



Wine Store Business Plan

Rationale:

New construction of upscale residential housing in Boston has been robust in recent years, leading to the formation of new communities in need of neighborhood stores and services. As the population shift continues, opportunities arise for retail businesses ready to accommodate this growth and capitalize on the trend.

Objective:

Vino Maestro will be a full-service retail merchant of fine wines and spirits in Boston. It will distinguish itself from the competition and capture market share by securing a prime storefront location in a newly forming Boston residential neighborhood. It will follow the best practices of its retail category leaders, with particular emphasis on excellent customer service, a broad selection of quality inventory, and competitive pricing.

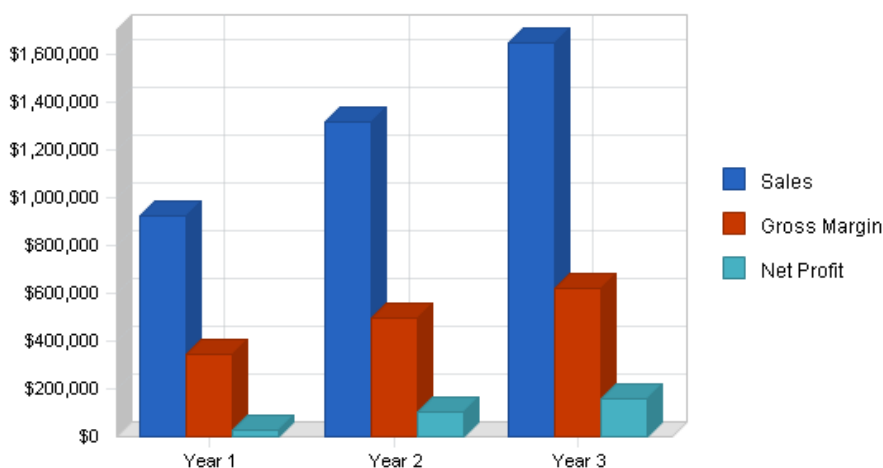
1.1 Mission

Our mission is to develop into the best location to buy wine in Boston, which will be measured by our growth in sales, and in opinions and ratings published in the media. Inventory and sales records will be computerized, to allow the company to identify and exploit best selling products, match volumes and profitability to service levels, anticipate demand, manage cash flows, assist with revenue growth plans, and optimize supplier/distributor relationships.

Goals:

- Earn and maintain Vino Maestro's rating as one of the best stores in the Boston wine and spirits retail trade business.
- Establish 30% minimum gross profit margins (retail price less wholesale cost) from inception.
- Achieve a profitable return on investment within three years.
- Earn a 15% internal rate of return for investors over the life of the lease.
- Attract talented and motivated staff.

Highlights



Company Summary

Vino Maestro will be a Boston retailer of fine wines and spirits. The company will be formed as a closely held C corporation in which business partners Cris Martin and Bob Williams will own 80% interest.



2.1 Company Ownership

The following table outlines the start-up expenses, assets, funding, and liabilities.

Start-up

Requirements

Start-up Expenses

Legal	£15,000
Stationery etc.	£3,000
Marketing	£10,000
Computer Systems	£12,000
Telecommunications	£5,000
Security	£10,000
Store Layout	£10,000
Pre-opening Staff and Training	£10,000
Total Start-up Expenses	£75,000

Start-up Assets

Cash Required	£70,000
Start-up Inventory	£150,000
Other Current Assets	£0
Long-term Assets	£180,000
Total Assets	£400,000

Total Requirements £475,000

Start-up Funding

Start-up Expenses to Fund	£75,000
Start-up Assets to Fund	£400,000
Total Funding Required	£475,000

Assets

Non-cash Assets from Start-up	£330,000
Cash Requirements from Start-up	£70,000
Additional Cash Raised	£0
Cash Balance on Starting Date	£70,000
Total Assets	£400,000



Liabilities and Capital

Liabilities

Current Borrowing	£0
Long-term Liabilities	£240,000
Accounts Payable (Outstanding Bills)	£0
Other Current Liabilities (interest-free)	£0
Total Liabilities	£240,000

Capital

Planned Investment

Investor 1	£130,000
Investor 2	£105,000
Other	£0
Additional Investment Requirement	£0
Total Planned Investment	£235,000

Loss at Start-up (Start-up Expenses)	(£75,000)
Total Capital	£160,000

Total Capital and Liabilities	£400,000
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Total Funding	£475,000
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2.2 Company Locations and Facilities

Vino Maestro will be located in the newly developing Southside Towers residential hi-rise project in Boston. The site is one of the densest and wealthiest markets in the nation. When fully completed (in approximately seven years), it will be comprised of 16 residential towers, 17,000 residents and 19 acres of new harbor front manicured park land.

Our storefront will be prime retail space in the southeast corner of the 247 Mainline Avenue building, facing Excelsior Place, a main artery for vehicles and city buses coming and going from the complex. The store is centered within a cluster of eight phase-one residential towers, three fully completed and five more planned for consecutive construction as the residences are sold or rented.

The next building to be constructed at 249 Mainline Avenue is the flagship residential tower of the Southside development, with 440 condominiums currently offered for sales at prices ranging from £350k for a studio, to £3.5 million for a four bedroom home. So far, about 150 of these units have been sold already, prior to construction, which is expected to be completed next year.

XYZ Realty, the agent for the landlord, has advised us that minimum household annual incomes of £100k are required to be eligible for rental residences within Southside Towers. Minimum income requirements are calculated at 95 times monthly rents. One-bedroom apartment rentals average in the £3,000 per month range.

Vino Maestro will be located in one of two currently existing, fully-rented residential towers.



Market Analysis Summary

U.S. sales of wines priced at £10 to £14 a bottle have climbed 14 percent over the past 12 months, and sales at £25 a bottle (and up) have grown 18 percent. The trend is expected to continue (source: UBS Warburg research).

Indeed, wine consumption is on the increase in the United States, and customers are trading up. Better still for the wine industry, wine overtook coffee as the most popular meal time beverage in the U.S. in 1998 (Wine Business Monthly, 6/00).

Americans spent more than £20 billion on wine in 1999, up from £17.6 billion the previous year - an increase of more than 13 percent (WBM, 4/00).

Consumption trends and demographics point to robust wine sales growth for the next 15 years.

The bullish outlook was documented by well-known industry consultant Vic Motto of Motto, & Fisher and is based on that firm's look at the forces driving increased fine wine consumption. His findings and conclusions were presented as part of a presentation entitled "Wine: What's Powering This Rocket?"

Wine demand is likely to be boosted strongly by the aging of the U.S. population. Per capita consumption of wine increases with age, with early consumers drinking only 6.6 bottles per year. Consumption peaks at 16.4 bottles annually among adults 50-59 years old. "Baby boomers, more than any other previous generation, view wine as a simple, affordable luxury." Given that the strongest growth in population over the next 10 years will be among these adults, who currently consume about 40 percent of all wines, it is easy to understand Motto's bullish outlook. "The aging demographic transformation is going to continue for the next 15 years, and the traits of this population as they shift into their older years of life fit wine to a 'T'" said Motto. Interestingly, their children, today's echo-boomers, make up another population group that will experience rapid growth over the next decade.

The influence of demographics on wine consumption is so strong, according to MKF, that if the current growth rate in wine sales were adjusted to account for the population changes, then U.S. wine consumption potentially could increase 80 percent by 2015 due to demographics alone. Also, comprehensive industry research has shown that down turns in the economy and the stock market appear to have no impact on wine sales. In fact, wine sales rose slightly during previous stock market declines.

U.S. Per Capita Wine Consumption by Age:

21-29	6.6 bottles
30-39	9.7 bottles
40-49	13.6 bottles
50-59	16.4 bottles
60+	14.5 bottles

(source: Motto, Kryler, & Fisher)

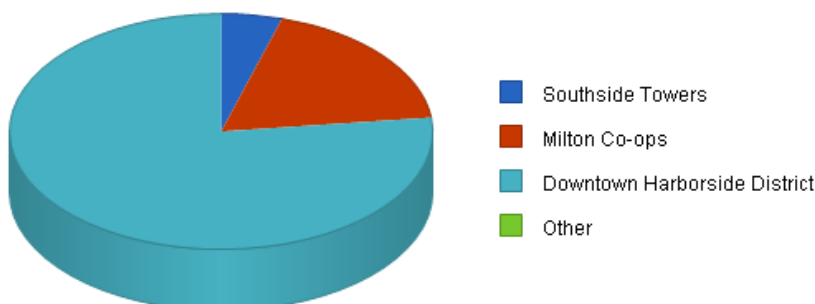
As one would expect, wine consumption in the Boston metropolitan area exceeds national averages, primarily due to higher per capita income levels and a more global population mix. Europeans, for example, drink 5 to 10 times more wine per capita than their American counterparts. Consequently, we conservatively base our business plan projections for the Southside Towers resident segment to buy an average of 15 bottles of wine per capita per year from our store.

3.1 Market Segmentation

The following chart and table show the market analysis for Vino Maestro.



Market Analysis (Pie)



Market Analysis

		Year 1	Year 2	Year 3	Year 4	Year 5	
Potential Customers	Growth						CAGR
Southside Towers	0%	3,000	5,000	7,000	9,000	11,000	38.38%
Milton Co-ops	1%	12,000	12,060	12,120	12,181	12,242	0.50%
Downtown Harborside District	2%	50,000	51,000	52,020	53,060	54,121	2.00%
Other	0%	0	0	0	0	0	0.00%
Total	4.45%	65,000	68,060	71,140	74,241	77,363	4.45%

3.2 Industry Analysis

Due to regulatory constraints, the retail wine and spirit trade in Massachusetts is comprised of many independent participants. Chain stores are not allowed. No change is seen in this structure for the foreseeable future, although some changes are afoot in Internet-driven distribution operations, particularly for wholesalers.

3.2.1 Competition and Buying Patterns

Competition to a large degree depends on location, as stores take a stake in a territory that engenders best in-store sales prospects. Relationships are cultivated with better customers, both individual and wholesale, who may qualify for discounts based on volume purchases. Prices in the Boston marketplace are not subject to much variance, as retailers seek to protect their margins against distributor costs that are virtually the same for all. Distributors, however, reward volume, and high-volume retailers have the capability to build a competitive advantage. For example, Millstones runs periodic Super Sales, with retail prices of over 200 wines offered at distributor cost prices. This is something only a high-volume retailer could afford to do.

Other competitive factors include breadth and depth of available stock, product knowledge, customer service, expense management, marketing programs, employee productivity, management of detailed information, in-store presentation and overall design, hours of operation, incoming and outgoing delivery efficiencies, product packaging, customer loyalty, out-of-area competition, pricing, and reputation.

Competitors:

Global Wines is about 1,500 feet from our proposed storefront. It is our primary local competitor, although not a serious threat to our main residential base of customers within Southside, who will find our location much more convenient to their needs. Another important factor is that our selection and product knowledge will appeal to the high-income Southside Towers resident, while Global Wines has more of a neighborhood grocer approach with less focus on product knowledge.

Источник бизнес-плана: <http://www.bplans.co.uk>



Stillman Wines on Packard Street is the next nearest competitor, about 2,500 feet north of our location. Although Stillman is a high-volume shop with strength in pricing power, it remains far beyond the practical boundaries for shoppers who live in our neighborhood.

There are other direct marketers and major advertisers that can deliver into our territory: Beverson's, Millstone's, Gainer, and Morrison. We expect our local delivery service will be faster and more responsive than these bigger players.

Internet storefronts (evinyard.com, Wine.com, etc.) are emerging competitors and may be more of a longer term issue, since the industry and marketplace is in the process of experimenting, testing and adapting to changing conditions in search of a business model that works over the long term. We intend to develop our own website and emerge as a player by developing with website economics that make this a self-funding outlet for sales and service.

Non-local stores that are in commuter paths of our neighborhood residents are also competitors, which will make us ever aware of the importance of cultivating relationships with our neighborhood residents so we can develop a long-term loyal customer base.

3.3 Target Market Segment Strategy

The target market profile consists of Boston residents who are educated, successful professionals, with high disposable income, and who are regular consumers of alcoholic beverages. Most of the consumers in this category rely on assistance in selecting wines and spirits. Consequently, they tend to reward the most capable merchants with loyalty and word-of-mouth advertising. This is an area that Vino Maestro will work to develop as a keystone of its marketing strategy.

Other potential segments (geographic, demographic, preferences):

Bulk volume: private and business. Much of this business needs to be cultivated through opportunistic networking, and diligent follow-ups of in-store inquiries and leads.

Boston direct deliverables: (outside immediate store neighborhood) viable only as the store earns its way into a position in which it can invest in vehicle delivery operations and line up target customers that would sustain such an operation.

Intra-state shipments: contingent on expansion following the successful implementation of this business plan in the first year or two of operations. This business would develop through direct-mail catalog marketing, and an Internet sales operation.

3.3.1 Market Needs

Other than the market segment carved out by Beverson's and a handful of major players, little attention is paid to the opportunities of geographic extensions through direct shipments of wine & spirits throughout Massachusetts. Beverson's markets over the Internet and has over 220 thousand actual and potential customers on its mailing list. As a goal, our company will seek to capture of piece of the apparently substantial demand for direct shipment sales. Is is important to note that if current lobbying efforts are successful in influencing state and national liquor authorities to allow interstate shipments, our company intends to be in a good position to capture a piece of this outstanding potential growth opportunity. Even without interstate sales, a successful penetration of the Massachusetts intra-state marketplace would mean substantial growth for a neighborhood business.

Strategy and Implementation Summary

1. Location is critical to attract the traffic and customer profile required to generate planned sales volumes. The



business is highly territorial. We have mapped the location of every retail liquor store in Boston, and we have been working with executives of Castle Real Estate Company to determine the best possible location for the store. Four target areas were identified: the newly developing Southside residential complex downtown, the Jefferson Park area, the Shoehorn district, and the Princeville area. Among these target areas, Southside Towers has been identified as our most promising business opportunity.

Exclusivity within Southside Towers is a significant competitive edge. It gives Vino Maestro geographic and protected domain as the most convenient source of fine wines and spirits for over 3,000 current residents and up to 14,000 additional future residents.

2. Seasoned executive management professionals, sophisticated in business knowledge, experienced in the wine and spirits trade.
3. Sales staff with wine and spirit education credentials.

4.1 Competitive Edge

Marketing strategy will focus on:

1. Developing a reputation for great selection, an appealing store environment, competitive prices, and excellent customer service. This should engender strong word-of-mouth advertising--our most potent form of advertising.
2. Developing strong relationships with our suppliers to help insure best discount deals and best supplier services obtainable.
3. Keeping the staff focused, satisfied and important in their roles--to help keep our productivity and customer service at the highest obtainable levels.
4. Maintaining an awareness of our store through regular advertising to our target community. This may be in any combination of media--newspaper, direct mail, in-store ads and brochures, online ads, radio, and/or television.
5. Reaching out to potential wholesale clients--businesses and community organizations.
6. Doing activities that can stimulate additional business: wine tastings, matching wines with food, sharing interesting and educational wine knowledge, publishing a newsletter, offering customer service through a website.
7. Longer term, eventually extending our market penetration beyond the physical boundaries of the store location--through direct catalog sales and an Internet website.

4.2 Marketing Strategy

Product pricing will be based on competitive parity guidelines. Prices will be consistent with those of the retail stores in our area, with the exception of very high-volume operations who have more powerful pricing leverage.

Pricing will be monitored continuously against neighborhood and other competitive sources (market leaders) who we can readily research.

4.3 Sales Strategy

Management will focus on daily sales revenue goals.

Best value products will be identified to assist customers with smart selections.

Deliveries will be geared to the customer's convenience. The situation will be monitored to insure that the company invests adequately in its own delivery operations.

Sales feedback will be elicited to stimulate ideas, approaches, relate success stories, instruct in new techniques, share news, implement improvements.

Major accounts will be solicited through networking, neighborhood solicitations, and opportunistic encounters at any time by management.



4.3.1 Sales Forecast

1. Sales projections for Vino Maestro are based on: actual sales of Season's Best Wine & Spirits, A&A Wines, Avenue Wines, interviews with liquor store owners and managers, observations of store sales and traffic at Friendship Wines, Pelican Place, and various other retail stores in Boston, government and industry trade statistics, and population demographics and projections envisioned in Southside Towers construction plans.
2. Regarding wine revenue potential, we are forecasting average sales of 15 bottles per capita per year for residents of Southside Towers, and an average retail price of £15 per 750 ml bottle. Trade statistics show that, on a national basis, 10% of the population is responsible for 90% of alcoholic beverage consumption. The "average" Southside Towers customer, representing 10% of the Southside Towers population, therefore, would be expected to purchase three bottles of wine per week from our store. With Southside Towers growing from a base of 3,000 to 17,000 residents, we see wine revenue potential from these residents in a range of £675k to £3.8 million over the course of the full development of the Southside Towers project.
3. The balance of our forecasted wine sales, representing some 20% of total wine sales, will come from sources external to Southside Towers: catering services, corporate accounts, deliveries to consumers outside Southside Towers, and visitors to the Southside Towers complex of residences, stores, and park situated on the NY harbour waterfront.
4. Sales revenue of spirits are projected to be 10% of wine sales, based on interviews with Boston store owners with a similar array to the product mix we have planned.
5. About 40% of annual sales are expected to occur in the November-December holiday period. This is in-line with the retail liquor store norm and confirmed by owner interviews and trade statistics.
6. Wine consumption has been growing in terms of sales volume some 8-10% annually for the last decade. This trend is expected to continue and perhaps increase to up to 12% in the next 15 years. Spirits sales will tend to remain flat during the same time, with the exception of tequilla, vodka, and rum. Our forecast assumes a 7% annual growth in total wine and spirits sales per capita.
7. Assuming a plan fiscal year beginning July 1, 2001, we estimate the Southside Towers population to increase 1,000 residents per year in-line with current construction and occupancy estimates provided by agents for Southside Towers.

Sales Forecast

	Year 1	Year 2	Year 3
Sales			
Wine	£840,000	£1,200,000	£1,500,000
Spirits	£84,000	£120,000	£150,000
Other	£0	£0	£0
Total Sales	£924,000	£1,320,000	£1,650,000

	Year 1	Year 2	Year 3
Direct Cost of Sales			
Wine	£509,091	£727,273	£909,091
Spirits	£68,852	£98,361	£120,968
Other	£0	£0	£0
Subtotal Direct Cost of Sales	£577,943	£825,633	£1,030,059



4.3.2 Sales Programs

Sales staff will have a level of wine and spirits knowledge that will position Vino Maestro to address customer needs better than our competition. The company will support high potential sales staff with education tuition assistance, and we will recruit our sales staff from students of wine education institutes.

One of the managing partners is musically talented and will use his skill to create programmed background music to enhance store ambience and stimulate sales. This music will have the potential to be copyrighted and tested as a stand-alone marketable product, similar to CD's sold by Starbucks and Pottery Barn. The store layout will be planned with a commercial interior designer, to present an upscale, festive, cosmopolitan and culturally sophisticated image.

A proprietary website address has been registered, and a website will be built to enhance customer service, supplier commerce, and direct sales. Vino Maestro will take advantage of this opportunity as much as possible within budgetary limits.

Peripheral sales and marketing collaterals will be used to expand product lines and customer awareness of our store: wine glasses, recipes (that match wine with food), corkscrews, umbrellas, calendars.

A sophisticated proprietary software tool will be developed to enhance the customer buying experience with product knowledge matched to our customers' tastes and preferences.

4.4 Strategic Alliances

Vino Maestro will seek out opportunities to establish viable strategic alliances, such as co-marketing with gourmet food operations, wine and spirits distributors, importers, and producers. One such opportunity, and a natural fit, is an alliance with the upscale gourmet food market that will occupy a neighboring retail storefront on Mainline Avenue, within about 100 feet from our storefront. Packaging party catering and event food services with a complement of fine wines and spirits from Vino Maestro will help promote both businesses and provide an extra measure of service to our neighborhood customers. Coordinating gift baskets with wine orders in a single delivery package presents another compelling co-marketing opportunity. Information specific to pairing wines with food can be used to stimulate sales as well.

Management Summary

Vino Maestro will be managed by Cris Martin and Bob Williams. After the launch of the business, as sales volumes increase, an associate manager may be hired to help with day-to-day store operations.

5.1 Management Team

Cris Martin: Managing Partner

Cris has over 25 years of management experience in the retail, financial services and newspaper publishing businesses. After graduating with a B.A. from Bigten State University in 1981, Cris worked his way up the career ladder in retail management positions for Jensen's, Hollard's, and Northbank. In 1986, he became an assistant vice president with Hanson Trust. In 1988, he launched his first business, Atlantic Racquet Club. As the CEO of the organization, he learned, first hand, everything it takes to start and operate a small retail business in a major city. In the 1990's, Cris worked as a newspaper executive, first for the Metropolis Star and later for the Gotham City Times, where as director of business operations he was a key member of the management team that launched and grew the gothamcitytimes.com website.

Cris holds an MBA degree in finance and accounting from Burke University, a B.A. in psychology from Bigten State University, and a Higher Certificate degree from the Wine and Spirit Education Trust.



Robert Williams: Managing Partner

Bob brings over 20 years of wine trade expertise and executive management skills to our company. For the last ten years, Bob served as the director of food and beverages for the Prestige Athletic Club, an £8 million/year operation where he personally selected the club's wine list (of over 100 wines), coordinated over 20 wine tastings, taught wine classes, and developed relationships with some of the top wine makers in the world. As a volume buyer for the PAC, he has done business with many of the wine and liquor distributors and importers who cover the metro New York area.

Prior to his position at the PAC, Bob spent more than a dozen years in restaurant management positions--as restaurant manager of Mr. E's in Houston, Partner and general manager of the Fieldstone Restaurant in Minneapolis, and restaurant manager for the Pinnacle Hotel in Boston.

After graduating from Tellford University in 1983 with a B.A. degree in history, Bob earned a Higher Certificate with Distinction from the Wine and Spirit Education Trust, and a Certified Sommelier degree from the Sommelier Society of America.

5.2 Personnel Plan

The following table shows the personnel needed for Vino Maestro.

Personnel Plan

	Year 1	Year 2	Year 3
Store Managers/Partners	£96,000	£96,000	£100,000
Salespeople -- Full-time	£0	£0	£0
Salespeople -- Seasonal	£4,650	£3,070	£3,380
Stock/Delivery -- Full-time	£21,320	£23,500	£28,850
Stock/Delivery -- Seasonal	£2,460	£2,700	£2,970
Other	£0	£0	£0
Total People	6	7	7

Total Payroll	£124,430	£125,270	£135,200
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Financial Plan

50%-70% of sales are projected as credit card sales, in-line with actual experience of retail liquor stores in Boston.

Credit card collection is typically short, and this plan assumes an one day collection time.

The payment days estimate ranges from 30 days to 28 days. Distributors terms are 30 days, although substantial discounts can be secured with earlier payments.

The long-term interest rate basis is the current SBA guideline of prime plus 2.25% for a seven year loan.

The short-term interest rate basis is the fed funds rate plus 2.5%

Distributors reward volume purchases with lower costs. The company plans to take advantage of distributors' volume discounts, and will pass along these savings to consumers in the form of sales and special promotions to stimulate loyalty and further growth. Gross margins will be maintained in the 30-33% range, which would put our business in-line with the competition in the Boston metro area.



6.1 Projected Balance Sheet

As the business grows, our investment in inventory increases. This reflects sales volume increases and the commensurate ability to secure favorable volume discount terms with our distributors.

The projected accounts receivable position is relatively low and steady due to the nature of the business, in which up to 50% of our sales are cash, and the balance are consumer credit card purchases. No other consumer credit terms are envisioned or necessary for the operation of this business.

Capital assets of £235K are comprised of a quoted £100-£130k for the build-out of the store (depreciating straight line over the 15 year term of the lease), £75k for start-up costs (amortized over five years), and £50k for the landlord's security deposit (about eight months rent).

Long-term liabilities are projected to decrease steadily, reflecting re-payment of the original seven year term loan required to finance the business.

It is important to note that part of the retained earnings may become a distribution of capital to the owners, while the balance would be reinvested in the business to replenish depreciated assets and to support further growth.

Pro Forma Balance Sheet

	Year 1	Year 2	Year 3
Assets			
Current Assets			
Cash	£242,668	£326,466	£486,356
Inventory	£60,546	£86,495	£107,911
Other Current Assets	£0	£0	£0
Total Current Assets	£303,215	£412,961	£594,267
Long-term Assets			
Long-term Assets	£180,000	£180,000	£180,000
Accumulated Depreciation	£18,480	£42,240	£76,890
Total Long-term Assets	£161,520	£137,760	£103,110
Total Assets	£464,735	£550,721	£697,377
Liabilities and Capital	Year 1	Year 2	Year 3
Current Liabilities			
Accounts Payable	£73,228	£89,859	£110,218
Current Borrowing	£0	£0	£0
Other Current Liabilities	£0	£0	£0
Subtotal Current Liabilities	£73,228	£89,859	£110,218
Long-term Liabilities	£205,716	£171,432	£137,148
Total Liabilities	£278,944	£261,291	£247,366
Paid-in Capital	£235,000	£235,000	£235,000
Retained Earnings	(£75,000)	(£49,209)	£54,431
Earnings	£25,791	£103,640	£160,580
Total Capital	£185,791	£289,431	£450,011



Total Liabilities and Capital £464,735 £550,721 £697,377

Net Worth £185,791 £289,431 £450,011

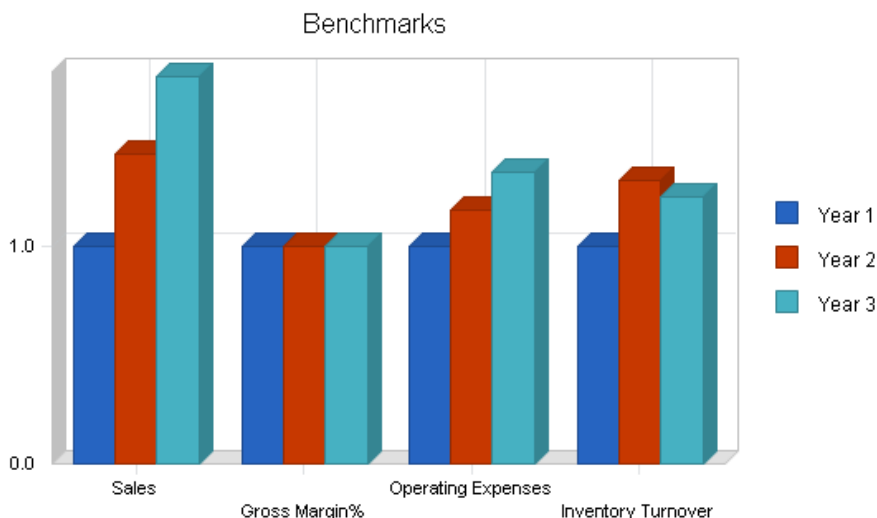
	Year 1	Year 2	Year 3
Plan Month	1	2	3
Current Interest Rate	9.00%	9.00%	9.00%
Long-term Interest Rate	11.00%	11.00%	11.00%
Tax Rate	25.42%	25.00%	25.42%
Other	0	0	0

6.2 Key Financial Indicators

Since this is a start-up operation, a steady increase in sales is forecast over three years, as consumer awareness and regular repeat business grows with a strong and consistent increase in the population of Southside Towers, from an initial 3,000 residents to about 17,000 residents upon completion. A solid business plan and the management skills and experience of the managing partners should be sufficient to orchestrate the necessary growth to make this a successful launch with steady increases in sales over the first three years.

Operating expenses are based on an assessment of operational needs for a store of this size. Observations of Boston retail wine shop staffing, direct experience at Liberty and Star City wine stores, and interviews with store owners and suppliers are the basis for these projections. Rent is based on negotiated lease agreement with the landlord. Other estimates are based on experience in operating a 4,000 square foot Boston storefront business, and on vendor quotes and estimates.

Collection days should remain fairly short, given the substantial cash revenues, and standard credit card collection periods.



6.3 Projected Profit and Loss

The following table presents the profit and loss figures for Vino Maestro.

Pro Forma Profit and Loss

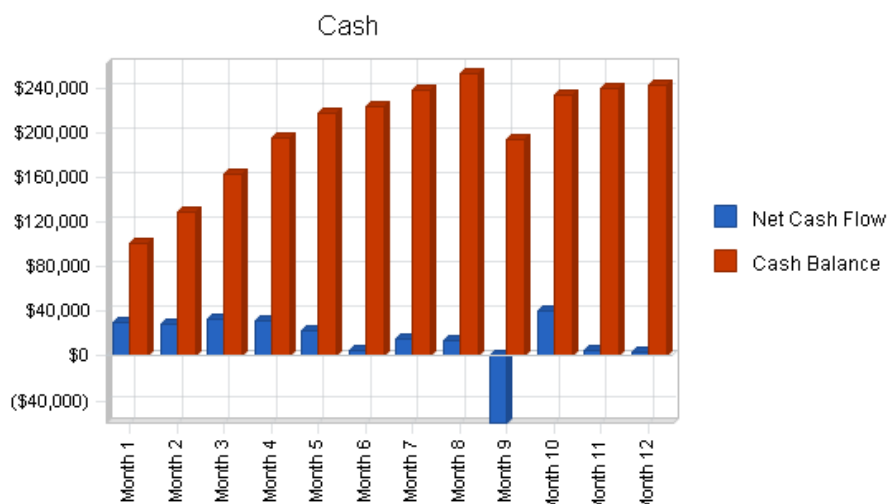
	Year 1	Year 2	Year 3
Sales	£924,000	£1,320,000	£1,650,000



Direct Cost of Sales	£577,943	£825,633	£1,030,059
Other	£0	£0	£0
Total Cost of Sales	£577,943	£825,633	£1,030,059
Gross Margin	£346,057	£494,367	£619,941
Gross Margin %	37.45%	37.45%	37.57%
Expenses			
Payroll	£124,430	£125,270	£135,200
Sales and Marketing and Other Expenses	£0	£0	£0
Depreciation	£18,480	£23,760	£34,650
POS computer software lease	£3,000	£3,500	£4,000
Rent	£56,093	£77,000	£80,000
Utilities- HVAC and phone/data lines	£6,000	£6,600	£7,260
Insurance	£6,000	£6,600	£7,260
Vehicle Delivery Expenses	£6,000	£12,000	£24,000
Maintenance/Repairs	£6,000	£6,500	£7,000
Cleaning/Supplies	£6,000	£6,500	£7,000
Rent	£23,664	£23,664	£23,664
Leased Equipment	£0	£0	£0
Advertising/Marketing	£12,000	£24,000	£36,000
Payroll Taxes	£19,909	£20,043	£21,632
Other	£0	£0	£0
Total Operating Expenses	£287,575	£335,437	£387,666
Profit Before Interest and Taxes	£58,481	£158,929	£232,275
EBITDA	£76,961	£182,689	£266,925
Interest Expense	£24,357	£20,743	£16,972
Taxes Incurred	£8,333	£34,547	£54,723
Net Profit	£25,791	£103,640	£160,580
Net Profit/Sales	2.79%	7.85%	9.73%

6.4 Projected Cash Flow

We are positioning ourselves in the market as a medium-risk concern with steady cash flows. Accounts payable is paid at the end of each month while sales are in cash and short-term credit card collectibles. Cash balances will be used to reduce outstanding line of credit balances, or will be invested in a low-risk liquid money market fund to decrease the opportunity cost of cash held. Surplus cash balances during the critical first year of operations will function as protection against unforeseen changes in the timing of disbursements required to fund operations.



Pro Forma Cash Flow

	Year 1	Year 2	Year 3
Cash Received			
Cash from Operations			
Cash Sales	£924,000	£1,320,000	£1,650,000
Subtotal Cash from Operations	£924,000	£1,320,000	£1,650,000
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	£0	£0	£0
New Current Borrowing	£0	£0	£0
New Other Liabilities (interest-free)	£0	£0	£0
New Long-term Liabilities	£0	£0	£0
Sales of Other Current Assets	£0	£0	£0
Sales of Long-term Assets	£0	£0	£0
New Investment Received	£0	£0	£0
Subtotal Cash Received	£924,000	£1,320,000	£1,650,000
Expenditures			
Expenditures from Operations			
Cash Spending	£124,430	£125,270	£135,200
Bill Payments	£592,618	£1,076,648	£1,320,626
Subtotal Spent on Operations	£717,048	£1,201,918	£1,455,826
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	£0	£0	£0
Principal Repayment of Current Borrowing	£0	£0	£0
Other Liabilities Principal Repayment	£0	£0	£0
Long-term Liabilities Principal Repayment	£34,284	£34,284	£34,284



Purchase Other Current Assets	£0	£0	£0
Purchase Long-term Assets	£0	£0	£0
Dividends	£0	£0	£0
Subtotal Cash Spent	£751,332	£1,236,202	£1,490,110
Net Cash Flow	£172,668	£83,798	£159,890
Cash Balance	£242,668	£326,466	£486,356

6.5 Business Ratios

Business ratios for the years of this plan are shown below. Industry profile ratios based on the Standard Industrial Classification (SIC) code 5921, [insert code title here], are shown for comparison.

Ratio Analysis

	Year 1	Year 2	Year 3	Industry Profile
Sales Growth	0.00%	42.86%	25.00%	9.40%

Percent of Total Assets

Inventory	13.03%	15.71%	15.47%	42.10%
Other Current Assets	0.00%	0.00%	0.00%	32.30%
Total Current Assets	65.24%	74.99%	85.21%	76.10%
Long-term Assets	34.76%	25.01%	14.79%	23.90%
Total Assets	100.00%	100.00%	100.00%	100.00%

Current Liabilities	15.76%	16.32%	15.80%	41.80%
Long-term Liabilities	44.27%	31.13%	19.67%	19.40%
Total Liabilities	60.02%	47.45%	35.47%	61.20%
Net Worth	39.98%	52.55%	64.53%	38.80%

Percent of Sales

Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	37.45%	37.45%	37.57%	23.10%
Selling, General & Administrative Expenses	34.68%	29.60%	27.79%	12.70%
Advertising Expenses	0.00%	0.00%	0.00%	0.50%
Profit Before Interest and Taxes	6.33%	12.04%	14.08%	1.10%

Main Ratios

Current	4.14	4.60	5.39	2.19
Quick	3.31	3.63	4.41	0.50
Total Debt to Total Assets	60.02%	47.45%	35.47%	61.20%
Pre-tax Return on Net Worth	18.37%	47.74%	47.84%	3.40%
Pre-tax Return on Assets	7.34%	25.09%	30.87%	8.90%

Additional Ratios	Year 1	Year 2	Year 3
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Net Profit Margin	2.79%	7.85%	9.73%	n.a
Return on Equity	13.88%	35.81%	35.68%	n.a

Activity Ratios

Inventory Turnover	8.62	11.23	10.60	n.a
Accounts Payable Turnover	9.09	12.17	12.17	n.a
Payment Days	27	27	27	n.a
Total Asset Turnover	1.99	2.40	2.37	n.a

Debt Ratios

Debt to Net Worth	1.50	0.90	0.55	n.a
Current Liab. to Liab.	0.26	0.34	0.45	n.a

Liquidity Ratios

Net Working Capital	£229,987	£323,103	£484,049	n.a
Interest Coverage	2.40	7.66	13.69	n.a

Additional Ratios

Assets to Sales	0.50	0.42	0.42	n.a
Current Debt/Total Assets	16%	16%	16%	n.a
Acid Test	3.31	3.63	4.41	n.a
Sales/Net Worth	4.97	4.56	3.67	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Sales Forecast

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales													
Wine	0%	£40,000	£45,000	£50,000	£50,000	£60,000	£75,000	£100,000	£125,000	£70,000	£70,000	£75,000	£80,000
Spirits	0%	£4,000	£4,500	£5,000	£5,000	£6,000	£7,500	£10,000	£12,500	£7,000	£7,000	£7,500	£8,000
Other	0%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Sales		£44,000	£49,500	£55,000	£55,000	£66,000	£82,500	£110,000	£137,500	£77,000	£77,000	£82,500	£88,000
Direct Cost of Sales		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Wine		£24,242	£27,273	£30,303	£30,303	£36,364	£45,455	£60,606	£75,758	£42,424	£42,424	£45,455	£48,485
Spirits		£3,279	£3,689	£4,098	£4,098	£4,918	£6,148	£8,197	£10,246	£5,738	£5,738	£6,148	£6,557
Other		£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Direct Cost of Sales		£27,521	£30,961	£34,401	£34,401	£41,282	£51,602	£68,803	£86,003	£48,162	£48,162	£51,602	£55,042

Personnel Plan

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Store Managers/Partners	0%	£8,000	£8,000	£8,000	£8,000	£8,000	£8,000	£8,000	£8,000	£8,000	£8,000	£8,000	£8,000
Salespeople -- Full-time	0%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Salespeople -- Seasonal	0%	£0	£0	£0	£0	£0	£0	£930	£1,860	£1,860	£0	£0	£0
Stock/Delivery -- Full-time	0%	£2,050	£1,640	£1,640	£2,050	£1,640	£1,640	£2,050	£1,640	£1,640	£2,050	£1,640	£1,640
Stock/Delivery -- Seasonal	0%	£0	£0	£0	£0	£0	£0	£820	£1,640	£0	£0	£0	£0
Other	0%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total People		6	6	6	6	6	6	8	8	6	6	6	6
Total Payroll		£10,050	£9,640	£9,640	£10,050	£9,640	£9,640	£11,800	£13,140	£11,500	£10,050	£9,640	£9,640

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www.live-and-learn.ru - современный журнал практической психологии



General Assumptions

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Plan Month	1	2	3	4	5	6	7	8	9	10	11	12
Current Interest Rate	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
Long-term Interest Rate	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Tax Rate	30.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
Other	0	0	0	0	0	0	0	0	0	0	0	0

Pro Forma Profit and Loss

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Sales	£44,000	£49,500	£55,000	£55,000	£66,000	£82,500	£110,000	£137,500	£77,000	£77,000	£82,500	£88,000
Direct Cost of Sales	£27,521	£30,961	£34,401	£34,401	£41,282	£51,602	£68,803	£86,003	£48,162	£48,162	£51,602	£55,042
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Cost of Sales	£27,521	£30,961	£34,401	£34,401	£41,282	£51,602	£68,803	£86,003	£48,162	£48,162	£51,602	£55,042
Gross Margin	£16,479	£18,539	£20,599	£20,599	£24,718	£30,898	£41,197	£51,497	£28,838	£28,838	£30,898	£32,958
Gross Margin %	37.45%	37.45%	37.45%	37.45%	37.45%	37.45%	37.45%	37.45%	37.45%	37.45%	37.45%	37.45%
Expenses												
Payroll	£10,050	£9,640	£9,640	£10,050	£9,640	£9,640	£11,800	£13,140	£11,500	£10,050	£9,640	£9,640
Sales and Marketing and Other Expenses	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Depreciation	£880	£990	£1,100	£1,100	£1,320	£1,650	£2,200	£2,750	£1,540	£1,540	£1,650	£1,760
POS computer software lease	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250	£250
Rent	£0	£0	£0	£6,233	£6,233	£6,233	£6,233	£6,233	£6,233	£6,233	£6,233	£6,233
Utilities- HVAC and phone/data lines	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500
Insurance	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500
Vehicle Delivery Expenses	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500
Maintenance/Repairs	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500
Cleaning/Supplies	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500	£500
Rent	£1,972	£1,972	£1,972	£1,972	£1,972	£1,972	£1,972	£1,972	£1,972	£1,972	£1,972	£1,972
Leased Equipment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Advertising/Marketing	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000	£1,000
Payroll Taxes	£1,608	£1,542	£1,542	£1,608	£1,542	£1,542	£1,608	£2,102	£1,840	£1,608	£1,542	£1,542
Other	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Operating Expenses	£18,280	£17,894	£18,004	£24,713	£24,457	£24,787	£27,843	£29,947	£26,835	£25,153	£24,787	£24,897
Profit Before Interest and Taxes	(£1,781)	£644	£2,594	(£4,114)	£261	£6,111	£13,355	£21,550	£2,004	£3,686	£6,111	£6,061
EBITDA	(£901)	£1,634	£3,694	(£3,014)	£1,581	£7,761	£15,555	£24,300	£3,544	£5,226	£7,761	£9,821
Interest Expense	£2,174	£2,148	£2,121	£2,095	£2,069	£2,043	£2,017	£1,990	£1,964	£1,938	£1,912	£1,886
Taxes Incurred	(£1,106)	(£376)	£118	(£1,552)	(£452)	(£1,017)	£2,835	£4,890	£10	£437	£1,050	£1,544
Net Profit	(£2,768)	(£1,127)	£355	(£4,657)	(£1,356)	£3,051	£8,504	£14,669	£29	£1,311	£3,149	£4,631
Net Profit/Sales	-6.29%	-2.28%	0.64%	-8.47%	-2.05%	3.70%	7.73%	10.67%	0.04%	1.70%	3.82%	5.28%

Pro Forma Cash Flow

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Cash Received												
Cash from Operations												
Cash Sales	£44,000	£49,500	£55,000	£55,000	£66,000	£82,500	£110,000	£137,500	£77,000	£77,000	£82,500	£88,000
Subtotal Cash from Operations	£44,000	£49,500	£55,000	£55,000	£66,000	£82,500	£110,000	£137,500	£77,000	£77,000	£82,500	£88,000
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Current Borrowing	£0	£0	£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	£0	£0
New Long-term Liabilities	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Sales of Other Current Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Sales of Long-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
New Investment Received	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Cash Received	£44,000	£49,500	£55,000	£55,000	£66,000	£82,500	£110,000	£137,500	£77,000	£77,000	£82,500	£88,000
Expenditures												
Expenditures from Operations												
Cash Spending	£10,050	£9,640	£9,640	£10,050	£9,640	£9,640	£11,800	£13,140	£11,500	£10,050	£9,640	£9,640
Bill Payments	£277	£8,341	£9,052	£10,162	£30,390	£64,482	£80,408	£107,065	£122,410	£23,698	£64,358	£71,975
Subtotal Spent on Operations	£10,327	£17,981	£18,692	£20,212	£40,030	£74,122	£92,208	£120,205	£133,910	£33,748	£73,998	£81,615
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Principal Repayment of Current Borrowing	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Other Liabilities Principal Repayment	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Long-term Liabilities Principal Repayment	£2,857	£2,857	£2,857	£2,857	£2,857	£2,857	£2,857	£2,857	£2,857	£2,857	£2,857	£2,857
Purchase Other Current Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Purchase Long-term Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Dividends	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Subtotal Cash Spent	£13,184	£20,838	£21,549	£23,069	£42,887	£76,979	£95,065	£123,062	£136,767	£36,605	£76,855	£84,472
Net Cash Flow	£30,816	£28,662	£33,451	£31,931	£23,113	£5,521	£14,935	£14,438	(£59,767)	£40,395	£5,645	£3,528
Cash Balance	£100,816	£129,477	£162,929	£194,860	£217,973	£223,494	£238,429	£252,866	£193,100	£233,495	£239,140	£242,668



Pro Forma Balance Sheet

		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Assets	Starting Balances												
Current Assets													
Cash	£70,000	£100,816	£129,477	£162,929	£194,860	£217,973	£223,494	£238,429	£252,866	£193,100	£233,495	£239,140	£242,668
Inventory	£150,000	£122,479	£91,518	£57,116	£37,842	£45,410	£56,762	£75,683	£94,604	£52,978	£52,978	£56,762	£60,546
Other Current Assets	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0	£0
Total Current Assets	£220,000	£223,295	£220,995	£220,045	£232,702	£263,383	£280,256	£314,112	£347,470	£246,078	£286,473	£295,902	£303,215
Long-term Assets													
Long-term Assets	£180,000	£180,000	£180,000	£180,000	£180,000	£180,000	£180,000	£180,000	£180,000	£180,000	£180,000	£180,000	£180,000
Accumulated Depreciation	£0	£880	£1,870	£2,970	£4,070	£5,390	£7,040	£9,240	£11,990	£13,530	£15,070	£16,720	£18,480
Total Long-term Assets	£180,000	£179,120	£178,130	£177,030	£175,930	£174,610	£172,960	£170,760	£168,010	£166,470	£164,930	£163,280	£161,520
Total Assets	£400,000	£402,415	£399,125	£397,075	£408,632	£437,993	£453,216	£484,872	£515,480	£412,548	£451,403	£459,182	£464,735
Liabilities and Capital		Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
Current Liabilities													
Accounts Payable	£0	£8,040	£8,735	£9,187	£28,258	£61,832	£76,861	£102,870	£121,666	£21,561	£61,963	£69,450	£73,228
Current Borrowing	£0	£0	£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	£0	£0
Subtotal Current Liabilities	£0	£8,040	£8,735	£9,187	£28,258	£61,832	£76,861	£102,870	£121,666	£21,561	£61,963	£69,450	£73,228
Long-term Liabilities	£240,000	£237,143	£234,286	£231,429	£228,572	£225,715	£222,858	£220,001	£217,144	£214,287	£211,430	£208,573	£205,716
Total Liabilities	£240,000	£245,183	£243,021	£240,616	£256,830	£287,547	£299,719	£322,871	£338,810	£235,848	£273,393	£278,023	£278,944
Paid-in Capital	£235,000	£235,000	£235,000	£235,000	£235,000	£235,000	£235,000	£235,000	£235,000	£235,000	£235,000	£235,000	£235,000
Retained Earnings	(£75,000)	(£75,000)	(£75,000)	(£75,000)	(£75,000)	(£75,000)	(£75,000)	(£75,000)	(£75,000)	(£75,000)	(£75,000)	(£75,000)	(£75,000)
Earnings	£0	(£2,768)	(£3,896)	(£3,541)	(£8,198)	(£9,554)	(£6,503)	£2,001	£16,670	£16,700	£18,010	£21,159	£25,791
Total Capital	£160,000	£157,232	£156,104	£156,459	£151,802	£150,446	£153,497	£162,001	£176,670	£176,700	£178,010	£181,159	£185,791
Total Liabilities and Capital	£400,000	£402,415	£399,125	£397,075	£408,632	£437,993	£453,216	£484,872	£515,480	£412,548	£451,403	£459,182	£464,735
Net Worth	£160,000	£157,232	£156,104	£156,459	£151,802	£150,446	£153,497	£162,001	£176,670	£176,700	£178,010	£181,159	£185,791