,402
Cash Balance	$23,026	$18,600	$13,589	$16,879	$16,066	$19,557	$20,657	$22,308	$24,307	$26,675	$27,415	$28,817

Pro Forma Balance Sheet

		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Assets	Starting Bala												

nces

Current Assets													
Cash	$24,000	$23,026	$18,600	$13,589	$16,879	$16,066	$19,557	$20,657	$22,308	$24,307	$26,675	$27,415	$28,817
Inventory	$2,000	$1,900	$2,683	$3,106	$5,203	$5,403	$5,614	$5,819	$6,034	$6,256	$6,490	$6,730	$6,980
Other Current Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Current Assets	$26,000	$24,926	$21,282	$16,696	$22,082	$21,469	$25,170	$26,476	$28,342	$30,562	$33,165	$34,145	$35,797
Long-term Assets													
Long-term Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Accumulated Depreciation	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Long-term Assets	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0

Total Assets	$26,000	$24,926	$21,282	$16,696	$22,082	$21,469	$25,170	$26,476	$28,342	$30,562	$33,165	$34,145	$35,797
Liabilities and Capital		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current Liabilities													
Accounts Payable	$0	$6,503	$8,785	$8,701	$13,654	$12,180	$12,578	$12,709	$13,055	$13,410	$13,786	$13,581	$13,972
Current Borrowing	$9,290	$8,540	$7,790	$7,040	$6,290	$5,540	$6,790	$6,040	$5,290	$4,540	$3,790	$3,040	$2,000
Other Current Liabilities	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Subtotal Current Liabilities	$9,290	$15,043	$16,575	$15,741	$19,944	$17,720	$19,368	$18,749	$18,345	$17,950	$17,576	$16,621	$15,972
Long-term Liabilities	$24,000	$23,200	$22,400	$21,600	$20,800	$20,000	$19,200	$18,400	$17,600	$16,800	$16,000	$15,200	$14,400

Total Liabilities	$33,290	$38,243	$38,975	$37,341	$40,744	$37,720	$38,568	$37,149	$35,945	$34,750	$33,576	$31,821	$30,372
Paid-in Capital	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000	$55,000
Retained Earnings	($62,290)	($62,290)	($62,290)	($62,290)	($62,290)	($62,290)	($62,290)	($62,290)	($62,290)	($62,290)	($62,290)	($62,290)	($62,290)
Earnings	$0	($6,027)	($10,403)	($13,356)	($11,372)	($8,961)	($6,108)	($3,382)	($313)	$3,103	$6,879	$9,614	$12,716
Total Capital	($7,290)	($13,317)	($17,693)	($20,646)	($18,662)	($16,251)	($13,398)	($10,672)	($7,603)	($4,187)	($411)	$2,324	$5,426
Total Liabilities and Capital	$26,000	$24,926	$21,282	$16,696	$22,082	$21,469	$25,170	$26,476	$28,342	$30,562	$33,165	$34,145	$35,797
Net Worth	($7,290)	($13,317)	($17,693)	($20,646)	($18,662)	($16,251)	($13,398)	($10,672)	($7,603)	($4,187)	($411)	$2,324	$5,426

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