How to Start an Online Retail Business

By the BizMove.com Team

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A. Preliminary Analysis

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

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

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

Preliminary Analysis

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

General Personal Considerations

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

1. Do you like to make your own decisions?

2. Do you enjoy competition?

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

4. Do you plan ahead?

5. Do you get things done on time?

6. Can you take advise from others?

7. Are you adaptable to changing conditions?

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

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

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

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

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

12. Are you prepared to loose your savings?

Specific Personal Considerations

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

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

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

General Project Description

1. Briefly describe the business you want to enter.

____

____

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

____

3. Describe who will use your products/services

____

4. Why would someone buy your product/service?

____

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

____

6. List your product/services suppliers.

____

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

____

____

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

____

B. Requirements For Success

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

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

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

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

Major Flaws

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

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

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

3. Is adequate financing hard to obtain?

4. Are there potential detrimental environmental effects?

5. Are there factors that prevent effective marketing?

C. Desired Income

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

1. How much income do you desire?

____

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

____

3. What minimum income do you require?

____

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

____

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

____

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

____

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

____

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

D. Preliminary Income Statement

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

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

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

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

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

____

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

____

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

____

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

____

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

____

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

____

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

____

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

____

ANY BUSINESS, INC.

Condensed Hypothetical Income Statement
For year ending December 31

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

E. Market Analysis

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

Population

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

____

2. What is the population of these areas?

____

3. What do you know about the population growth trend in these areas? _______________
4. What is the average family size?

____

5. What is the age distribution?

____

6. What is the per capita income?

____

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

____

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

____

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

____

10. Can you appeal to the entire market?

____

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

____

F. Competition

1. Who are your major competitors?

____

2. What are the major strengths of each?

____

3. What are the major weaknesses of each?

____

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

Price structure?

____

Product lines (quality, breadth, width)?

____

Location?

____

Promotional activities?

____

Sources of supply?

____

Image from a consumer's viewpoint?

____

5. Do you know of any new competitors?

____

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

____

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

____

8. If so, why?

____

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

____

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

____

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

____

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

____

13. Can you compete with your competition?

____

G. Sales

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

____

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

____

3. Did you base your forecast on concrete data?

____

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

____

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

____

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

____

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

____

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

____

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

____

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

____

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

____

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

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

____

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

H. Supply

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

I. Expenses

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

Miscellaneous

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

J. Venture Feasibility

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

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2. Starting Your Business Step by Step

Things to Consider Before You Start

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

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

What Is a Business Plan?

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

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

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

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

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

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

What Business Am I In?

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

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

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

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

Planning Your Marketing

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

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

Determining the Sales Potential

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

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

In the downtown business section?

In the area right next to the downtown business area?

In a residential section of the town?

On the highway outside of town?

In the suburbs?

In a suburban shopping center?

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

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

What is the competition in the area you have picked?

How many of the stores look prosperous?

How many look as though they are barely getting by?

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

How many new stores opened up in the last year?

What price line does competition carry?

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

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

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

Is the neighborhood starting to get run down?

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

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

Is street traffic fairly heavy all day?

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

Are there adequate parking spaces convenient to your store?

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

is the street lighting good?

Is your store on the sunny side of the street?

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

Why have other businesses failed in this location?

What is the physical condition of the store?

What service does the landlord provide?

What are the terms of the lease?

How much rent must you pay each month?

Estimate the gross annual sales you expect in this location.

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

How to Attract Customers

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

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

Image

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

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

Pricing

Value received is the key to pricing. The only way a store can have low prices is to sell low-priced merchandise. Thus, what you do about the prices you charge depends on the lines of merchandise you buy and sell. It depends also on what your competition charges for these lines of merchandise. Your answers to the following questions should help you to decide what to do about pricing.

In what price ranges are your line of merchandise sold

High _____ , Medium _________, or Low _____?

Will you sell for cash only?

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

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

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

Customer Service Policies

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

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

Planning Your Advertising Activities

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

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

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

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

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

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

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

In-store Sales Promotion

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

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

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

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

Type of equipment	Number	X Unit Cost	= Cost
____________	_______	_________	________
____________	_______	_________	________
____________	_______	_________	________
____________	_______	_________	________
____________	_______	_________	________

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

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

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

Buying

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

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

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

What are the terms of buying?

Can you get credit?

How quickly can the vendor deliver fill-in orders?

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

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

(1) How many days or weeks does it take the supplier to deliver the merchandise to your store.
(2) Who pays? You, the buyer? The supplier? Freight or transportation costs are a big expense item.
(3) What is the supplier's policy on fill-in orders? That is, do you have to buy a gross, a dozen, or will the supplier ship only two or three items? How long does it take for the delivery to get into your store?

Stock Control

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

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

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

Stock Turnover

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

Behind-the-Scenes Work

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

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

Use this format to figure these costs:

Name of Equip./Supplies	Quantity	X Unit Cost	= Cost
______________	______	__________	______
______________	______	__________	______
______________	______	__________	______

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

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

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

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

How Much Money Will You Need

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

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

Start-Up Costs:

List the following estimated start-up costs:

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

*Transfer your figures from previous worksheets.

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

Expenses

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

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

Summary of Operating Ratios
of 250 high Profit Hardware Stores

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

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

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

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

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

Cash Forecast

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

Estimated Cash Forecast

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

*This balance is your starting figure for the next month

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

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

Control and Feedback

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

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

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

Stock Control

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

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

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

Sales

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

Receipts

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

Disbursement

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

Break-Even Analysis

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

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

The break-even formula is:

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

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

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

Is Your Plan Workable?

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

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

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

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

Put Your Plan Into Action

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

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

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

To put my plan into action, I must:

1. Do (action) _________ By _________(date)

2. etc.

Keep Your Plan Current

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

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

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

Check your plan against these changes.

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

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

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3. Complete Online Retail Business Plan Template

Table of Contents

1.0 Executive Summary

COMPANY NAME is an upscale gentlemen's fashion necktie and bowtie online retail store with another agenda in mind aside from fashion; a charitable initiative worldwide focused on education. COMPANY NAME was organized and operates from [INSERT TOWN], USA. COMPANY NAME will be able to offer a wide selection because the Company has ready made, semi-custom and full-custom options.

COMPANY NAME offers custom neck ties and bow ties. The Company provides a multitude of fabrics to choose from. Perfect for a party, special occasion, wedding or individual. For each and every custom tie we apply the threads for threads modus operandi.

Privately owned and operated by OWNER'S NAME, COMPANY NAME is a newly established online retail store offering stylish, eclectic and high fashion men's ties to consumers wanting to make a classy, sophisticated fashion statement while at the same time indirectly helping provide children with school uniforms in another part of the world.

1.1 Objectives

The objectives for the first three years of operation include:

- To expand the men's high fashion accessory-based online retail store whose primary goal is to exceed customer's expectations.
- To increase the number of clients served by 20% per year by serving an unmet need with outstanding selection and customer service.
- To expand the business, surviving off of its own cash flow.

1.2 Mission

COMPANY NAME'S mission is to provide men with an upscale selection of neckties and bowties and outstanding customer service. COMPANY NAME exists to not only attract and maintain customers; the Company also gives back to underprivileged children with every tie purchase. When COMPANY NAME adheres to this maxim, everything else will fall into place. The Company's products, services and charitable initiatives will exceed the expectations of customers.

COMPANY NAME sole purpose is to spread sophisticated fashion and instill confidence with gentlemen in the Western world while at the same time helping provide educational opportunities for children in need overseas. By insuring that every child has access to a uniform, a requirement to receive education, the Company lays the foundation for growth, transformation, innovation, opportunity, equality and most importantly freedom.

1.3 Keys to Success

The key to success is to meet the demand for an upscale men's fashion accessory online retail store with a wide selection and focused customer attention. Product placement with carefully selected partners is also key.

2.0 Company Summary

Privately owned and operated by OWNER’S NAME, COMPANY NAME is a newly established online retail store offering stylish, eclectic and high fashion men's ties to consumers wanting to make a classy, sophisticated fashion statement while at the same time indirectly helping provide children with school uniforms in another part of the world.

2.1 Company Ownership

COMPANY NAME is a a sole proprietorship company owned 100% by OWNER’S NAME. There are plans to incorporate and organize the Company as a California State S Corporation in the near future.

2.2 Company History

COMPANY NAME is a new organization established in March of 2010 and is currently in operation. OWNER’S NAME, entrepreneur and designer, is being the concept of combining high men's fashion with charitable awareness for a good cause. COMPANY NAME is the first female established, owned and operated men's high quality tie and scarf retailer that specializes in this genre.

Table: Past Performance

Past Performance			
	2008	2009	2010
Sales	$0	$0	$0
Gross Margin	$0	$0	$0
Gross Margin %	0.00%	0.00%	0.00%
Operating Expenses	$0	$0	$0
Inventory Turnover	0.00	0.00	0.00
Balance Sheet			
	2008	2009	2010
Current Assets			
Cash	$0	$0	$0
Inventory	$0	$0	$0
Other Current Assets	$0	$0	$0
Total Current Assets	$0	$0	$0
Long-term Assets			
Long-term Assets	$0	$0	$0
Accumulated Depreciation	$0	$0	$0
Total Long-term Assets	$0	$0	$0
Total Assets	$0	$0	$0

Current Liabilities			
Accounts Payable	$0	$0	$0
Current Borrowing	$0	$0	$0
Other Current Liabilities (interest free)	$0	$0	$0
Total Current Liabilities	$0	$0	$0
Long-term Liabilities	$0	$0	$0
Total Liabilities	$0	$0	$0
Paid-in Capital	$0	$0	$0
Retained Earnings	$0	$0	$0
Earnings	$0	$0	$0
Total Capital	$0	$0	$0
Total Capital and Liabilities	$0	$0	$0
Other Inputs			
Payment Days	0	0	0

3.0 Products

COMPANY NAME will sell upscale high quality men's ties. The general categories of ties that will be sold are:

- Neckties
- Bowties
- Scarves
- Pocket Squares

Designed and hand-tailored in [INSERT TOWN] USA, COMPANY NAME makes innovative ties and bow ties, while simultaneously facilitating a child's education. Crafted from British wools and Italian silks, each tie is meticulously detailed with COMPANY NAME signature hand stitched red X bartack and tipped with fine men's shirting. COMPANY NAME is more than a pure fashion statement; with every tie purchased COMPANY NAME provides a school uniform to a child in the developing world.

COMPANY NAME will strive to supply one of the largest selections of men's ties in United States, barring the larger stores in major metropolitan areas. COMPANY NAME will accomplish this by having one tie per style in stock as a demonstration model. COMPANY NAME will then order the style in the needed quantity and it will arrive within two days (rush one day service is available). This will be accomplished through a special relationship with the manufacturer in [INSERT TOWN] who is able to send out the right quantity in the right style on demand.

4.0 Market Analysis Summary

- Neckties made from silk represent about 40 percent of the market. The modern necktie became the norm in the twentieth century. Ninety-five million ties are sold in the United

States annually, generating more than $1.4 billion in retail sales internationally, according to MR Magazine and the Neckwear Association.

- Because of unemployment, retail analysts predicted that more men would buy new neckties to dress up their old suits.
- Jones cites market research firm NPD's figures indicating revenues from neckwear sales in 2009 were $518 million.

4.1 Market Segmentation

COMPANY NAME is targeting three different population segments within the broad category of the fashion-conscious male with disposable income.

- Professionals: these are full-time working professional men. They typically earn more than $45,000. They will purchase ties for the workplace, as well as for leisure time.
- Grooms: There are 2.4 million grooms per year. (not including groomsmen). $70,000 is the average cost spent on wedding in the United States.
- Proms: There is over 4 billion dollars spent on prom per year, with over 16 million kids attending annually.(http://businessjournalism.org/2010/03/30/prepping-for-prom-stories/)
- Table: Market Analysis

Market Analysis							
		2011	2012	2013	2014	2015	
Potential Customers	Growth						CAGR
Professionals	5%	2,133,500	13,578	14,800	16,132	17,584	-69.87%
Grooms	3%	2,400,000	15,708	16,965	18,322	19,788	-69.87%
Prom	5%	8,000,000	0	0	0	0	-100.00%
Total	-76.63%	12,533,500	29,286	31,765	34,454	37,372	-76.63%

4.2 Target Market Segment Strategy

These markets will be targeted through an attractive, eye-catching marketing campaign and website online. COMPANY NAME will also promote via Facebook, Twitter, School Newspapers and with school Alumni. Projected online retail sales in the United States could reach $248.7 billion by 2014, growing 60 percent from 2009, according to a study released by Forrester Research, Inc.* Driven by a 10 percent compound annual growth rate, the projected $248.7 billion is expected to account for 8 percent of total U.S. retail sales within five years.

Online sales, which slowed in the downturn, have still managed to outpace sales at U.S. brick-and-mortar stores. The National Retail Federation saw 2.5 percent growth in total retail sales in 2010, well below the 11 percent online growth rate that Forrester projects — the same as in 2009. With more consumers comfortable with shopping online and retailers investing more in their online operations, the online sector has been steadily growing, driven by robust growth at **Amazon.com** Inc, the industry leader.

Amazon.com posted 42 percent sales growth in its most recent fourth quarter. **Forrester expects consumer electronics and apparel, accessories and footwear to lead the growth**, while sales of computer hardware and software will slow. Still, the bulk of total computer product sales is made online. About 52 percent of computer product sales was made online in 2009, compared with 9 percent for apparel and 14 percent for electronics.

Main points to take away is that ecommerce is definitely here to stay, and that with improvements in online shopping technology conusmer savvy and trust is building- especially with mega brands like Amazon. With increased innovation of brands like **Gilt**, I have an open eye for a broadening of product segments being successful in ecommcerce- specifically luxury products.

In addition to proactively marketing the Company and increasing awareness online, COMPANY NAME feels that it also important to forge new grand partnerships with high-profile and reputable companies and organizations, such as:

1. Universities USA
2. Universities International
3. Mercedes
4. Highschool/elementary schools-Father's Day

Starting locally with universities, COMPANY NAME will contact Pepperdine University, USC, UCLA and UC BERKELY. COMPANY NAME would select couple individuals that will represent the school all year round. COMPANY NAME will get in touch with specific board members for that specific division of the school. For every tie a student sells they earn 5-8% of the retail value. College kids need money and will do the work if they have fun and believe in the cause.

COMPANY NAME will also have stands at school graduations: Undergrads, law schools, business schools, specialized schools of higher education, etc. in order to spread the awareness of the call to action.

COMPANY NAME also seeks to partner with larger commercial corporations. For instance, WMEE is American Express' client. If Tom's Shoes can partner with American Express then COMPANY NAME can partner with Discovery Card or Mastercard, for example.

The opportunities are endless for COMPANY NAME due to the high quality product produced in addition to bringing awareness and initiative to a really great charitable cause.

** Forrester Research Inc. (Nasdaq: FORR) is a technology and market research company that provides pragmatic advice to global leaders in business and technology.*

4.3 Industry Analysis

The men's fashion accessories retail industry is made up of several different types of companies:

- **Accessories-only stores**: As the name implies, these stores only accessories. Generally the Accessories-only stores will either sell fashion accessories for men and women, or accessories for only one sex.
- **Large department stores**: These types of stores sell everything, including ties, scarves and pocket squares.
- **Small men's retail stores**: These types of stores cater to men by only selling men's clothing, shoes and accessories.

All of these stores are either physical retail storefronts or have online-only presence.

4.3.1 Competition and Buying Patterns

Current competitors for direct neck tie sales are:

1. Bost Neckwear Co Inc.
2. Alexander Olch
3. Band of outsiders
4. Gitman
5. Beau Ties LTD
6. Vinayard Vines
7. Hermes
8. Pierrpont Hicks

For example, Bost Neckwear Company Inc. is a private company categorized under Neckties, Men's and Boys': Made From Purchased Materials and located in Asheboro, NC. Records show it was established in 1964 and incorporated in North Carolina. Current estimates show this company has an annual revenue of $1,200,000 and employs a staff of approximately 15.

COMPANY NAME is the first 100% female owned and operated to date.

5.0 Strategy and Implementation Summary

COMPANY NAME will leverage its competitive edge of extensive selection to drive sales. This is indeed a competitive edge because it is typically cost prohibitive for a physical storefront to have as much of a selection that COMPANY NAME will offer. Because of a unique business model, COMPANY NAME is able to leverage financial resources and offer an unmatched selection. This is done by carrying a large selection of styles. Once the customer has chosen the quality and style, COMPANY NAME will have the customer's tie in no time. In addition, cross marketing with COMPANY NAME's mission to help educate children in impoverished lands while educating Western world fashion consumers is a great path to both charitable and financial success.

5.1 SWOT Analysis

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

5.1.1 Strengths

- Strong relationships with suppliers that offer excellent arrangements, flexibility, and response to special product requirements.
- Excellent and personable owner and operator, offering personalized customer service.
- Strong merchandising and product presentation.
- High customer loyalty among repeat and high-dollar purchase customers.
- 5.1.2 Weaknesses
- Currently no access to additional operating capital.
- Consistently out of inventory, prospectively losing sales while waiting to restock.
- The website is not in a heavily traveled needing the benefit of a well executed marketing campaign.

Challenges of the seasonality of the business.

5.1.3 Opportunities

Growing market with a significant percentage of the target market still not knowing that COMPANY NAME exists.

Strategic alliances offering sources for referrals and joint marketing activities to extend the Company's reach and awareness.

Promising activity from high levels of new online retail shoppers.

Changes in economy and fashion trends can initiate wardrobe updating with accessories rather than buying new suits, therefore, generating sales.

5.1.4 Threats

The downturn in the ecomony has impacted consumer sales.

Expansion of national department stores into the local market by offering product to online shoppers worldwide.

Competition from a national store; or a store with greater financing or product resources could enter the market.

5.2 Competitive Edge

Designed and hand-tailored in [INSERT TOWN], COMPANY NAME makes innovative ties and bow ties, while simultaneously facilitating a child's education. Further, COMPANY NAME will utilize unique industry experience and superb selling skills of its owner, OWNER'S NAME, to achieve the desired sales penetration.

5.3 Marketing Strategy

The following sections illuminate the pricing, promotion and distribution strategies for COMPANY NAME.

5.4 Sales Strategy

COMPANY NAME sales strategy will be based on display and visibility. A highly visible website and effective marketing campaign in addition to SEO marketing strategies will put COMPANY NAME on many screens of the growing number of online shoppers. This is especially the case for a busy executives who will make their purchases online rather than in person at a store. Women also love to shop for their husbands and partners and will also choose this option.

The sales strategy will simply have the most complete selection of ties and other men's accessories. Assuming the prices are reasonable, having an extensive selection will drive sales because COMPANY NAME believes its target markets of fashion-conscious males are always looking for the perfect tie to coordinate with their fashion style.

5.4.1 Sales Forecast

The following table and chart show the forecasted sales for COMPANY NAME

Table: Sales Forecast

Sales Forecast			
	2011	2012	2013
Sales			

Professionals	$84,402	$118,745	$135,454
Housewives	$54,861	$89,184	$102,095
Total Sales	$139,263	$207,929	$237,549
Direct Cost of Sales	2011	2012	2013
Professionals	$33,761	$47,498	$54,182
Housewives	$21,945	$35,674	$40,838
Subtotal Direct Cost of Sales	$55,705	$83,172	$95,020

5.5 Milestones

The accompanying milestone chart highlights COMPANY NAME plan with specific dates. This schedule reflects the Company's strong commitment to organization and detail.

Table: Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Business plan completion	1/1/2001	2/1/2001	$0	INSERT NAME	Marketing
Set up the store front	1/1/2001	2/1/2001	$0	INSERT NAME	Department
Revenues exceeding $75,000	1/1/2001	9/31/2001	$0	INSERT NAME	Department
Profitability	1/1/2001	10/31/2001	$0	INSERT NAME	Department
Totals			$0		

6.0 Management Summary

The management of INSERT NAME is made up of the owner and one other member who still needs to be added. This plan calls for the owner to concentrate efforts firstly on sales. The many administrative functions of INSERT NAME would become the primary focus of the other team member.

6.1 Personnel Plan

OWNER'S NAME will be working full time at COMPANY NAME. She will be in charge of all administrative details, hiring, inventory management, etc. By December, she will hire an additional full-time employee in time for the holiday season.

Table: Personnel

Personnel Plan			
	2011	2012	2013
Holly	$36,000	$40,000	$42,000
Full-time employee	$17,600	$19,200	$19,200
Full-time employee	$1,600	$19,200	$19,200
Total People	3	3	3
Total Payroll	$55,200	$78,400	$80,400

7.0 Financial Plan

The following sections will outline important financial information.

7.1 Important Assumptions

The following table details important financial assumptions.

7.2 Break-even Analysis

The Break-even Analysis indicates that approximately $X is needed in monthly revenue to reach the break-even point.

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	$12,369
Assumptions:	
Average Percent Variable Cost	40%
Estimated Monthly Fixed Cost	$7,421

7.3 Projected Profit and Loss

The following table will indicate projected profit and loss. COMPANY NAME estimates the purchase of new inventory, primarily for the seasonal changes in styles. It is estimated that new styles (especially around the change in seasons) will require regular purchase of additional inventory as part of the normal course of business.

Table: Profit and Loss

Pro Forma Profit and Loss			
	2011	2012	2013
Sales	$139,263	$207,929	$237,549
Direct Cost of Sales	$55,705	$83,172	$95,020
Other Production Expenses	$0	$0	$0
Total Cost of Sales	$55,705	$83,172	$95,020
Gross Margin	$83,558	$124,757	$142,529
Gross Margin %	60.00%	60.00%	60.00%
Expenses			
Payroll	$55,200	$78,400	$80,400
Sales and Marketing and Other Expenses	$1,200	$1,200	$1,200
Depreciation	$1,056	$1,056	$1,056
Shoe Display Inventory	$7,000	$5,000	$5,000
Utilities	$1,200	$1,200	$1,200
Insurance	$1,800	$1,800	$1,800
Rent	$21,600	$21,600	$21,600
Payroll Taxes	$0	$0	$0

Other	$0	$0	$0
Total Operating Expenses	$89,056	$110,256	$112,256
Profit Before Interest and Taxes	($5,498)	$14,501	$30,273
EBITDA	($4,442)	$15,557	$31,329
Interest Expense	$255	$224	$37
Taxes Incurred	$0	$4,283	$9,071
Net Profit	($5,753)	$9,994	$21,165
Net Profit/Sales	-4.13%	4.81%	8.91%

7.4 Projected Cash Flow

The following chart and table will indicate projected cash flow. COMPANY NAME anticipates that no borrowing will be needed in June to cover inventory purchases and other expenses.

Table: Cash Flow

Pro Forma Cash Flow			
	2011	2012	2013
Cash Received			
Cash from Operations			
Cash Sales	$139,263	$207,929	$237,549
Subtotal Cash from Operations	$139,263	$207,929	$237,549
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$5,000	$0	$0
New Other Liabilities (interest-free)	$0	$0	$0
New Long-term Liabilities	$0	$0	$0
Sales of Other Current Assets	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0
New Investment Received	$0	$0	$0
Subtotal Cash Received	$144,263	$207,929	$237,549
Expenditures	2011	2012	2013

Expenditures from Operations			
Cash Spending	$55,200	$78,400	$80,400
Bill Payments	$86,286	$123,157	$135,514
Subtotal Spent on Operations	$141,486	$201,557	$215,914
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$1,260	$3,000	$740
Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$0	$0	$0
Purchase Other Current Assets	$0	$0	$0
Purchase Long-term Assets	$0	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$142,746	$204,557	$216,654
Net Cash Flow	$1,517	$3,372	$20,895
Cash Balance	$1,517	$4,889	$25,784

7.5 Projected Balance Sheet

The following table will indicate the projected balance sheet.

Table: Balance Sheet

Pro Forma Balance Sheet			
	2011	2012	2013
Assets			
Current Assets			
Cash	$1,517	$4,889	$25,784
Inventory	$8,222	$12,275	$14,024
Other Current Assets	$0	$0	$0
Total Current Assets	$9,739	$17,164	$39,808

Long-term Assets			
Long-term Assets	$0	$0	$0
Accumulated Depreciation	$1,056	$2,112	$3,168
Total Long-term Assets	($1,056)	($2,112)	($3,168)
Total Assets	$8,683	$15,052	$36,640

Liabilities and Capital	2011	2012	2013
Current Liabilities			
Accounts Payable	$10,696	$10,071	$11,234
Current Borrowing	$3,740	$740	$0
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$14,436	$10,811	$11,234
Long-term Liabilities	$0	$0	$0
Total Liabilities	$14,436	$10,811	$11,234
Paid-in Capital	$0	$0	$0
Retained Earnings	$0	($5,753)	$4,241
Earnings	($5,753)	$9,994	$21,165
Total Capital	($5,753)	$4,241	$25,407
Total Liabilities and Capital	$8,683	$15,052	$36,640
Net Worth	($5,753)	$4,241	$25,407

7.6 Business Ratios

The following table compares the Company's ratios to *Standard Industry Code (SIC)*, 561101, *Men's Clothing* & Furnishings-Retail.

Table: Ratios

Ratio Analysis				
	2011	2012	2013	Industry Profile
Sales Growth	0.00%	49.31%	14.25%	6.20%
Percent of Total Assets				
Inventory	94.69%	81.55%	38.27%	39.00%
Other Current Assets	0.00%	0.00%	0.00%	24.21%
Total Current Assets	112.16%	114.03%	108.65%	88.96%
Long-term Assets	-12.16%	-14.03%	-8.65%	11.04%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	166.26%	71.82%	30.66%	41.14%
Long-term Liabilities	0.00%	0.00%	0.00%	13.67%
Total Liabilities	166.26%	71.82%	30.66%	54.81%
Net Worth	-66.26%	28.18%	69.34%	45.19%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	60.00%	60.00%	60.00%	14.56%
Selling, General & Administrative Expenses	74.12%	49.27%	48.20%	5.58%
Advertising Expenses	0.43%	0.23%	0.21%	0.63%
Profit Before Interest and Taxes	-3.95%	6.97%	12.74%	1.30%

Main Ratios				
Current	0.67	1.59	3.54	1.99
Quick	0.11	0.45	2.30	0.86
Total Debt to Total Assets	166.26%	71.82%	30.66%	60.62%
Pre-tax Return on Net Worth	100.00%	336.63%	119.01%	10.87%
Pre-tax Return on Assets	-66.26%	94.85%	82.52%	4.28%
Additional Ratios	2011	2012	2013	
Net Profit Margin	-4.13%	4.81%	8.91%	n.a
Return on Equity	0.00%	235.64%	83.31%	n.a
Activity Ratios				
Inventory Turnover	12.00	8.12	7.23	n.a
Accounts Payable Turnover	9.07	12.17	12.17	n.a
Payment Days	27	31	28	n.a
Total Asset Turnover	16.04	13.81	6.48	n.a
Debt Ratios				
Debt to Net Worth	0.00	2.55	0.44	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
Liquidity Ratios				
Net Working Capital	($4,697)	$6,353	$28,575	n.a
Interest Coverage	-21.57	64.74	818.20	n.a

Additional Ratios				
Assets to Sales	0.06	0.07	0.15	n.a
Current Debt/Total Assets	166%	72%	31%	n.a
Acid Test	0.11	0.45	2.30	n.a
Sales/Net Worth	0.00	49.03	9.35	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Table: Sales Forecast

Sales Forecast													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales													
Professionals	0%	$0	$3,245	$4,114	$5,678	$6,545	$6,985	$7,454	$7,945	$8,569	$9,956	$11,454	$12,457
Housewives	0%	$0	$2,109	$2,674	$3,691	$4,254	$4,540	$4,845	$5,164	$5,570	$6,471	$7,445	$8,097
Total Sales		$0	$5,354	$6,788	$9,369	$10,799	$11,525	$12,299	$13,109	$14,139	$16,427	$18,899	$20,554
Direct Cost of Sales		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Professionals		$0	$1,298	$1,646	$2,271	$2,618	$2,794	$2,982	$3,178	$3,428	$3,982	$4,582	$4,983
Housewives		$0	$844	$1,070	$1,476	$1,702	$1,816	$1,938	$2,066	$2,228	$2,589	$2,978	$3,239
Subtotal Direct Cost of Sales		$0	$2,142	$2,715	$3,747	$4,320	$4,610	$4,920	$5,244	$5,656	$6,571	$7,560	$8,222

Table: Personnel

Personnel Plan													
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Holly	0%	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Full-time employee	0%	$0	$1,600	$1,600	$1,600	$1,600	$1,600	$1,600	$1,600	$1,600	$1,600	$1,600	$1,600
Full-time employee	0%	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,600
Total People		1	2	2	2	2	2	2	2	2	2	2	3
Total Payroll		$3,000	$4,600	$4,600	$4,600	$4,600	$4,600	$4,600	$4,600	$4,600	$4,600	$4,600	$6,200

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