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DIETETICS**

TOPIC:

BUSINESS PLAN ON BRIDAL SHOP

A BUSINESS PLAN

**PRESENTED IN PARTIAL FULFILMENT FOR THE
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(BUSINESS MANAGEMENT AND DEVELOPMENT)**

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BRIDAL SHOP BUSINESS PLAN

1.0 Executive Summary

Smallz Bridal Enterprise is a wedding attire shop like no other. While most retail bridal shops focus on selling wedding gowns, our focus is everything else. We will cater to the mothers of the bride and groom, bridesmaids, and flower girls. In addition, we will provide an array of accessories for all the female members of the bridal party.

Smallz Bridal Enterprise is registered as a single-member Limited Liability Company, incorporated in Lagos State, and the sole owner is Ukwogbu Chinonye Felix. The purpose of this business plan is to secure start-up financing. We project that the company will reach the break-even point in its fourth month of operations.

The projections outlined within this business plan indicate sufficient funds for repayment of the requested loan.

1.1 Objectives

Smallz Bridal Enterprise has the following objectives:

1. To be the primary one-stop-shop for the female members of a bridal party once the bride has purchased her gown (i.e. mother of the bride, mother of the groom, bridesmaids, flower girls, footwear, and accessories).
2. To have vigorous sales in the first twelve months of operations.
3. In Year 3, to have sales more than double first year level and net income of at least 10% of sales.

1.2 Mission

Smallz Bridal Enterprise is a boutique that provides attire and accessories for female bridal attendants. We believe in providing superior customer service and creating a shopping experience that is relaxed and pleasurable. We also believe in providing a working environment for our employees that is professional and fun, and that empowers our employees to be trustworthy and valuable resources to our customers.

1.3 Keys to Success

To be successful in this business, Smallz Bridal Enterprise must:

1. Generate and preserve a reputation of being the one-stop-shop for bridal purchases beyond the wedding gown.
2. Establish a strong referral network among others in the bridal industry.
3. Provide stellar customer service.
4. Maintain a fresh mix of inventory.

2.0 Company Summary

Smallz Bridal Enterprise is a new retail boutique that will be a unique supplement to the existing bridal shops in Lagos State. While most bridal shops focus on providing the bride with her wedding gown, the focus of Smallz Bridal Enterprise is everything besides the wedding gown. Our core products include mother-of-the-bride and mother-of-the-groom attire, bridesmaids' attire, flower girl attire, bridal footwear, and bridal accessories, such as veils, headpieces, and jewelry. Our goal is to be the one-stop-shop for items beyond the wedding gown, and to provide a fulfilling shopping experience for our customers.

2.1 Company Ownership

Smallz Bridal Enterprise is a privately held company. It is registered in Lagos State as a single-member LLC with Ukwoegbu Chinonye Felix as the owner.

2.2 Start-up Summary

Total start-up cost estimates are shown in the following table and charts. The most significant components of the startup costs are inventory (30%), cash-on-hand (23%), and expensed equipment and leasehold improvements (19%).

The start-up costs will be financed through a combination of owner investment and long-term loans.

START-UP REQUIREMENTS	
Start-up Expenses	
Legal	#315,000
Stationery	\$800
Other Supplies	\$1,150
Consultants	\$1,500
Insurance	\$1,000
Rent	\$8,800
Leasehold Improvements (Expensed)	\$10,000
Expensed Equipment	\$8,000
Other	\$4,000
TOTAL START-UP EXPENSES	\$36,250
Start-up Assets	
Cash Required	\$21,900
Start-up Inventory	\$28,350
Other Current Assets	\$1,000
Long-term Assets	\$8,500
TOTAL ASSETS	\$59,750
Total Requirements	\$96,000

START-UP FUNDING	
Start-up Expenses to Fund	\$36,250
Start-up Assets to Fund	\$59,750
TOTAL FUNDING REQUIRED	\$96,000
Assets	
Non-cash Assets from Start-up	\$37,850
Cash Requirements from Start-up	\$21,900
Additional Cash Raised	\$0
Cash Balance on Starting Date	\$21,900
TOTAL ASSETS	\$59,750
Liabilities and Capital	
Liabilities	
Current Borrowing	\$0
Long-term Liabilities	\$65,000
Accounts Payable (Outstanding Bills)	\$1,000
Other Current Liabilities (interest-free)	\$0
TOTAL LIABILITIES	\$66,000
Capital	
Planned Investment	
Ukwoegbu Chinonye Felix	\$30,000
Other	\$0
Additional Investment Requirement	\$0
TOTAL PLANNED INVESTMENT	\$30,000
Loss at Start-up (Start-up Expenses)	(\$36,250)
TOTAL CAPITAL	(\$6,250)
TOTAL CAPITAL AND LIABILITIES	\$59,750
Total Funding	\$96,000

3.0 Products

Smallz Bridal Enterprise will carry mother-of-the-bride, mother-of-the-groom, bridesmaid, and flower girl attire. In addition, we will carry bridal footwear and bridal accessories such as veils, headpieces, and jewelry. We will aim to provide products in a wide variety of styles and price-ranges that are of good quality and from reputable designers.

The dresses will be sold primarily on a made-to-order basis. We will keep a sample dress of each style in the store for customers to try on, and once they decide on a style, we will then order it in their size and in the color of their choosing. If, however, a customer is pleased with the floor sample, they will have the option to purchase that item.

When a dress is being made-to-order, a fifty percent, non-refundable deposit will be required. Once the dress arrives, the deposit will be applied toward the balance. Full payment will be due before the customer can take the dress from the store. Veils and headpieces will be sold in the same manner as the dresses. Shoes and jewelry will primarily be sold off the floor.

Bridal inventory is typically purchased in two seasons: fall and spring. The fall buying season is typically for items that will be displayed in the winter and spring, which will then be worn in the spring and summer. The spring buying season is typically for items that will be displayed in the summer and fall, which will then be worn in the fall and winter.

Most designers set "minimums," which means that they require the purchase of a certain number of sample dresses in any given season. Some designers require that all samples be purchased at once, while other designers allow the purchase of samples to be staggered throughout the season. The buying pattern for Smallz Bridal Enterprise will be a function of designer requirements as well as customer demand for new products.

Smallz Bridal Enterprise will track the "success rate" (the number of times a particular dress is purchased), and if a dress is selling poorly, it will be discounted, sold off the rack, and replaced with a new inventory item.

3.1 Market Analysis Summary

For the past five years, Lagos State has consistently seen around twelve thousand weddings annually. According to Ikeja population projections, the number of females here will increase by about three percent over the next five years. It is safe to conclude from these facts that there is a solid customer-base that will increase slightly in the years to come.

What is unique about Smallz Bridal Enterprise is that it places a spotlight on the wedding purchases that are typically overshadowed by the purchase of the wedding gown. Wedding gowns, on average, comprise about 6.1% of the total wedding expenditures, while the mothers' attire, attendants' attire, and accessories collectively make up another 7.8% of the total wedding expenditures. Smallz Bridal Enterprise is focusing on the 7.8% that is usually an afterthought for most bridal shops.

Smallz Bridal Enterprise is a store like no other. It creates a shopping environment in which mothers, bridesmaids, and flower girls, as well as the bride, are catered for.

4.1 Market Segmentation

There are three major market segments that will be served by Smallz Bridal Enterprise: mother-of-the-bride/mother-of-the-groom; attendants, which include bridesmaids and flower girls; and brides. It is important to keep in mind that most customers who are shopping for bridal attire are in it for the experience just as much as they are in it to walk away with a purchasing. That means that catering to their desire for "fun" and "pampering" will be just as critical as providing them with desirable merchandise.

For almost every bride in Lagos State, there will be at least two mothers who will need to be outfitted for the big day. For many mothers, especially the mother-of-the-bride, the wedding of her child is second only in significance to her own wedding. As a result, the style of the gown tends to take precedence over price. These customers will want a unique shopping experience that will acknowledge their significance in the upcoming wedding.

The most common number of bridesmaids, including the maid-of-honor, is four. Because bridesmaids are typically expected to pay for their own attire, they tend to be fairly cost-conscious. If they believe that they will be able to use the dress more than once, then price becomes less of an issue. The bride usually has the final say in which dress will be chosen, which creates an interesting dynamic. On the one hand, the bride's tastes need to be accommodated, and on the other hand, the bridesmaids need to feel comfortable with the amount they are spending. Bridesmaid parties often shop as a group so that they can

decide on a dress together. For groups of three or more, appointments will be recommended to ensure that proper attention and dressing room space is provided.

About 62% of all weddings have a flower girl. As with the bridesmaids' attire, the bride usually makes the decision about the style of the dress, but the parent of the flower girl usually pays for it.

In addition to helping outfit the bridal party, Smallz Bridal Enterprise will aim to accommodate brides who are still in need of the other critical pieces to go with her gown, such as shoes, a veil and/or headpiece, and jewelry. While some brides purchase the "other items" at the time that they purchase their gown, most brides choose to shop around for the accessories.

MARKET ANALYSIS							
		YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	
Potential Customers	Growth						CAGR
Mother-of-the-Bride/Mother-of-the-Groom	3%	24,000	24,720	25,462	26,226	27,013	3.00%
Bridesmaids	3%	48,000	49,440	50,923	52,451	54,025	3.00%
Flower Girls	3%	7,440	7,663	7,893	8,130	8,374	3.00%
Brides	3%	12,000	12,360	12,731	13,113	13,506	3.00%
Total	3.00%	91,440	94,183	97,009	99,920	102,918	3.00%

4.2 Target Market Segment Strategy

The focus of Smallz Bridal Enterprise is "everything but the wedding gown." There are nearly 30 bridal shops in Lagos State that focus primarily on selling wedding gowns. However, for every bride, there are, on average, at least five other females who need to be outfitted, and the bride herself will also require additional accessories.

Because most bridal shops focus on selling wedding gowns, there is minimal effort dedicated to the other necessary items. Smallz Bridal Enterprise gives the "other items" their own significance. Without the bridal gown as a distraction, the "other items" will no longer be an afterthought. Mothers and bridal attendants can have their own unique shopping experience, and brides can have a fresh environment in which to shop for their accessories.

4.3 Industry Analysis

There are over two million weddings annually in the Nigeria, twelve thousand of which are in Lagos state, alone. The average cost of a first wedding is currently about #600,000, and that number has consistently been increasing by about 5% each year. About 6.1% of the total wedding budget will be spent on the wedding gown, and 7.8% of the total budget will be spent on mothers' attire, attendants' attire, and accessories.

There are thousands of bridal shops nation-wide. Most of them are locally-owned, single-unit operations; however, there are increasing numbers of chains entering the marketplace. The primary focus of all bridal shops is the wedding gown. Some shops will also carry a limited selection of mothers' dresses, attendants' attire, and accessories, but their main goal is to sell wedding dresses. As a result, the market currently lacks a place to find a good selection of the other necessary items.

4.3.1 Competition and Buying Patterns

There are currently about 30 bridal shops in Lagos state; however, the primary focus of all of those shops is wedding dresses, so they have a very limited selection of mothers' attire, attendants' attire, bridal footwear, and other bridal accessories. Smallz Bridal Enterprise is unique in Ikeja (Lagos state) in focusing on everything except the wedding gown.

Establishing a reputation for having a good selection and providing superior customer service will be key. Statistics show that brides will visit, on average, a total of six stores before purchasing their wedding gown. The "shop around before you buy" mentality may apply to the other members of the bridal party, as well, so it will be critical to provide a unique selection of items in a memorable environment. It will also be important to have a wide selection of items, so that the customers feel fulfilled with what they've seen at our store and won't feel the need to shop around.

As previously mentioned, bridesmaids tend to be more cost-conscious, so competitive pricing will be key for that segment. We will offer a wide variety of styles at different price points - again, working to assure the members of the bridal party that they are being presented with a comprehensive selection, thus reducing the need to shop around.

5.0 Strategy and Implementation Summary

Smallz Bridal Enterprising has the distinct advantage of being the only store of its kind in its market. Our marketing and sales strategies will emphasize our unique advantages for the Ikeja wedding party:

- our wide-range of clothing styles, designers, and accessories
- the attention we pay to **all** the female members of the wedding party
- our wonderful location in a destination shopping area

Our marketing strategy begins with standard print and online listings in wedding media, and continues through networks of wedding consultants. Our location, next to complementary shops and an upscale mall, will generate additional foot traffic.

Our sales strategy is designed to "close the deal" - from the moment a potential customer walks in the door, she will know that her place in the wedding, and her needs, are important to us. We will create an atmosphere that makes shopping for the "other items" as significant as the experience of shopping for the wedding gown. In other stores, mothers, bridesmaids, and other wedding party members are often an afterthought. At Moms, Maids, and More, they will be given as much prominence and attention as the bride receives when gown shopping.

5.1 Competitive Edge

The predominant competitive edge of Smallz Bridal Enterprise is that it is the only store of its kind in Lagos state. Most bridal shops focus on the wedding gown itself and dabble in a few other product-lines, such as mothers' attire or bridesmaids' attire. When shops focus primarily on the bride's gown, there tends to be a lack of selection and lack of attention devoted to the other product lines. At a traditional bridal shop, the bride is the primary focus, and everything else is secondary.

Smallz Bridal Enterprise offers an entirely different shopping experience. At our shop, the focus is everything besides the wedding gown. This means that our customers will be offered a wide selection of their desired attire, and their needs will be our primary focus. We will have the most comprehensive selection of mothers' attire, attendants' attire, and bridal accessories.

Another competitive advantage is our location. We are located in Ikeja, which is geographically convenient to customers in Lagos State. The city of Ikeja hosts the Ikeja city mall which hosts a lot of

shops which attracts people from various parts of Lagos. In addition, our shop is located on the corner of a main intersection with great street visibility and free parking. We are located in a complex that includes jewelry stores and a tuxedo shop, all of which are complementary businesses.

5.2 Marketing Strategy

Smallz Bridal Enterprise will use the following mediums for its marketing efforts:

1. **Local Wedding Publications** - This includes magazines that are used to promote wedding shows and local wedding resource books.
2. **Bridal Consultants** - By building relationships with local bridal consultants, we will have a direct referral source.
3. **TheKnot.com** - This is a web site specifically geared toward people who are preparing for a wedding. Visitors to this site can do state-specific searches for shops and services in their area. By listing ourselves on this site, we will be specifically targeting our market.
4. **Web Links** - Most designers offer a "store locator" on their web pages. Therefore, when available, we will be listed on the web sites of the designers whose lines we carry, with a link to our web site.
5. **Yellow Pages** - We will be listed under the "bridal" section of the yellow pages, so this will serve as a standard resource for customers to find us.

5.4 Sales Strategy

1. Customers need to be acknowledged and attended to right away. Everyone who walks through the door is preparing for a big event. They are probably not in our shop to browse or make a casual purchase, so they need to be taken seriously immediately.
2. Our expertise will help customers stay focused. The process of choosing bridal attire can be overwhelming, because it is such a significant purchase, and because there are so many variables (e.g. colors, event setting, coordinating with the other participants, etc.). Therefore, it will be critical to navigate the customer through the process efficiently. By controlling the process, the outcome (the sale) is more attainable.

3. In addition to selling goods, we are selling a shopping experience. Because each woman makes wedding purchases only a few times in her life, the process of shopping for bridal attire is quite memorable, and is often a bonding experience for moms, girl friends, and the bride. If the experience is a positive one, word of mouth will grow exponentially.
4. Sales goals will be set for our employees, and achievement of those goals will be rewarded monetarily.

5.3.1 Sales Forecast

The following table illustrates the forecasted sales for Smallz Bridal Enterprise. The forecast reflects sales to slightly be more than one percent of the total customer base in Ikeja, based on the following assumptions:

1. Total weddings in Ikeja: 12,000 annually
2. Two moms per wedding
3. Four bridesmaids per wedding
4. A flower girl at 62% of the weddings

One percent is a sensible estimate for the first year of operations. There are currently about 10 shops in Ikeja that carry some or all of the items offered at Smallz Bridal Enterprise. Assuming that the customer base was divided evenly among these shops, each shop would have about a two-and-a-half percent market share. However, because this will be the first year of operations for Smallz Bridal Enterprise, that "even share" of the market is not expected right away. It is expected that by year two, the market share will increase to two percent, and by year three, the market share will exceed three percent. This will happen as Smallz Bridal Enterprise becomes known as the place to shop for mothers' attire, attendants' attire, and other bridal accessories.

To break the sales forecast down even further, the goal of sales in year one is equivalent to selling to 160 wedding parties during the year, or to three wedding parties per week.

The table is constructed in such a way that it counts a sale when cash is received. When dresses are ordered, a minimum 50% deposit is required. When a customer receives the item they ordered, the

remaining 50% is due. For projection purposes, it is assumed that the dresses will arrive two to three months after they are ordered. So, for example, if a customer orders a \$30,000 dress in January, \$15,000 goes into January's sales, and \$15,000 goes into April's sales. For shoes and accessories, we are assuming that the items will be in stock, therefore, those projections reflect the gross amount of the sale on the day of purchase.

Costs of sales assumes that for clothing, the wholesale cost will average about 46.5% of the retail price, and for accessories, the wholesale cost will average about 30% of the retail price. For the clothing items, there is a two-month lag in cost of sales because the inventory takes two to three months to arrive from the day it is ordered, and the store does not pay for custom-ordered items until they are shipped.

SALES FORECAST			
	YEAR 1	YEAR 2	YEAR 3
Sales			
Mothers' Attire	\$110,500	\$193,375	\$338,406
Bridesmaids' Attire	\$101,388	\$147,013	\$213,168
Flower Girl Dresses	\$8,650	\$11,245	\$14,619
Shoes	\$16,300	\$22,005	\$29,707
Other Accessories	\$15,950	\$20,735	\$26,956
TOTAL SALES	\$252,788	\$394,373	\$622,855
Direct Cost of Sales	Year 1	Year 2	Year 3
Clothing	\$99,096	\$158,553	\$253,684
Shoes and Other Accessories	\$10,485	\$13,631	\$17,720
Subtotal Direct Cost of Sales	\$109,581	\$172,183	\$271,404

5.4 Milestones

The accompanying table lists the critical milestones for Smallz Bridal Enterprise from now until the store is ready to open for business. Ukwogbu Chinonye will be in charge of each of the completion of each of these items.

MILESTONES					
Milestone	Start Date	End Date	Budget	Manager	Department
Business Plan	6/30/2017	9/30/2017	\$0	Ukwogbu Chinonye	Administrative
Licensing and Permits	7/1/2017	8/31/2017	\$0	Ukwogbu Chinonye	Administrative
Site Selection and Lease Negotiations	7/7/2017	10/15/2017	\$0	Ukwogbu Chinonye	Administrative
Secure Start-Up Financing	7/28/2017	10/15/2017	\$0	Ukwogbu Chinonye	Administrative
Secure Line of Credit	7/28/2017	10/15/2017	\$0	Ukwogbu Chinonye	Administrative

Buying Show	9/10/2017	9/13/2017	\$0	Ukwoegbu Chinonye	Administrative
Web Site Construction	10/8/2017	11/15/2017	\$0	Ukwoegbu Chinonye	Administrative
Accounting Plan	11/15/2017	1/15/2017	\$0	Ukwoegbu Chinonye	Administrative
Leasehold Improvements	1/2/2017	2/28/2017	\$0	Ukwoegbu Chinonye	Administrative
Personnel Plan	1/15/2017	2/15/2017	\$0	Ukwoegbu Chinonye	Administrative
Totals			\$0		

6.0 Web Plan Summary

The Smallz Bridal Enterprise website will be an expanded business card for the store. Visitors will be able to receive information about the designers we carry as well as basic store information, such as location and store hours.

The site will also be a resource for bridesmaids who are unable to physically come in to order their attire. Through a secure log in, they will be able to provide the necessary information to place their order. This is an added convenience that most bridal shops do not offer.

6.1 Website Marketing Strategy

The website will be an additional resource for customers who want to learn more about our store. Visitors to our site will fall into two primary categories:

1. People who have not yet been to the shop and want to learn more about it.
2. Bridesmaids who are ready to order their attire.

Category 1 visitors will be coming to the site to learn more about the store and what we have to offer. Highlights for these visitors will be the store description, links to our designers' sites, a map to the store, contact information, and store hours.

Category 2 visitors will be bridesmaids who are unable to come into the store to be measured and/or pay their deposit. It is quite common for bridesmaids to be out-of-town and unable to physically come in to complete their purchase. While our customers will be able to complete sales by phone and fax, they will

appreciate the added convenience of being able to complete their purchases online. Once the bridesmaid gown has been selected for a bridal party, a secure login will be created for each of the bridesmaids so that they can complete the necessary order information on line.

6.2 Development Requirements

Initially, the Smallz Bridal Enterprise website will be developed with few technical resources. A simple hosting provider will host the site and provide the technical back end. We will work with a contracted web page designer to develop a simple, yet classy, site.

The most technically complex portion of the site will be the bridesmaid ordering portion. For this, a secure site must be created so that credit card information can be transmitted safely. In addition, it will need to be designed in such a way that store employees will be able to set up the necessary profiles for bridesmaids to log in.

7.0 Management Summary

Smallz Bridal Enterprise will be managed by the owner, Ukwogbu Chinonye Felix (complete resume is enclosed). Olabisi is a CPA who spent four years in public accounting. Her efforts were primarily focused on auditing the financial statements of closely-held businesses in Ikeja. Through this work, she developed an understanding of various business cycles, internal controls, cash flow, inventory management, ratio analysis, variance analysis, small business dynamics, and basic tax principles. While working in public accounting, Olabisi supervised numerous projects and teams of various sizes. She frequently represented the firm at public speaking engagements, and she established a recruiting program for the firm.

For the past two years, Olabisi has performed extensive research on the bridal industry. Her mentors include a bridal boutique owner; a wedding consultant who has been planning weddings for nearly 20 years; and a coordinator of a local wedding show. In addition to performing extensive research on the bridal industry, Olabisi also worked in a local bridal shop to learn the day-to-day operations. While working as a salesperson at the bridal shop, Olabisi was one of the top sellers, often out-performing sales associates who had been there longer and worked more hours than her.

Olabisi's enthusiasm, perceptiveness, and organization skills will be the keys to orchestrating the efforts of the sales team and making Smallz Bridal Enterprise a successful business.

Ukwoegbu Chinonye Felix

SUMMARY OF QUALIFICATIONS

- Good educational level and great leadership skills
- Great understanding of small businesses.
- Excellent organizational and communication skills

7.1 Personnel Plan

Smallz Bridal Enterprise will have a sales force that includes the owner and three part-time employees. The store will have two sales associates in the store on weekdays, and three associates in the store on weekends. Sales associates will be paid an hourly wage. In years two and three, the sales associates' hours will increase to accommodate the planned increase in sales; thus, the wages in years two and three increase significantly.

I will not be paid a salary, but will take distributions from the company profits while maintaining a positive cash balance. The financials in this plan do not yet include my draw.

PERSONNEL PLAN			
	YEAR 1	YEAR 2	YEAR 3
Ukwoegbu Chinonye, Owner	\$0	\$0	\$0
Part Time Sales Associate 1	\$16,800	\$18,000	\$18,500
Part Time Sales Associate 2	\$6,960	\$15,000	\$18,000
Part Time Sales Associate 3	\$6,960	\$8,000	\$8,500
TOTAL PEOPLE	4	4	4
Total Payroll	\$30,720	\$41,000	\$45,000

Financial Plan

Smallz Bridal Enterprise expects to be profitable by the end of its second year of operations. To get the business up and running, we will need to obtain financing. The initial market share will be modest; however, significant growth in market share is expected due to the unique niche that the shop is targeting. The market share is expected to grow at a more modest rate after year three.

8.1 Important Assumptions

The following assumptions are key to understanding the profit and loss projections.

- We do not sell anything on credit - all items must be paid in full before they are taken from the store.
- We are estimating that 80% of the purchases will be made with credit cards. The credit card fees are calculated as 80% of the sales, times 1.8 percent (the fee rate).
- Cost of sales for the clothing items has a two month delay. This is because most clothing items will be custom ordered and, as a result, Smallz Bridal Enterprise will not have to pay for them until they arrive about two months after they are ordered.

GENERAL ASSUMPTIONS			
	YEAR 1	YEAR 2	YEAR 3
Plan Month	1	2	3
Current Interest Rate	6.25%	6.25%	6.25%
Long-term Interest Rate	6.25%	6.25%	6.25%
Tax Rate	30.00%	30.00%	30.00%
Other	0	0	0

8.2 Break-even Analysis

For the break-even analysis, the following assumptions were used:

1. Fixed costs per month are estimated as total first year operating expenses divided by 12.
2. For each item sold, there is a variable price equal to about 43% of the retail price of the item.

BREAK-EVEN ANALYSIS	
Monthly Revenue Break-even	\$21,445
Assumptions:	
Average Percent Variable Cost	43%
Estimated Monthly Fixed Cost	\$12,149

8.3 Projected Profit and Loss

We expect losses in the first year, because it will take time for the store to build momentum and generate traffic. However, once sales increase, the results are positive because many of the other expenses will remain fixed. In fact, we expect that sample inventory costs will actually go down in years to come. Some designers will provide sample inventory at deep discounts and/or provide the samples free of charge once good credit terms are established. As a result, the annual expenditures for sample inventory should decrease.

PRO FORMA PROFIT AND LOSS			
	YEAR 1	YEAR 2	YEAR 3
Sales	\$252,788	\$394,373	\$622,855
Direct Cost of Sales	\$109,581	\$172,183	\$271,404
Credit Card Fees	\$3,640	\$3,155	\$4,983
TOTAL COST OF SALES	\$113,221	\$175,338	\$276,387
Gross Margin	\$139,567	\$219,034	\$346,468
Gross Margin %	55.21%	55.54%	55.63%
Expenses			
Payroll	\$30,720	\$41,000	\$45,000
Sales and Marketing and Other Expenses	\$11,900	\$12,000	\$12,000
Depreciation	\$2,160	\$2,160	\$2,160
Rent including triple nets	\$52,800	\$54,750	\$66,900
Utilities	\$9,000	\$9,500	\$10,000
Insurance	\$4,200	\$4,600	\$5,100
Payroll Taxes	\$4,608	\$6,150	\$6,750
Supplies	\$3,600	\$4,000	\$4,300
Repairs and Maintenance	\$2,400	\$2,600	\$2,800
Professional Fees	\$3,300	\$3,500	\$4,000
Taxes and Licenses	\$1,100	\$1,100	\$1,100
New Sample Inventory	\$20,000	\$15,000	\$14,000
Total Operating Expenses	\$145,788	\$156,360	\$174,110
Profit Before Interest and Taxes	(\$6,221)	\$62,674	\$172,358
EBITDA	(\$4,061)	\$64,834	\$174,518
Interest Expense	\$3,622	\$2,843	\$2,030
Taxes Incurred	\$0	\$17,950	\$51,098
Net Profit	(\$9,842)	\$41,882	\$119,230
Net Profit/Sales	-3.89%	10.62%	19.14%

8.4 Projected Cash Flow

The cash flow of Smallz Bridal Enterprise is somewhat unique. For items that are sold off the floor, the cash flow and revenue recognition is traditional, in that full payment is received at the time of the sale, and the customer takes possession of the item at that time. This is how most of the shoe sales will take place, as well as some of the other accessory purchases.

However, most of the other items in the store have a different flow. Let's use a dress as an example. The customer will try on a sample in the store, and when she decides to purchase the item, she will most likely have to order it in the size and color of her choosing. For this process to begin, the customer must provide a deposit of at least 50% of the total price of the item (note: while some customers may choose to pay the full amount at the time the order is placed, these illustrations assume that everyone will choose the 50% option). The remaining balance will be due within thirty days of when the item arrives in our store.

This timing issue has also been taken into consideration for the costs of goods sold. The store will be billed for items when the items are shipped, thus cash outflow for the cost of the item will closely match the cash inflow of the customer paying the balance on the item.

8.5 Projected Balance Sheet

Smallz Bridal Enterprise maintains a strong current ratio throughout. While the net worth of the business is negative in year one, it makes steady gains and becomes positive in year two. By the end of year three, retained earnings is also close to being positive.

PRO FORMA BALANCE SHEET			
	YEAR 1	YEAR 2	YEAR 3
Assets			
Current Assets			
Cash	\$36,471	\$74,529	\$188,973
Inventory	\$6,878	\$10,808	\$17,036
Other Current Assets	\$1,000	\$1,000	\$1,000
TOTAL CURRENT ASSETS	\$44,349	\$86,337	\$207,009
Long-term Assets			
Long-term Assets	\$8,500	\$8,500	\$8,500
Accumulated Depreciation	\$2,160	\$4,320	\$6,480
TOTAL LONG-TERM ASSETS	\$6,340	\$4,180	\$2,020
TOTAL ASSETS	\$50,689	\$90,517	\$209,029
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	\$14,802	\$25,747	\$38,030
Current Borrowing	\$0	\$0	\$0

Other Current Liabilities	\$0	\$0	\$0
SUBTOTAL CURRENT LIABILITIES	\$14,802	\$25,747	\$38,030
Long-term Liabilities	\$51,980	\$38,980	\$25,980
TOTAL LIABILITIES	\$66,782	\$64,727	\$64,010
Paid-in Capital	\$30,000	\$30,000	\$30,000
Retained Earnings	(\$36,250)	(\$46,092)	(\$4,210)
Earnings	(\$9,842)	\$41,882	\$119,230
TOTAL CAPITAL	(\$16,092)	\$25,790	\$145,020
TOTAL LIABILITIES AND CAPITAL	\$50,689	\$90,517	\$209,029
Net Worth	(\$16,092)	\$25,790	\$145,020

8.6 Business Ratios

The following table breaks down some of the key financial ratios. Where available, industry averages for Bridal Shops - SIC code 5621.0102, are shown for comparison.

RATIO ANALYSIS				
	YEAR 1	YEAR 2	YEAR 3	INDUSTRY PROFILE
Sales Growth	0.00%	56.01%	57.94%	-0.02%
Percent of Total Assets				
Inventory	13.57%	11.94%	8.15%	50.91%
Other Current Assets	1.97%	1.10%	0.48%	24.44%
Total Current Assets	87.49%	95.38%	99.03%	85.49%
Long-term Assets	12.51%	4.62%	0.97%	14.51%
TOTAL ASSETS	100.00%	100.00%	100.00%	100.00%
Current Liabilities	29.20%	28.44%	18.19%	29.49%
Long-term Liabilities	102.55%	43.06%	12.43%	11.18%
Total Liabilities	131.75%	71.51%	30.62%	40.67%
NET WORTH	-31.75%	28.49%	69.38%	59.33%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	55.21%	55.54%	55.63%	40.07%
Selling, General & Administrative Expenses	59.10%	44.92%	36.48%	21.95%
Advertising Expenses	0.00%	0.00%	0.00%	2.92%
Profit Before Interest and Taxes	-2.46%	15.89%	27.67%	2.90%
Main Ratios				
Current	3.00	3.35	5.44	2.64
Quick	2.53	2.93	5.00	0.74
Total Debt to Total Assets	131.75%	71.51%	30.62%	5.31%
Pre-tax Return on Net Worth	61.16%	232.00%	117.45%	47.92%
Pre-tax Return on Assets	-19.42%	66.10%	81.49%	10.20%
Additional Ratios	Year 1	Year 2	Year 3	
Net Profit Margin	-3.89%	10.62%	19.14%	n.a
Return on Equity	0.00%	162.40%	82.22%	n.a
Activity Ratios				
Inventory Turnover	6.78	19.47	19.49	n.a
Accounts Payable Turnover	14.07	12.17	12.17	n.a
Payment Days	27	24	25	n.a
Total Asset Turnover	4.99	4.36	2.98	n.a
Debt Ratios				
Debt to Net Worth	0.00	2.51	0.44	n.a
Current Liab. to Liab.	0.22	0.40	0.59	n.a
Liquidity Ratios				
Net Working Capital	\$29,548	\$60,590	\$168,980	n.a
Interest Coverage	-1.72	22.05	84.91	n.a

Long-term Interest Rate		6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%	6.25%
Tax Rate		30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%	30.00%
Other		0	0	0	0	0	0	0	0	0	0	0

PRO FORMA CASH FLOW

		MONT H 1	MONT H 2	MONT H 3	MONT H 4	MONT H 5	MONT H 6	MONT H 7	MONT H 8	MONT H 9	MONT H 10
Cash Received											
Cash from Operations											
Cash Sales		\$5,267	\$8,913	\$15,562	\$25,885	\$28,353	\$30,924	\$34,680	\$28,824	\$23,282	\$21,430
SUBTOTAL CASH FROM OPERATIONS		\$5,267	\$8,913	\$15,562	\$25,885	\$28,353	\$30,924	\$34,680	\$28,824	\$23,282	\$21,430
Additional Cash Received											
Sales Tax, VAT, HST/GST Received	0.00 %	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SUBTOTAL CASH RECEIVED		\$5,267	\$8,913	\$15,562	\$25,885	\$28,353	\$30,924	\$34,680	\$28,824	\$23,282	\$21,430
Expenditures		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10
Expenditures from Operations											
Cash Spending		\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560	\$2,560
Bill Payments		\$1,280	\$8,361	\$7,523	\$9,984	\$12,115	\$28,000	\$32,190	\$25,112	\$17,839	\$19,140
SUBTOTAL SPENT ON OPERATIONS		\$3,840	\$10,921	\$10,083	\$12,544	\$14,675	\$30,560	\$34,750	\$27,672	\$20,399	\$21,700
Additional Cash Spent											
Sales Tax, VAT, HST/GST Paid Out		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment		\$1,085	\$1,085	\$1,085	\$1,085	\$1,085	\$1,085	\$1,085	\$1,085	\$1,085	\$1,085
Purchase Other Current Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SUBTOTAL CASH SPENT		\$4,925	\$12,006	\$11,168	\$13,629	\$15,760	\$31,645	\$35,835	\$28,757	\$21,484	\$22,790
Net Cash Flow		\$342	(\$3,093)	\$4,394	\$12,256	\$12,593	(\$721)	(\$1,155)	\$67	\$1,798	(\$1,350)
Cash Balance		\$22,242	\$19,149	\$23,544	\$35,799	\$48,392	\$47,671	\$46,516	\$46,583	\$48,381	\$47,020

PRO FORMA BALANCE SHEET											
		MONTH 1	MONTH 2	MONTH 3	MONTH 4	MONTH 5	MONTH 6	MONTH 7	MONTH 8	MONTH 9	MONTH 10
Assets	Starting Balances										
Current Assets											
Cash	\$21,900	\$22,242	\$19,149	\$23,544	\$35,799	\$48,392	\$47,671	\$46,516	\$46,583	\$48,381	\$47,671
Inventory	\$28,350	\$27,945	\$27,405	\$21,979	\$12,971	\$15,722	\$19,807	\$18,433	\$14,264	\$12,923	\$8,350
Other Current Assets	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
TOTAL CURRENT ASSETS	\$51,250	\$51,187	\$47,554	\$46,522	\$49,770	\$65,114	\$68,478	\$65,949	\$61,847	\$62,304	\$56,921
Long-term Assets											
Long-term Assets	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500
Accumulated Depreciation	\$0	\$180	\$360	\$540	\$720	\$900	\$1,080	\$1,260	\$1,440	\$1,620	\$1,800
TOTAL LONG-TERM ASSETS	\$8,500	\$8,320	\$8,140	\$7,960	\$7,780	\$7,600	\$7,420	\$7,240	\$7,060	\$6,880	\$6,700
TOTAL ASSETS	\$59,750	\$59,507	\$55,694	\$54,482	\$57,550	\$72,714	\$75,898	\$73,189	\$68,907	\$69,184	\$62,621
Liabilities and Capital		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10
Current Liabilities											
Accounts Payable	\$1,000	\$8,113	\$7,192	\$9,599	\$11,187	\$26,919	\$31,344	\$24,519	\$17,198	\$18,573	\$16,250
Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
SUBTOTAL CURRENT LIABILITIES	\$1,000	\$8,113	\$7,192	\$9,599	\$11,187	\$26,919	\$31,344	\$24,519	\$17,198	\$18,573	\$16,250
Long-term Liabilities	\$65,000	\$63,915	\$62,830	\$61,745	\$60,660	\$59,575	\$58,490	\$57,405	\$56,320	\$55,235	\$54,150
TOTAL LIABILITIES	\$66,000	\$72,028	\$70,022	\$71,344	\$71,847	\$86,494	\$89,834	\$81,924	\$73,518	\$73,808	\$70,400
Paid-in Capital	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
Retained Earnings	(\$36,250)	(\$36,250)	(\$36,250)	(\$36,250)	(\$36,250)	(\$36,250)	(\$36,250)	(\$36,250)	(\$36,250)	(\$36,250)	(\$36,250)
Earnings	\$0	(\$6,271)	(\$8,077)	(\$10,611)	(\$8,047)	(\$7,530)	(\$7,686)	(\$2,486)	\$1,639	\$1,626	(\$1,626)
TOTAL CAPITAL	(\$6,250)	(\$12,521)	(\$14,327)	(\$16,861)	(\$14,297)	(\$13,780)	(\$13,936)	(\$8,736)	(\$4,611)	(\$4,624)	(\$7,250)
TOTAL LIABILITIES AND CAPITAL	\$59,750	\$59,507	\$55,694	\$54,482	\$57,550	\$72,714	\$75,898	\$73,189	\$68,907	\$69,184	\$62,621
Net Worth	(\$6,250)	(\$12,521)	(\$14,327)	(\$16,861)	(\$14,297)	(\$13,780)	(\$13,936)	(\$8,736)	(\$4,611)	(\$4,624)	(\$7,250)