How to Start a Ice Cream 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 Ice Cream Business Plan Template

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EXECUTIVE SUMMARY

The purpose of this business plan is to support a request for a $75,000, five-year bank loan to purchase equipment and inventory as part of the financing for a start-up sole proprietorship, [BUSINESS NAME] Premium Ice Cream Parlor. The business will be owned by [BUSINESS OWNER] and will be located in leased space at 858 Success Avenue in the new Riverside Faire shopping center, Valley City, CA 93XXX. The owner will provide a minimum of $75,000 in initial equity.

The business will serve healthy and premium ice cream, yogurt, sandwiches, and nonalcoholic beverages to the generally upscale target market of Riverside Faire. Based on the financial and competitive analysis presented in this plan, [BUSINESS NAME] Premium Ice Cream Parlor will be successful. The cash flow projection, Exhibit 4, One-Year Cash Flow Projection, indicates break-even including owner’s draw of $24,840 for the first year of operations.

It is anticipated that [BUSINESS NAME] Premium Ice Cream Parlor will become firmly established in Valley City within two years and will become known throughout the Central Valley in five years with the potential of multiple locations. The [BUSINESS NAME] Premium Ice Cream Parlor’s distinctive logo, its reputation for fast service and only the freshest foods, plus its slogan, “[BUSINESS NAME] – good for you!” will provide a distinctive competitive edge.

The owner, [BUSINESS OWNER], has founded three highly successful food service businesses in the Valley City area. The owner holds an undergraduate business degree and an MBA from the School of Entrepreneurship, California State University, Valley City. [BUSINESS OWNER] has also received a Diploma of Merit from the International Premium Ice Cream Institute, Paris, France.

THE BUSINESS DESCRIPTION

[BUSINESS NAME] Premium Ice Cream Parlor will be a start-up ice cream parlor located in leased space at 858 Success Avenue in the new Riverside Faire shopping Center, Valley City, CA 93XXX. A ninety-day option has been taken on this location. The estimated opening date is March 20XX.

[BUSINESS OWNER], who has founded three highly successful food service businesses in the Valley City area in the last ten years, will own the business as a sole proprietorship. Each of the businesses started by [BUSINESS OWNER] has broken even after only six months and was sold for a minimum of three times the owner's investment. [BUSINESS NAME] Premium Ice Cream Parlor will be an upscale business selling healthy and premium ice cream, yogurt, sandwiches, and hot and cold nonalcoholic beverages. Initially, subcontractors, owned by [BUSINESS OWNER], will supply the ice cream and sandwiches, prepared to very high quality standards. As the business develops, sandwich preparation and then ice cream manufacture will be moved in house.

[BUSINESS NAME] Premium Ice Cream Parlor will be successful because it is based on solid market research demonstrating that there is a demand for an ice cream shop selling premium products, it will be located in the most desirable retail space in Valley City, and the owner has a ten-year track record of proven success.

MARKET ANALYSIS

Market analysis is favorable toward the ice cream business in the United States. According to BusinessFacts, a worldwide research, advisory, and business intelligence service, the overall ice cream market is expected to grow by a total of 25% between 1998 and 2003, bringing category sales to $7 billion. Ice cream is a popular indulgence, and people will spend money for such a treat. The International Premium Ice Cream Institute has identified an indulgence-in-moderation buying style with a conservative approach to most purchases, but splurging on certain items. This style is predominant both among affluent Americans living in households with incomes of $50,000 or more per year (68%) and less-affluent households with incomes of under $50,000 (65%).

Marketing "healthy" and "premium" ice cream will provide two purchase options for the customers. A BusinessFacts study published in 1998 (Report BF53) states that between 1998 and 2003, sales of nonfat ice creams are expected to triple, while light, reduced-fat, and lowfat ice cream sales will grow by about 40%, and full-fat ice creams by about 10%. According to the September 1998 issue of Ice Cream News, an industry trade publication, a 1998 survey sponsored by the Los Angeles based California Food Industry Facts and its research partner, NEWFACTS, the market remains solid for frozen dessert products that offer "healthier" formulations than traditional high-fat, high-calorie versions. When asked where the greatest growth will be for the frozen dessert market, more than half (67%) of the 100 manufacturers in the survey mention "healthy" products. While "healthy" ice cream remains strong in the market, "premium" ice cream consumption has increased, especially in Central California. "At the same time," says Lynn Henderson, research director at NEWFACTS, "premium products, which traditionally are higher in fat, continue to gain popularity, reflecting the dual nature of the marketplace." (Ice Cream News, August 1998).

Jim Goodie, executive director of The National Premium Ice Cream Association, in a July 1998 article in Frozen Desserts Monthly, wrote, "the health-food craze that pumped up sales of frozen yogurt in the early 1990s appears to continue, but at a lower rate of increase than in the past. Consumption of rich, calorie-soaked "premium" types of ice cream is on the increase." According to Henderson, the menu should include the previously mentioned types of ice creams, yogurts, beverages, and a small variety of sandwiches and other foods to help carry the business through the winter, when ice cream sales typically decline.

In summary, the general market analysis shows that both "healthy" and "premium" ice cream/yogurt sales are on the increase and will continue to increase. Further, the target market for these products is middle and upper income families. The market analysis also reveals that it is highly desirable to serve sandwiches and other foods to balance the seasonal decline in ice cream and yogurt.

Since the market analysis identified middle and upper income groups as desirable target markets, what is the growth pattern in Valley City regarding these groups? Table 1 presents informative statistics.

TABLE 1

Number And Percentage Increases in Valley City

Families By Income Groups, 1980 to 2000(Est)

Years	**Low Income Families**		**Middle Income Families**		**High Income Families**	
1980	3,000		2,000		1,000	
1985	3,500	17%	2,800	40%	1,800	80%
1990	4.400	26%	4,300	54%	3,000	67%
1995	6,100	34%	6,200	44%	4,900	63%
2000(Est)	7,900	30%	8,400	36%	7,100	49%

Note: Family is estimated to be 4 persons.

Source: Valley City Planning Department

Table 1 reports two important trends: the total population of Valley City and the number of families in the middle and high income categories are both increasing at a dramatic rate. Even more important, as presented in Table 2, Valley City's higher income families are clustered generally within a five-mile radius of Riverside Faire.

TABLE 2

Number And Percentage of Valley City Families By Income Groups Clustered

Within A One, Three and Five Mile Radius of Riverside Faire As of Jan 1, 1998

Radius From Riverside Faire	Low Income Families	Middle Income Families	High Income Families
One Mile	2,000 33%	2,500 40%	1,500 31%
Three Miles	4.400 53%	4,300 61%	3,000 61%
Five Miles	4,600 75%	4,800 77%	4,000 82%

Note: Family is estimated to be 4 persons.

Source: Valley City Planning Department

VISION STATEMENT

In five years, [BUSINESS NAME] Premium Ice Cream Parlor will be established in Valley City, known throughout the Central Valley, and expansion plans will be developed for company owned and franchise locations in other Central Valley cities.

VISION TRIGGER

The main vision trigger will be the catchy slogan: "[BUSINESS NAME] - - good for you!" The vision trigger will emphasize the premium quality of its products as well as representing that everything about the business will be good for its customers. This will include fast service, inviting décor, healthy, premium quality foods, and a selection broad enough to meet the needs of individual customers.

MISSION STATEMENT

[BUSINESS NAME] Premium Ice Cream Parlor's mission is presented below:

We, the employees and management of [BUSINESS NAME] Premium Ice Cream Parlor, make this pledge to you, our valued customers:

We pledge that we will serve fresh foods and tasty beverages in a prompt and friendly manner.

We pledge that we will serve only quality foods that meet the nutritional standards of the International Premium Ice Cream Institute.

We pledge that we will be good community citizens, respectful of the environment, and friendly neighbors to the surrounding businesses.

We pledge that we will always present a positive public image and make our establishment one that you can visit with safety and peace of mind.

We pledge that we will be responsive to your suggestions and concerns.

If we do not keep our pledge of satisfaction, you do not pay!

BUSINESS OBJECTIVES

[BUSINESS NAME] Premium Ice Cream Parlor will have these business objectives during its first three years of operation:

1. Cash break-even by the end of its first year of operations.
2. Cash reserves before taxes of $20,000 by the end of its second year of operations.
3. Cash reserves before taxes of $40,000 by the end of its third year of
4. operations.

BUSINESS OPERATIONS

The operation of [BUSINESS NAME] Premium Ice Cream Parlor will be described using the main functions of the business: marketing, competitive analysis, legal structure, management expertise, support personnel, and financial information.

MARKETING

Product

[BUSINESS NAME] Premium Ice Cream Parlor will sell:

Two lines of Premium ice cream: low fat and high fat.

Two lines of yogurt: low fat and regular.

Traditional hot and cold sandwiches.

Coffee, tea and five generic soda flavors.

Breakfast items such as bagels and sweet rolls.

Ice Cream and Related Products

[BUSINESS NAME] Premium Ice Cream Parlor will sell the following ice cream, yogurt, sorbet products: vanilla, chocolate, Brazilian Coffee Crunch, Strawberry Surprise, and other ice cream and yogurt flavors; ice cream and yogurt sandwiches; blueberry and other sorbets; and a variety of Italian-style ices including lemon and lime. Lemon ice will be a featured product with its distinctive, sharp lemon flavor.

The International Premium Ice Cream Institute identified the five most popular ice cream flavors in Central California as the following:

(Flavor, percent preferring)

1. Vanilla, 29%
2. Chocolate, 8.9%
3. Butter Pecan, 5.3%
4. Strawberry, 5.3%
5. Neapolitan, 4.2%

[BUSINESS OWNER] will purchase all ice creams, yogurts, sorbets, and ices initially from California Specialty Ice Creams, a related business, with the exception of the ice cream sandwiches. These sandwiches will be purchased from ValleyWide Dairies, a primary supplier to the Valley City market.

Beverages And Other Food Products

Five low-cost, private branded sodas will be purchased from Valley City's Holiday Beverage Company. Coffee, tea and related beverages will be purchased from a local wholesale food distributor. Hot and cold sandwiches, bagels, and other foods will be purchased from Tasty Fresh Foods, also owned by [BUSINESS OWNER].

All foods and beverages will be purchased from reputable suppliers with careful attention to quality.

Price

The International Premium Ice Cream Institute provided advice on pricing. The majority of the business' sales will come from ice cream and yogurt. Representative prices are as follows: $2.00 for a single scoop of ice cream, $3.00 for a double scoop of ice cream (both single and double scoops include a cone or cup), $3.50 for a double scoop in a chocolate waffle cone, and $2.50 for an ice cream sandwich. The Institute noted these initial prices are fairly conservative, but very competitive to other ice cream stores and parlors. Volume costs include .40 cents per scoop of ice cream, .027 cents per 5 ½ oz.

plastic cup, .012 cents per plastic spoon, .057 cents per sugar cone, .29 cents per chocolate waffle cone, and $1.50 per prepackaged ice cream sandwich

A comprehensive survey was made of local restaurants offering sandwiches and drinks on their menu. The general price range for sandwiches was $3.00 to $4.50, .99 cents to $1.50 for soft drinks, and .75 for coffee. [BUSINESS NAME] Premium Ice Cream Shop will charge $4.00 for sandwiches, $1.00 for soft drinks, and .75 cents for coffee. Volume costs for sandwiches will be $2.00, soft drinks .28 cents, and coffee .33.

Place

The Valley City urban growth statistics published by The Valley City Journal indicates the area around Freeway 99 and Sunburst Avenue has experienced some of the strongest growth in the 1990s. The “Bluffview” area, south of Sunburst Avenue and east of Freeway 99, has seen particularly rapid growth. A new major shopping center, Riverside Faire, is being developed. Current anchor tenants include Mary’s, Michael Jordan Sports, Northway, Computer Giant, Navy League, The Paper Depot, and Fifth Avenue Boutique. Two major restaurant franchees are also new additions to Riverside Faire. Stars’ Coffee, Flood Bagels, and Famous Bookstore add to Riverside Faire’s attractiveness. This area has exposure, as it is between Freeway 99 and Sunburst Drive. Freeway 99 has average traffic of 63,000 cars a day according to the Valley City Metropolitan Police Department.

Customers would be attracted to Riverside Faire because of the anchor and supporting tenants. There are seven entrances/exits creating easy accessibility. All of these factors weigh in favor of Riverside Faire as a potential location, despite the fact that a franchisee of a national chain of ice cream parlors, Dairy Fresh, is located on the northeast corner of Success Avenue and Sunburst Drive. (See Exhibit 1, Locations of [BUSINESS NAME] And Main Competitors). The advantage is that this franchisee is not located at Riverside Faire. There is no other direct competition within approximately a four-mile radius.

The ice cream parlor will be located on a pad in an approximately 1,500 sq. ft. building that can be expanded. A commercial real estate broker representing Riverside Faire said monthly lease payments for a five-year lease including land rent, a build-to-suit building, plumbing, heating and air conditioning suitable for a restaurant would be $3.00 sq. ft., triple-net. Cost of Living (CPI) increases would be capped at 6.5%. Two five-year options would be included in the lease agreement. Three months free rent would be offered as an inducement plus a $10/sq. ft. leasehold improvement allowance. Consolidated area maintenance fees would be $275/month initially. [BUSINESS OWNER] obtained a three month option on this pad effective November 1, the submission date of this plan and deposited refundable first and last lease payments plus a $5,000 security deposit with the leasing agent.

Promotion

[BUSINESS NAME] Premium Ice Cream Shop will be promoted with a variety of marketing methods:

A grand opening will be held with free samples of food products and drawings for distinctive hats, T-shirts, and other clothing bearing the store's logo and the phrase, "I'm [BUSINESS NAME]!", worn by store employees.

Coupons will be published in bi-weekly ads in the "Bluffside Neighbors insert in The Valley City Journal. Coupons will also be distributed at the Great Valley City Fair

EXHIBIT 1
Locations of Fast 'n Fresh And Main Competitors

and other community events. One and three-year sales forecasts are presented in Table 3 together with anticipated promotional costs.

TABLE 3

One And Three-year Sales Forecasts And Related Promotional Costs

Years	Sales Revenue	Promotion Cost
One	154,000	9,000
One	154,000	9,000
Two	385,000	21,000

COMPETITIVE ANALYSIS

The prospective owner conducted a personal survey to obtain the information presented in the following competitive analysis and in Exhibit 2, Competitive Analysis.

Dairy Fresh

Dairy Fresh has stores located at Success Avenue and Sunburst Drive and at Oak Avenue and 11th Street. The former is located across from Riverside Faire at 4728 Sunburst Drive. (See Exhibit 1, Location of [BUSINESS NAME] And Main Competitors). Dairy Fresh stores in Valley City are franchisees of a well-established national chain specializing in yogurt products. It also sells a standard grade (one grade below premium) of ice cream in several flavors. Dairy Fresh has been in business near Riverside Faire for five years and enjoy a reputation as a well-run quality business.

Dairy Fresh offers an extensive array of yogurt shakes and other yogurt delights in more than sixty flavors that change each month. They sell almost every type of yogurt imaginable. They do not sell sandwiches or breakfast menu items.

La Petite Cafe

La Petite Cafe is another ice cream parlor, located at Pine Avenue and Vista Drive, approximately four miles northeast of Riverside Faire. The business has longer summer and winter hours than [BUSINESS NAME] Premium Ice Cream Parlor. Despite its upscale name, La Petite Café serves economy ice cream (two grades below premium), and sells it at a low price. La Petite Cafe has shakes, sodas, coffee, sandwiches, and only sugar cones for their ice cream. The fact that they do not sell waffle cones seems to be a liability for their business. La Petite Café’s location is in a declining economic area of Valley City and there is word on the street that the owner may move closer to Riverside Faire. The Cafe may be able to compete because of its sandwich and milk shake sales.

Superior Flavors

Superior Flavors is a major national chain with four locations in Valley City. The closest Superior Flavors locations are at Bluffside Avenue and 7th Street and Spruce Avenue and 11th Street, approximately four miles from Riverside Faire. All Superior Flavors locations have longer store hours in the summer and winter.

Superior Flavors is well known for their creative yogurt and ice cream flavors. They have an annual “name a flavor” competition for each of their stores that attracts much excitement and favorable publicity. Their products are priced moderately and they do not serve sandwiches. Superior Flavors has a competitive advantage with its name recognition, customer base and frozen yogurt products. [BUSINESS NAME] Premium Ice Cream Parlor has an advantage because it offers sandwiches and superior ice cream.

Shakes ‘n More

Shakes ‘n More is located at 848 Avenue near Valley City High School. It is open 7 days a week (except for Sunday during winter hours), and offers standard ice cream and frozen yogurt at moderate prices. Shakes ‘n More also sells sandwiches. Shakes ‘n More will be a strong competitor because it has been in the same location for more than twenty years and, as a consequence, has exceptional name recognition throughout the community. Its main target market is high school students. Shakes ‘n More is decorated in Valley High School’s colors, employs high school students, and offers ice cream and yogurt in school colors and flavors. It is also a very strong supporter of Valley High’s academic and sports programs.

Exhibit 2, Competitive Analysis, compares important competitive factors of the ice cream businesses discussed above with [BUSINESS NAME] Premium Ice Cream Parlor.

LEGAL STRUCTURE

[BUSINESS NAME] Premium Ice Cream Parlor will be operated as a sole-proprietorship owned by [BUSINESS OWNER].

MANAGEMENT EXPERTISE

The owner, [BUSINESS OWNER], has founded three highly successful food service businesses in the Valley City area. The owner holds an undergraduate business degree and an MBA from the School of Entrepreneurship, California State University, Valley City. [BUSINESS OWNER] has also received a Diploma of Merit from the International Premium Ice Cream Institute, Paris, France.

EXHIBIT 2

Competitive Analysis

Items	**Fast' n Fresh**	**Dairy Fresh**	**La Petite Cafe**	**Superior Flavors**	**Shakes 'n More**
Summer Hours	6am-10pm	8am-10pm	6am-11pm	6am-11pm	7am-10pm
Winter Hours	6am-7pm	9am-9pm	6am-9pm	6am-9pm	7am-8pm
Days Open	7 days a week	6 days a week Closed Monday	7 days a week	7 days a week	6 days a week Closed Sun (W)
Price Level	High	Moderate	Low to Moderate	Moderate	Moderate
Specialty	Premium Foods Apparel	Yogurt	Low Prices	Yogurt and Ice Cream Flavors	High School Specialties
Sandwiches	Yes	No	Yes	No	Yes
Breakfast Items	Yes	No	No	No	Yes – Limited Selection
Reputation	Unknown	Excellent	Fair	Excellent	Outstanding
Years In Business	Start-Up	Five	Fifteen	Ten	Twenty
Discounts	Senior/ Special	Special Promotions	Senior	Special Promotions	When Teams

	Promotions				Win
National Chain	No	Yes	No	Yes	No
Methods of Promotion	Yellow Pages Newspaper Apparel	Yellow Pages Newspaper Radio/TV	Yellow Pages Flyers	Yellow Pages Newspaper Radio/TV	Yellow Pages HS Newspaper HS Events

[BUSINESS OWNER]'s extensive business enterprises have used several reputable Valley City professionals who provide business services. These include the Goldsmith Insurance Agency, Jerome and Company CPAs, and Jensen, Barker, and Symthe law firm. The owner has had a long term banking relationship with Valley City National Bank.

[BUSINESS OWNER] is also a highly regarded consultant to food service businesses in Central California. Although consulting income is not included in the financial projections of this plan, [BUSINESS OWNER] usually consults five hours per week at $90/hr plus travel expenses; fee for a day's consulting is $600 plus travel expenses.

SUPPORT PERSONNEL

The business will operate using local Valley City University, Community College and high school students as its principal employees. This will reflect a youthful, invigorating image consistent with its "[BUSINESS NAME] - - good for you!" vision trigger. The manager will be an experienced person from one of the owner's other businesses. A special employee benefit will be [BUSINESS NAME] Premium Ice Cream Shop scholarships covering tuition and books that will be offered to employees who complete their ninety-day probationary period of employment. The majority of the employees will work part-time with a full-time manager. Student employees will earn $6.50/hr. initially with an opportunity for pay increases. The manager will be paid 10% above prevailing salary levels. A policy of promotion from within will be adopted.

FINANCIAL INFORMATION

Financial Objectives

The following objectives are for the first two years of [BUSINESS NAME] Premium Ice Cream Parlor:

1. Owner draw of $24,840 by the end of Year 1.
2. Break-even cash flow by the end of Year 1.
3. Owner draw of $35,000 by the end of Year 2.
4. Cash balance of $20,000 by the end of Year 2.

Monthly Living Expenses For [BUSINESS OWNER]

Exhibit 3, Monthly Living Expenses - [BUSINESS OWNER], shows the amount required by the owner to pay for living expenses and compute the draw.

One-Year Cash Flow Projection

The items in the Exhibit 4, One-Year Cash Flow Projection, have been arranged in a specific way: sources of cash (cash receipts), cash needed to purchase assets (equipment), cash needed to pay expenses (rent), cash need to pay liabilities (payroll taxes), and owner's draw.

<u>Sources of Cash</u>

1. **Personal Funds.** The owner will invest $75,000 into the business.

2. **Loan Proceeds.** The owner will borrow $75,000 from Valley City National Bank as a five-year revolving line of credit at 10%. Interest will be charged only on the amount actually borrowed with principal payments of 20% of the amount borrowed due each year (See item 23).

3. **Cash Receipts From Business.** $154,000 in cash receipts net of sales taxes is estimated. This projection involves selling 10,000 single scoop cones, 5,000 single scoop cups, 6,000 double scoop cones, 4,000 double scoop cups, 5,000 double scoop waffle cones, 4,000 sandwiches, about 5000 soft drinks, and about 2000 cups of coffee plus apparel, breakfast items, and other foods and beverages. This is a conservative estimate of cash receipts. The Institute estimates that the industry average cash receipts in 2000 for a start-up ice cream parlor was $194,000.

EXHIBIT 3

Monthly Cost of Living - [BUSINESS OWNER]

Regular Monthly Payments	
Rent or house payments (including taxes)	350
Car payments (including insurance)	225
Appliance payments	30
Loan payments	100
Health, life and other insurance premiums	110
Miscellaneous	140
Total	955
Household Expense	
Telephone	35
Utilities	140
Miscellaneous	125
Total	300
Personal Expense	
Clothing, cleaning, laundry, shoe repair	140
Medical and dental	75
Education and training	60
Automobile expenses	100
Spending allowance	100
Total	475
Food Expenses	
Food at home	240
Food away	80
Total	320

Tax Expenses

Federal & State	160
Personal property	60
Other taxes (except house)	0
Total	220

Total personal monthly cost of living expenses
2270

Subtract monthly income from sources other than the business 200

Grand total - the minimum monthly draw needed from the business 2070

EXHIBIT 4

One-Year Cash Flow Projection

Sources of Cash

1.	Personal Funds	75,000
2.	Loan Proceeds	75,000
3.	Cash Receipts from Business (Net)	154,000
	Total Sources	304,000

Uses of Cash

4.	Equipment/Supplies	32,200
5.	Vehicle Purchase/Lease	4,320
6.	Real Estate	0
7.	Fixtures	9,300
8.	Security Deposits (Rent and Utility)	9,000
9.	Signs	9,200
10.	Leasehold Improvements	7,500
11.	Cost of Goods Sold	52,360
12.	Telephone and Utilities	4,500
13.	Rent	43,800
14.	Business License Fee	3,080
15.	Insurance Premiums	6,000
16.	Office Supplies	2,000
17.	Legal and Accounting	6,760

18. Advertising	9,000	
19. Real Estate Taxes	3,700	
20. Miscellaneous Expenses	6,000	
21. Payroll Taxes and Benefits	9,240	
22. Payroll Wages (Excluding Withholdings)	46,200	
23. Loan Payments (Principal and Interest)	15,000	
24. Owner's Draw	24,840	
Total Uses		304,000
Net Cash Flow for the Year (Sources Minus Uses)		0

Uses of Cash

4. **Equipment.** Basic equipment cost is estimated to be $32,200. This expense includes: dipping cabinets, refrigerators, tempering freezer, display freezers, holding freezer, three-compartment sink, ice machine, stove, serving equipment, dishwashing equipment, and equipment installation.

5. **Vehicle Purchase/Lease.** A utility van will be leased at $360/month for three years from Valley City Motor Sales, a total of $4,320.

6. **Real Estate.** Real estate expense is included in lease expense.

7. **Fixtures.** Fixture costs will total about $9,300 based on an estimate from Valley City Restaurant Fixtures Supply, Inc. These cost will include purchasing tables, chairs, and removable service items.

8. **Security Deposits.** Security and other deposits will include $5,000 for lease-related deposits, $2,000 for utility deposits, and $2,000 for miscellaneous deposits for a total of $9,000.

9. **Signs.** [BUSINESS NAME] Premium Ice Cream will have extensive Riverside Faire approved signage on all four side of the building. Signage and installation will cost $9,200 according to an estimate by Valley City Quality Sign Co.

10. **Leasehold Improvements.** Net leasehold improvements after the $10/sq.ft. allowance by the landlord will total $7,500. This estimate was provided by Smith Construction of Valley City and includes floor and wall coverings, window treatments, painting and decorating, window decorations, and miscellaneous minor improvements.

11. **Cost of Goods Sold.** Cost of goods sold is based on the sales projection of $154,000 and is estimated to be an average of 34% of sales totaling $52,360. This information was provided by an industry trade journal, Ice Cream News.

12. **Telephone and Utilities.** Valley City Gas, Electric, and Telephone Company estimate telephone and other utilities at $400/month for an annual total of $4,500.

13. **Lease/Rent.** Lease payments are $4,500/month ($3/sq.ft.) plus $275 for Common Area Maintenance (CAM) fees for an annual total of $57,300. The first year lease cost is $40,500 reflecting the three months free rent allowance (($54,000-$13,500). The CAM fees must be added to this amount for a total of $43,800. This information was provided by the commercial real estate agent representing Riverside Faire.

14. **Business License Fee.** The business license fee based on business revenue (2% of gross revenue) will be $3,080 (License and Permits Office, Valley City).

15. **Insurance Premiums.** Goldsmith Insurance Agency, Valley City, estimated annual premiums at $6,000. These premiums will cover business liability, property damage, workman's compensation, and all other types of insurance.

16. **Office Expense.** This item includes all office-related expenses including copying and paper supplies. The owner will perform office duties. Total is estimated at $2,000 annually based on the owner's previous experience.

17. **Legal And Accounting.** Jerome and Associates, CPAs, and the Jensen, Barker, and Symthe law firm will provide basic bookkeeping, accounting, and legal services. Jerome and Associates, CPAs has a bookkeeping subsidiary, Personal and Business Bookkeeping LTD that specializes in low cost bookkeeping. This firm will be engaged for bookkeeping with Jerome and Associates providing tax preparation and other professional services. The total estimated annual cost is $6,760.

18. **Advertising And Promotion.** $9,000 will be allocated to the advertising and promotion campaigns discussed in the Marketing section above.

19. **Real Estate and Other Taxes.** Real Estate and Personal Property taxes will total $3,700/year. The Management Office, Riverview Faire, provided this information.

20. **Miscellaneous Expenses.** $6,000 has been estimated for miscellaneous expenses based on information provided by the Institute.

21. **Payroll Taxes and Benefits.** These are estimated to be $9,240, 20% of wages and include FICA, scholarships, and manager benefits.

22. **Payroll.** Wages total $46,200. This total includes 126 winter workdays, with one employee working 5 hours a day at $6.50/hour. It also includes 217 summer workdays, with two employees each working five hours a day at $6.50/hour. Payroll includes the manager's annual salary, employer taxes such as FICA, unemployment insurance, and workers' compensation, but does not include withholdings.

23. **Loan Payments (Principal and Interest).** All of the $75,000 loan allocation will be used during the first year of operations. Assuming this amount was available at the beginning of the business' fiscal year, interest at 10% totals $7,500. In addition, according to the loan agreements, principal payment of $15,000 was also required. One semi-annual payment of $7,500 will be made during the fiscal year while the second payment will be made at the beginning of the second fiscal year. The total payments for this category will be $15,000 (interest and principal).

24. **Owner's Draw.** This information was obtained from Exhibit 2, Monthly Personal Living Expenses, and is $2,070 per month or $24,840 annually.

SUMMARY

[BUSINESS NAME] Premium Ice Cream Parlor will be successful. This business plan has documented that the establishment of [BUSINESS NAME] Premium Ice Cream Parlor is feasible. All of the critical factors such as industry trends, marketing analysis, competitive analysis, management expertise, and financial analysis support this conclusion.

We invite you to attend our grand opening. We promise that we will make the experience, "[BUSINESS NAME] - - good for you!"

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