

Model

New Business Startup

Business Plan
for
Great Seafoods, Inc.

The Small Business and Technology Development Center has provided this outline. We will, **at no charge**, assist you in completing your plan by reviewing your rough draft and offering suggestions and feedback, as well as help you assemble your budget into a computer spreadsheet for a professional looking presentation.

Call for an appointment.

*N. C. Small Business and Technology Development Center
Triad Region
Winston-Salem, (336)779-7336, Greensboro, (336)334-7005*

Mike Trout
Steve Perch
Great Seafoods, Inc.
123 Main Street
Anytown, N.C. 24112
(919)432-1111
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Statement of Purpose

Great Seafoods, Inc. will be a fish market located at 123 Main Street, serving retail and wholesale markets in and around Anytown, N.C. Mike Trout and Steve Perch, the owners, are seeking a loan of \$120,000, along with an investment of \$40,000 of their own money, to purchase the 123 Main Street Property, perform necessary renovations and improvements to the property, provide adequate working capital for business startup and maintain a cash reserve. This amount will be sufficient to finance business startup so the firm can operate as a profitable venture.

Careful analysis of the potential market shows an unfilled demand for exceptionally fresh seafood. Mr. Trout's local reputation will help secure a sizable portion of the retail and wholesale markets, while Mr. Perch's managerial experience insures that the entire operation will be carefully controlled. Mr. Trout's current studies at UNC-Wilmington will provide even more control over the projected growth of Great and complement the advice of a thoughtfully selected advisory board.

The funds sought will result in a greater increase in fixed assets than may be shown, as Mr. Trout will be performing some renovations and improvements himself. The additional reserve and working capital will enable Great to get off to a good start and have reserves for unexpected expenses or buying opportunities and cash to supplement slow periods in its business cycle. Borrowed funds will be repaid by increased cash flow and business profitability.

******* Note to User of Outline*******

The model is for a fairly simple business situation and a small business. For a more complicated deal, a longer proposal with more detail would be needed. Also, there are additional issues that would need to be addressed in a more complicated deal. Be guided by your judgment and by your banker's request for information.

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A. Description of Business

Great Seafoods, Inc. will be a fish market specializing in selling extremely fresh (no more than one day from the boat) seafood to local retail and wholesale customers. It will be a "S" Corporation with the two stockholders being Mike Trout and Steve Perch at 50% each. Great plans to sell to the general public from their retail shop as well as sell to the wholesale trade (restaurants and grocery chains). Although margins are lower in the wholesale trade, profits are higher due to lower personnel costs and faster inventory turnover.

The store will be open seven days a week from 10:00 AM to 8:30 PM (6:00 PM in the winter) for retail business and from 6:30 AM to 8:30 PM year-round for wholesale.

The retail demand will be seasonal and fluctuate according to weather (the store is located on a tourist route). Wholesale demand will be more constant, although somewhat seasonal. We feel that sales to the wholesale market can be accomplished by direct selling efforts. Potential customers agree (see letters from Nightlife Clambake and Grandiose Superettes in the Appendix).

The quality of our seafood will be exceptional, and since Mr. Perch is a former fisherman with many personal friends in the fishing industry, we do not anticipate trouble maintaining good relations with our suppliers. Our policy will be to pay premium prices in cash at dockside for the finest, freshest seafood.

B. Market Information and Strategy

Great will provide premium quality seafood to both wholesale and retail customers. We plan to start with a balance of 60% retail/40% wholesale but switch to 40% retail/60% wholesale as we grow. Retail business should grow over the next few years, but the most rapid growth will be in wholesale accounts.

Our goal is to provide the freshest seafood at competitive prices to customers within 25 miles of Anytown. This market has a total population of over 100,000 people and a potential of over 300 commercial wholesale accounts (see excerpt from Census Report in the appendix). On the retail side, in a town of 45,000 people, we expect our customers to be women between the ages of 30-55; family income between \$30,000 and up; 20% black, 5% Asian and 70% white; and to come into the store an average of 2 times per month. On the wholesale side there are 300 potential commercial accounts are made up of 230 restaurants, 35 grocery stores and more than 50 other specialty stores that currently offer seafood or which might do so.

The growth potential for this business is substantial. Over the last 15 years the sale of seafood has increased by more than 100% nationally, due to the general trend of the population eating healthier--more fish and more chicken. This trend likely to continue for the foreseeable future.

The demand for seafood, unlike retail sales that are seasonally related to holidays, stays pretty constant. The tourist trade fluctuates according to the weather. Demand increases in the summer months due to the increase in tourist traffic in this area and also increases around the end of the year due to holiday cooking. Our only supply difficulty is keeping enough fresh fish in stock during the coldest months of the year--January and February. Prices tend to go up, however, during this time and revenues stay constant.

Customers will be attracted by:

- Direct approach to restaurants, groceries and other wholesale prospects
- A small ad in the Yellow Pages in 4 surrounding counties
- A local radio and newspaper advertising campaign
- Word-of-mouth advertising from our current customer base, and
- Our location on a heavily traveled tourist route.

C. Competition

There are three seafood operations competing directly with Great.

1. Sammy's Fish - a scattered operation, located on state Highway 24 approximately 3 miles from Great, has one truck making the rounds and a small counter leased from a supermarket in Anytown. We expect to cut into their sales by making promised deliveries on time and at the agreed price. As a result, their operation may become marginal.
2. Tallville - a clean, three-man operation in downtown Rye, 7 miles from Great, specializes in cheaper fish. Tallville has trouble with their suppliers because they aren't willing to pay top dockside prices in cash--the owner likes to haggle over price. The operation is well-financed and managed, has modern equipment, and sells directly to homes from a fleet of three trucks (very convenient). They have some wholesale business that they want to expand. Their sales are apparently growing because they have been serving the same routes for five years and have an excellent reputation. Rumor has it that Tallville is interested in buying Sammy's Fish or adding another delivery truck or two.
3. Sallie's Seafoods - currently rebuilding because of a disastrous fire but will be our most serious competitor when their new store opens. Sallie's has been in business for twenty-five years in Anytown and has a good location on a scenic bridge 2 miles south of Great. Sallie's has good relations with suppliers and serves most of the supermarkets. Currently, they have no retail business but plan to open a retail store in their new building. However, the owner needs a major eye operation and may be willing to part with some of his wholesale business since he is getting on in years.

Indirect competition is from major processors in Wilmington (45 miles south). Since we fall between their primary market areas, we can purchase from both on consignment basis.

Our competitive advantages will be our downtown location next to Foodworld and our reputation for offering the highest quality seafood at competitive prices. Sallie's plan to open a retail store may cut into our market share but anything we lose will be more than made up for our plan to enter the wholesale market. This is a good time to go head to head with Sallie's and capture some of their wholesale market share while they are recovering from their fire.

D. Business Facilities and Operation

Great expects to rent a one-story, wooden frame building with a cement floor (2,000 square feet) at 123 Main Street, Anytown, N.C. for \$550/month with an option (in writing) to buy for within 5 years for \$105,000. The building was built in 1948. The area is zoned for commercial use.

Downtown Anytown continues to be a thriving retail area and has not lost its vitality the way that many small towns have. There is no place to put mass merchandising supermalls in the immediate area and our location will continue to be an advantage for the foreseeable future.

Main Street is part of U.S. Route 1, a heavily traveled tourist route with most nearby businesses catering to the tourist trade.

Great expects to perform major building improvements, such as installing rough-sawed pine board walls and a walk-in freezer. The building will be divided into (1) a sales/counter area (1,200 square feet); (2) a cutting area (100 square feet); (3) a multipurpose area, including toilet, with separate entry, storage space, and room for some expansion of the freezer and processing areas (700 square feet in all). (See the diagram in the Appendix).

While there is no intention at the present time to expand the facility, there is sufficient room on the property to do so. \$22,000 of the startup funds will be used for remodeling. (See proposal from contractor in the Appendix).

E. Management and Personnel

Mr. Trout was born in Anytown, N.C. and has lived there all his life. After graduating from local schools and serving in the U.S. Navy for three years, he became a self-employed carpenter, taking night courses in small business management and sales at UNC-Wilmington, with the aim of owning and managing a retail store. For the past 5 years he has served as counter manager for Sammys Fish. He and his wife (a medical secretary) live in Anytown with their two children.

Mr. Perch was born in Wisconsin, attended schools in Utah, and served four years in the Marines (rank upon separation: E-3). He test-drove motorcycles for a year, then served as parts manager for Wheely Cycles, Inc. before he became a commercial fisherman in Wilmington. After 4 years he joined Tasty Fish, Inc. as a packer in 1983 in their East Mathias plant. In June 1985, he became production manager of the Frozen Food division, and in 1995 we was promoted to Vice President of Corporate Marketing. He is unmarried and lives in Anytown.

Both men are healthy and energetic. They believe their energies complement each other and will help them make Great a success. In particular, Mr. Perch knows all of the fishermen while Mr. Trout is a well-known member of the community. Since Mr. Trout has had experience in retail environments and in cost control, he will be responsible for the store and inventory control. Mr. Perch will be primarily responsible for financial management and developing the wholesale business. They will set policies together. Personnel decisions will be made jointly.

Salaries will be \$950/month for the first year to enable the business to pay off startup costs. Mr. Trout's wife earns enough to support their family; Mr. Perch's personal expenditures are low since he shares a house with five other men. In the second year, they will earn \$1200/month, in the third year \$1500/month with any profits returned to the business.

To augment their skills, they have enlisted the help of Smith & Farley (CPA's), Mason Petrocelli (lawyer), and Halsey Johnson, a retired banker who will be on their advisory board. Other advisory board members are Andrew O'Bangfo, business consultant, of UNC-W Venture Incubator Division's Etienne LeBlanc, and Andy Kerr of FROG (Fish Retailers Organized for Growth). This board will provide ongoing management review. Dean Jones from the Small Business and Technology Development Center helped with the writing of this business plan and will continue to be available for free consulting in the future.

Great will hire one part-time salesperson within six months to sell seafood over the counter to the retail customers. He or she will be paid \$4.00/hour for weekend work; no fringe benefits or overtime will be needed. We will also employ, on an as-needed basis, one cutter at \$6.75/hour to help process seafood for the wholesale trade. The counter help will be needed for 10 weeks during the summer, and the cutter will be needed for about 20 hours/week for 16 weeks. (This should take care of the second summer as well. For the third year, we plan on two counter helpers and a full-time summer cutter.) In the second year, we'll add one full-time employee at \$850/month, with a raise to \$900 in the third year.

No further employees are planned for unless business grows more rapidly than we expect.

II. Financial Section

A. Source and Application of Funds

Source

The money needed for company growth as outlined above is anticipated to come from the following sources:

Cash infusion by owners	\$ 22,000
Bank Loan	<u>63,000</u>
Total	\$ 85,000

Application

The \$85,000 will be used as follows:

Inventory	\$ 4,500
Equipment:	
Used Ford pickup with insulated body	3,885
Coolers, counters, shelving	18,000
Networked cash register/computer system	9,500
Dayton compressor (used, serial #45-cah-990)	365
Sharp slicer (used, Speedy model)	400
Renovations (see contractor's letter in Appendix)	22,000
Signs (Lighted street sign, store lettering)	1,500
Deposits:	
Phone	300
Utilities	500
Insurance	300
Supplies—Office (paper, pencils, etc)	750
Supplies—Operational (customer bags, shelf labels, etc)	300
Packages and Postage (stamps, supplies)	150
Advertising (Grand Opening)	1,750
Legal and Professional (Attorney for incorporation, accountant)	1,000
Credit Card Machine	500
Dues and Subscriptions (Licenses, permits, association dues)	100
Working capital	5,450
Cash reserve	<u>20,200</u>
Total:	\$ 85,000

Great can rent the 123 Main Street property from Joe Sizemore, Mr. Trout's uncle, at a very reasonable price. An independent appraiser has calculated the value of the property, once improvements are complete, at \$135,000 (see appraisal in Appendix).

The truck will be used to deliver merchandise to our wholesale customers, retard spoilage, and maintain the quality of the seafood.

The compressor will replace the one now used for backup electricity for the freezer in the case of power outages

The slicer will save four man-hours of work daily. The time released will be used for soliciting more business and processing a greater volume of whole fish. With the slicer, relatively untrained help can fillet flounder with minimal waste.

The renovations are: wall rebuilding, plumbing and electrical changes, floor coverings, a deep water well required by the state, and replacement of the current obsolete heating system, to reduce fuel expenses.

The working capital will enable Great to meet startup expenses, offset negative seasonal cash flow as shown in the Cash Flow Projection in the Financial Data section, and insure the continued growth of the business.

The inventory is for initial stock and to take advantage of bulk rates on certain fresh frozen packaged goods such as red snapper or South American spiny lobster.

The bank will hold the reserve as a line of credit. It will be used to take advantage of special opportunities or to meet emergencies.

D. Explanation of Assumptions Used in Financial Projections

(See the accompanying Explanation of Assumptions chart for Great Seafood and the worksheet.). For putting your own cash flow projections together you can use the following sources of information. These are examples of some of the sources of information that can be cited. They don't apply to all cases--some are mutually exclusive)

1. Income

* The figures presented monthly reflect the seasonal nature of the business from previous experience. **OR**

* 2002 income projections are based on the following:

Sale of 120 units of item A @ \$598	\$ 71,760	
Sale of 85 units of item B @ \$750	63,750	
Sale of 10 units of item C @ \$1250	<u>12,500</u>	
Total	\$148,010	OR

* To obtain the figures used in the financial projections the following sources of information were used:

Industry ratios for a "small" business operating in this field of endeavor (see attached report) **AND/OR**

Information obtained from Dunn and Bradstreet about our 3 closest competitors (see attached) **AND/OR**

Letters of interest from potential customers who have been canvassed and who anticipate using our products to the extent indicated in the letters (see attached) **AND/OR**

Canvassing of other businesses in the State of North Carolina who operate the way we intend to in like sized communities (see attached summary) **AND/OR**

Information obtained from several suppliers we anticipate using about other companies in like sized communities (see attached) **AND/OR**

*2002 income projections assume a 10% increase in sales from 2001's actual figures. 2003 and 2004 figures each assume a 10% increase over the previous year (For Existing Businesses) **OR**

Information obtained from the National Fishmongers Guild (see attached report) **AND/OR**

Information obtained from the franchiser from whom our franchise will be bought (see attached report) **AND/OR**

Information obtained from Fishmongers Consulting firm who was paid to do the feasibility study attached

2. Expenses

- * The majority of the expense items have been obtained from prices received by service or product suppliers with the following exceptions:

Rent is an average obtained from our canvassing of available spaces in the area where we want to locate

Office supplies, a relatively small amount of money each mnth, is just an estimate **AND/OR**

- * (Other sources of information include the same sources listed above in the Income section)
- * Expense figures were projected using last year's profit and loss statements and then adjusted (For Existing Businesses)

The preceding pages in this section include:

- 1. A sample Explanation of Assumptions for Great Seafoods, Inc.**
- 2. A Worksheet for doing your Explanation of Assumptions**
- 3. A sample Pro Forma Cash Budget for Great Seafoods, Inc.**
- 4. A Worksheet for doing the first year of your Pro Forma Cash Budget. Most banks will want projections for three years. Make copies so that you will have plenty of scratch worksheets to work with.**