

1. BUSINESS PLAN OUTLINE AND TEMPLATES

We recommend a business plan that begins with a cover sheet, table of contents, and executive summary.

The main body of the plan should be divided into eight broad categories (Sections A to G), which are detailed below. Sections A to G of your plan provide a description of the business. The goal of these first seven descriptive sections is to prove, with words and numbers, that you know your business.

The Financial Section (H) is the heart of your business plan. It is aimed mainly at leaders—bankers, credit managers, venture capitalists, and so on. Lenders are not likely to be swayed by the enthusiasm you show in the first part of your plan. Your job, therefore, is to make the numbers do the talking and prove that your idea can be translated into a financial benefit. We suggest that your Financial Section be divided into five subsections, as shown below in Section H.

Finally, your plan will contain a set of appendices, which provide any necessary support materials or information. A list of the typical kinds of information that would be contained in this section is given in the detailed outline that follows.

OUTLINE OF A BUSINESS PLAN

Cover Sheet

The first part of your plan is the cover sheet, which should include

- the name of the business,
- the name of the principals/owners,
- the addresses of the principal/owners,
- the telephone numbers and e-mail addresses of the principals/owners.

Table of Contents

The Table of Contents is the reader's guide to the major sections of the plan. In practice, the Table of Contents is prepared last and simply lists the various sections of your plan according to page number. Note: You may wish to group your Table of Contents into two broad categories: I. "Description of Business" (Sections A to G); and II. "Financials" (Section H, 1 to 5).

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Appendices (The contents of this section will vary according to each business.)

Executive Summary

The executive summary serves as an introduction to the business plan. It must show the essence of your business, and its purpose, methods, marketing position, return on investment, and other advantages. Because the executive summary gives perspective to the entire business plan, it should be written last (after you have completed your financial section).

A. The Product or Service

This section describes the unique features and benefits of your product or service. We suggest that the following information be included:

- a brief history of your company if you already have a business;
- a description of your product or service in terms of
 - benefits (i.e., what market needs your product or service is satisfying),
 - features or characteristics,
 - price (include a rationale for pricing),
 - what makes your product or service unique,
 - a statement about how you will get your product or service to the market (i.e., retail, storefront, direct sales, mail order, etc.).

B. The Market and the Target Customer

This section explains the market need for your product or service, and describes the target customer who will buy it. You might want to organize your information into two subsections.

1. Industry overview and market niche:

- a description of the industry and the industry segment in terms of
 - stage of the industry life cycle (e.g., embryo, growth, maturity, decline);
 - current growth (e.g., increase in industry sales);
 - trends related to the product or service;
- a description of the market niche within the industry segment.

2. The target customer:

- a. *Business-to-consumer profile*
 - a description of the primary target customer in terms of
 - demographic characteristics (e.g., sex, age, etc.);
 - needs;

- location (work, residence, etc.);
 - demographic trends related to the product or service;
 - buying habits and behaviour;
 - a description of the secondary target customer (in the same terms as above).
- b. Business-to-business profile*
- a description of the primary target customer(s) in terms of
 - company profiles (size of business, type of business, type of ownership, account size, number of years in business, location, credit risk);
 - end-user profiles (end-use application, ability to reach decision maker, and purchase decisions);
 - industry profiles (economic and technological trends, competing firms, barriers to entry);
 - a description of the secondary target customer (in the same terms as above).

C. The Competition

In this section, indicate how your product or service is uniquely positioned in the market in relation to the competition. Describe

- your potential competitors, including details of
 - their strengths and weaknesses (e.g., price, characteristics of their product or service);
 - whether their business is steady, increasing, or decreasing;
- how your business will take advantage of the market gap ignored by the competition.

D. Marketing Strategy

This section explains how you will connect with your customers to sell your product or service and includes

- your promotional mix;
- your promotional objectives;
- how your target customer receives information to purchase;
- your strategy to build a customer list and to keep in touch with the customers' needs.

E. Location

This section explains why you have selected your location and how it satisfies the needs of your target customers and your business. It outlines

- how close or accessible your location is to the target market;
- distribution channels you plan to use to reach the target customer;
- how the location satisfies the exterior and interior requirements of the business (if possible, include a floor plan or photos in an appendix);
- how close the competition is to your location;
- the possibility for expansion;
- whether the building is leased or owned, and, if there is a lease, whether it has been reviewed by a lawyer (include proof of ownership or a copy of the lease in an appendix);
- whether the location is in conformity with municipal bylaws and environmental regulations.

F. Management

The purpose of this section is to indicate that you have the management skills to run a business.

1. Goals

- a statement of your business vision and mission
- short-term (one-year) and medium-term (three-year)

- marketing goals and objectives (e.g., sales);
- financial goals and objectives (e.g., profit);
- organizational goals and objectives (e.g., employee satisfaction).

Some lenders might ask for longer-term (2 to 5 years) goals and objectives, especially if your sales are greater than \$3 million. *Note:* Include your personal vision statement and goals in an appendix.

2. Control Systems

Describe the control strategies and systems that you will use to monitor your business to ensure that goals and objectives are met (e.g., periodic reviews of goals and objectives, employee accountability and responsibility, computerized accounting record systems for receivables and payables, inventory control, and reporting systems).

3. Organization

- a description of the legal structure of the business (e.g., corporation, partnership—general or limited—or sole proprietorship)
- an organization chart and a short narrative rationale for your organizational structure (if your business is to include several employees).

If you have a board of directors, list the members in an appendix.

4. Leadership Strategy

- Your strategy for building working relationships with key consultants and professionals
- Your strategy for motivating your team to achieve business goals (e.g., involving the team in establishing and reviewing business goals and objectives, implementing a system of employee empowerment, or implementing a recognition or incentive system)

G. Human Resources

This section describes your team and how the team can contribute to your business success.

If your business includes other owners, partners, or managers,

- list the key members of your team (including yourself);
- describe the functions you and your employees will perform;
- detail team member strengths (e.g., skills, experience, and qualifications);
- describe the positions and the qualifications required;
- include resumés in an appendix.

If you are in business on your own,

- describe the functions you will perform,
- outline your strengths (e.g., skills, experience, and qualifications),
- list other key consultants and professionals,
- include your resumé in an appendix.

H. Financial Section

The purpose of the financial section is to demonstrate, with numbers, that your idea as developed in the first seven sections of your plan will translate into a financial benefit. We suggest that you divide this section into five major subsections, as described below.

1. Application and Sources of Funds

Include two tables indicating (a) application and (b) sources of funds.

Include also a short statement that summarizes

- i. general start-up costs,*
- ii. leasehold improvements,**

- iii. equipment costs,**
- iv. cash reserve fund.

*Include a short statement that describes the type and value of insurance listed in general start-up costs.

**Include a detailed quote for extensive leasehold improvements and equipment in an appendix.

2. Opening Balance Sheet

Include an opening balance sheet, as well as a short statement that summarizes your

- assets,
- liabilities,
- equity.

Include the following three ratios and a statement explaining how they compare with industry ratios (if available) to indicate the financial health of the business:

- liquidity: current ratio (working-capital ratio)
- quick ratio (acid-test ratio);
- solvency: debt-to-equity ratio (where debt = total liabilities).

3. Projected Cash Flows

Include a monthly cash flow for the first year and annual cash flows for the next two years.

4. Projected Income Statements

Include projected income statements for the first three years. Include a narrative summary containing the following information:

- profit for the first three years,
- major assumptions,
- profit-to-sales ratios for the first three years and how these compare with industry averages (if available),
- profit-to-owners'-investment (equity) ratio,
- break-even level of sales.

5. Closing Balance Sheet

Include a projected closing balance sheet. Include the following three ratios and a statement on how they compare with industry ratios to indicate the financial health of the business:

- liquidity: current ratio (working-capital ratio)
- quick ratio (acid-test ratio);
- solvency: debt-to-equity ratio (where debt = total liabilities)

If you are already in business, also include the following ratio and tables (if applicable):

- inventory turnover ratio,
- age of inventory table,
- age of accounts receivable table,
- age of accounts payable table.

Your narrative summary should also contain information on any changes in asset value and equity value from the opening balance sheet and explain the rationale for these changes.

Appendices

Provide support material in separate appendices. This includes

- customer surveys,
- personal information (personal goals and vision statement),

- a personal net worth statement,
- secondary and primary research that supports your plan,
- detailed documentation of your financial results,
- lease/ownership documents,
- photos and floor plans of location,
- quotes for detailed equipment and leasehold improvements,
- team members' resumés (if applicable),
- a list of board members or advisors.

COVER SHEET TEMPLATE

Name of the business

Name of the principals/owners

Addresses of the principal/owners

Telephone numbers and e-mail addresses of the principals/owners

TABLE OF CONTENTS TEMPLATE

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Appendices (The contents of this section will vary according to each business.)

EXECUTIVE SUMMARY TEMPLATE

- What business are you in?
- What are your products and services?
- What is the market need (target market)?
- How do you plan to satisfy the market need?
- What are the benefits to the potential customer?
- What are the financial benefits to you, the owner?
- What is your reason for writing this plan?

A. THE PRODUCT OR SERVICE TEMPLATE

- Give a brief history of your company (if applicable).
- What market needs is your product or service satisfying?
- What are the features or characteristics of your product or service?
- What makes your product or service unique?
- How will you distribute your product or service? (e.g., retail, storefront, direct sales, mail order, etc.)
- What is your pricing strategy?
- What prices will you charge and why?

B. THE MARKET AND THE TARGET CUSTOMER TEMPLATE

1. Industry Overview

- What is the stage of the industry life cycle (e.g., embryo, growth, maturity, decline)?
- What is the current industry growth (e.g., increase in industry sales)?
- What current trends are related to the product or service?
- What is the market niche or opportunity within the industry segment?

2. The Target Customer

- Provide a business-to-consumer (B2C) profile (for both primary and secondary target customers).*
 - What are the demographic trends related to the product or service?
 - What are the demographic characteristics?
 - sex,
 - age,
 - income,
 - location (work, residence, etc.).
 - What are the psychographic characteristics?
 - buying habits,
 - behaviour.
- Write a business-to-business profile (for both primary and secondary target customers).*

Company profiles

- size of business, type of business, type of ownership, account size, number of years in business, location credit risk.

End-user profiles

- end-use application, ability to reach decision maker, and purchase decisions
- Industry profiles
- economic and technological trends, competing firms, barriers to entry

C. THE COMPETITION TEMPLATE

- Who are your potential competitors?
- What are their strengths and weaknesses? (e.g., price, characteristics of their product or service, life cycle)
- What are the market gaps ignored by your competition?
- How is your product or service uniquely positioned in the market in relation to the competition?
- How will your business take advantage of the market gap ignored by the competition?

D. MARKETING STRATEGY

- What are your promotional objectives?
- How does your target customer receive information to purchase?
- What is your strategy to build a customer list and to keep in touch with the customers' needs?
- What is your service strategy?
- What is your quality strategy?
- What are your other marketing strategies? Consider the following.
 - online promotion,
 - networking,
 - business cards,
 - trade shows,
 - paid media advertising,
 - personal selling,
 - branding yourself,
 - free ink and free air,
 - industry literature,
 - point-of-purchase displays,
 - packaging,
 - catalogues,
 - direct mail,
 - money-back guarantees,
 - freebies,
 - industry literature,
 - discount coupons.

E. LOCATION TEMPLATE

- How close or accessible is your location relative to the target market?
- Where is the competition located?
- What distribution channels do you plan to use to reach the target customer?
- How does your location satisfy the exterior and interior requirements of the business? (If necessary, include a floor plan or photos in an appendix.)
- Do you own or lease your location? Indicate whether the lease has been reviewed by a lawyer (include proof of ownership or a copy of the lease in an appendix).
- Does the location conform to municipal bylaws and environmental regulations?
- Is there any possibility for expansion?

F. MANAGEMENT TEMPLATE

- What is your business vision?
- What is your business mission?
- What are your short-term (one-year) and medium-term (three-year)
 - marketing goals and objectives (e.g., sales)?
 - financial goals and objectives (e.g., profit)?
 - organizational goals and objectives (e.g., employee satisfaction)?
- What are your long-term (five-year) goals and objectives?
- What control strategies and systems will you use to monitor your business to ensure that goals and objectives are met (e.g., periodic reviews of goals and objectives, employee accountability and responsibility, computerized accounting record systems for receivables and payables, inventory control, and reporting systems)?

- What is your organizational structure, and what is your reason for this structure? (Provide an organizational chart if you plan to have several employees.)
- What is the legal structure of the business (e.g., corporation, partnership—general or limited—or sole proprietorship)? (List any details in an appendix.)
- What is your strategy for building working relationships with key consultants and professionals?
- What is your strategy for motivating your team to achieve business goals (if your business is to include several employees)?

G. HUMAN RESOURCES TEMPLATE

- What are your major duties and responsibilities?
- What are your strengths in terms of
 - skills?
 - experience?
 - qualifications?
- Include your resumé in an appendix.
- Are there any other key consultants and professionals?
- Who are key members of your team?
 - Describe the functions they will perform.
 - Detail their strengths (e.g., skills, experience, and qualifications).
 - Describe the positions and the qualifications required.
 - Include resumé in an appendix.

H. FINANCIAL SECTION TEMPLATE

1. Application and Sources of Funds

- Include two tables providing your (a) application of funds and (b) sources of funds.
- Include justification for your general start-up costs, leasehold improvements, equipment costs, and cash reserve fund.
- Include a short narrative discussion and explanation of these tables.

2. Opening Balance Sheet

- Include an opening balance sheet that summarizes your assets, liabilities, and equity.
- Provide a summary analysis of your results, including balance sheet ratios.

3. Projected Cash Flows

- Include a monthly cash flow for the first year and annual cash flows for the next two years.
- Include a summary and analysis of your cash flow results containing major assumptions.

4. Projected Income Statements

- Include projected income statements for the first three years.
- Provide a summary analysis of your results including income statement ratios.
- Show how your income statement ratios compare with industry ratios.

5. Closing Balance Sheet

- Provide a projected closing balance sheet.
- Provide a summary analysis of your results including balance sheet ratios.
- Show how your balance sheet ratios compare with industry ratios.
- Include a narrative summary containing any information on changes in asset value and equity value relative to the opening balance sheet, and explain the reasons for these changes.

APPENDICES TEMPLATE

- Provide support material in separate appendices. This could include
 - customer surveys,
 - personal information (personal goals and vision statement),
 - a personal net worth statement,
 - secondary and primary research that supports your plan,
 - detailed documentation of your financial results,
 - lease/ownership documents,
 - photos and floor plans of the location,
 - quotes for detailed equipment and leasehold improvements,
 - team members' resumé's,
 - a list of board members or advisors.

2. BUSINESS PLAN EXAMPLES

In Chapter 15, we provide you with one comprehensive business plan example, The Software School, which uses the framework we have suggested. In the final section of this E-Module, we provide you with another business plan example: Annie's Business Plan Proposal.

We hope our examples will be helpful to you. But we want to emphasize that there are many variations of plans, depending on the type of business, the stage of the business, and the target reader. For example, the plan provided below is a proposal for operating a retail concession. The primary emphasis for this

business, given its target reader, is on store operations, experience, and product.

Box M3.1 lists various online Business Plan resources and examples that might also be helpful to you.

Box M3.1 Online Resources and Business Plans



The following online resources will help you prepare your Business Plan.

- **Business Plans Planning Guide** (Royal Bank of Canada): <http://www.royalbank.com/sme>
- **Business Plans** (Canada Business): <http://www.canadabusiness.ca/eng/guide/2089>
- **Business Plan Online:** <http://sbinfocanada.about.com/cs/businessplans/a/bizplanoutline.htm>
- **Business Planning** (CBSC): <http://bsa.cbcs.org/86>
- **Virtual Business Plan** (BizPlanIt): <http://www.bizplanit.com/free.html>
- **Writing a Business Plan** (Bplans.com): <http://www.bplans.com>
- **Scotiabusiness Plan Writer (Scotiabank):** http://www.scotiabank.com/cda/content/0,,CID10328_LIDen,00.html
- **Sample Business Plans:** <http://www.smallbusinessfinancetips.com/sample-business-plans.html>

ANNIE'S BUSINESS PLAN PROPOSAL FOR SPECIALTY CHOCOLATES AND CANDY CONCESSION AT SEA WORLD ENCOUNTERS

COVER LETTER FOR ANNIE'S

Annie's
27898 Baseline Rd.
Small Town, BC V25 5T8
October 1, 2010

Sea World Encounters (SWE)
Ms. Janet Wilkes
2 Sea World Encounters Drive
Big City, BC T46 5H9

Dear Ms. Wilkes,

We are pleased to offer our proposal to operate a chocolate and candy concession at Sea World Encounters (SWE) opening in August. With six years of retailing experience throughout Vancouver and our excellent reputation as a provider of one of the largest selections of candies and chocolates in Vancouver, we believe Annie's will be an excellent addition to Sea World Encounter's concession offerings.

Annie's is thrilled to offer your national and international tourists the opportunity to shop at Vancouver's finest chocolate and candy store. Sea World's long and successful run as one of the premiere attractions in the Vancouver area offers Annie's great opportunity to expand our business.

Our firm is self-financed, and our strong balance sheet allows Annie's to expand into Sea World Encounters without outside financing. Thus we will be able to open within eight weeks following acceptance of our proposal.

On review of our proposal, please contact us to clarify any points. We look forward to a long and profitable association with Sea World.
Sincerely,

Kathy Johnson
Annie's Owner

ANNIE'S BUSINESS PLAN PROPOSAL

Business Plan Contents

- EXECUTIVE SUMMARY
- MANAGEMENT AND STAFFING
 - Retail Experience and History
 - Management
 - Staffing Plan
 - Exit Strategy
- STORE OVERVIEW
 - Floor Plan
 - Floor Space
 - Visual Presentation of Merchandise
 - Products
 - Pricing
- MARKETING

- Retail Trends
- Customer Service Philosophy/Programs
- Marketing Plan
- STORE OPERATIONS
- Stocking
- Logistics and Frequency of Deliveries
- Facility Maintenance Plan
- FINANCIAL MANAGEMENT and FINANCIALS
- System of Internal Controls
- Sales and Cash Receipts
- Inventory and Accounts Payable
- Projected Rental Revenue
- Projected Income and Cash Flow Statement
- Capital Investment
- APPENDIX

Note: Due to the fact this Business Plan is a proposal for operating a concession within Sea World, primary emphasis is on store operations, experience, and product. Location is clearly defined, marketing is limited primarily to in-store promotions, and competition is limited to other concessionaires, none of whom are direct competitors.

EXECUTIVE SUMMARY

Annie's specialty shop will feature fine chocolates and candy as a concessionaire for Sea World Encounters (SWE). Annie's unique stores strive to create an atmosphere that is entertaining and fun for the customer to browse and shop in, upscale yet casual, and a place where employees enjoy working. We are known to provide high-quality, fresh products and intimate customer service. Annie's owners like it when people get excited in their stores, and remember Annie's as a place that they want to return to. As owners we are customer driven and love retailing.

We have been successful candy retailers for the past six years and believe we do an excellent job selling bulk candy, chocolates, and candy gift packages. Few other operations offer such a complete selection of confections from hundreds of manufacturers under one roof. Many of the items offered for sale are very different and unusual. Because of this wide selection, the company is able to offer many different price points to meet the needs of most customers. Your customers will also consider our candies and chocolates as ideal gifts.

Our proposal for a candy concession at SWE comes after thorough research into the makeup of the other vendors and our belief that Annie's will complement the other stores and not cannibalize sales. Candy is considered an "extra," one that tourists and families gladly splurge on during their vacations. Many visitors will pass our store as they exit Sea World Encounters and will want something sweet before they get on the road back to their homes or hotels.

Upon Sea World's acceptance of our proposal, we could be open within eight weeks. Our strong balance sheet and available cash will allow us to act immediately. Annie's staff will thoroughly train all SWE store staff in our other stores prior to opening in Sea World. On opening day, we will offer trained personnel ready and willing to serve Sea World's customers with our legendary customer service.

Our creative store layout is designed to accommodate a large number of customers at one time, and at the busiest times of the day and year we will be able to operate two cash registers. Through our six years in business, we have refined our store layout to best serve our customers and employees.

We believe our retail experience, strong balance sheet, excellent reputation throughout the Vancouver area, and tasty chocolate product offerings will be a wonderful addition to Sea World.

MANAGEMENT AND STAFFING

Retail Experience and History

Since its inception in 2001, Annie's has been a successful retailer of bulk candy and chocolates, top-of-the-line gourmet boxed chocolates and truffles, domestic and foreign product lines, sugar-free products, novelty and nostalgia candies, dried fruit gifts, gourmet, fancy food gifts, gift baskets, Kosher confections, difficult-to-find items, seasonal merchandise, and related gift items that complement the packaged food products. Annie's is well known by consumers in Vancouver as having the largest and most complete selection of confections in the area at our five store locations.

Through the years as owners we have identified the best sources for over 2000 stock-keeping units (SKUs). We not only know where and how to get the merchandise, we also know, for each item, the turnover when reasonably priced, the shelf life, and the gross margin. We know how to purchase in both large and small quantities, depending on the candy, the weather, the store location, and the time of year. We know which vendors are able to keep freight costs under control and pack without excessive damage. Our company "cherry picks" the best from many distributors and manufacturers. We also carry nearly the entire line of those suppliers who do an excellent job; for example, Lindt, Joseph Schmidt, Asher's, Ghiradelli, Goelitz, Laymon, and so on.

Annie's does not manufacture any of its own chocolates. In the store, employees dip strawberries and other fresh and/or glazed fruit, Oreo cookies, pretzels, fudge, Rice Krispie treats, Gummi bears, and so on in chocolate. Sometimes employees mould chocolate roses and other chocolate items, or make gift baskets, and the customers have great fun watching this.

We currently operate from five successful locations throughout the Vancouver area. We have opened one store each year with our own funds. All stores are profitable and we have more than 30 employees on the payroll.

Annie's opened in 2001 as a registered corporation. The principal member and manager of our company is Kathy Johnson. Kathy's three adult children all play a major role in the management and daily operations of the business. Annie's owns the service mark and trademarks.

1. Kathy Johnson (see resumé) began working in her aunt's 15,000 square foot retail department store business at the age of 13. Through the years working in this third-generation business, she learned many of the fine details of operating a successful retail business. She opened her own branch store at 22.

Kathy worked her way through the ranks at several retail chains, Sears, and The Gap. In addition, she completed her undergraduate degree in business at McMaster in Hamilton, Ontario. Ms. Johnson serves as a guest lecturer at several colleges and is a frequent guest speaker at retail association meetings.

2. Troy Johnson is currently site manager. He monitors inventory levels, develops staffing schedules, deals with day-to-day operational issues, and supervises personnel. He worked for several years as a shift supervisor for Cheesecake Factory. He has been actively involved in all aspects of Annie's since its inception.
3. Samantha Johnson, an English graduate of Trent University, helped develop all Annie's operation manuals. With six years of retail experience at Walmart, and the Bay, Samantha brought wide exposure to various training methods and rules. Samantha aided in the store layout and design and is responsible for all ad layouts.
4. Casey Johnson holds a Chemical Engineering degree from Waterloo. His primary focus with Annie's has been computer operations and information

systems. He has assisted with all new store start-ups and has a thorough working knowledge of all aspects of the company.

If awarded this concession, Kathy Johnson will be directly involved in the day-to-day operations of the business. Troy Johnson will provide on-site management under the close supervision of Kathy Johnson. Other company members may also provide on-site management and support with members of the company reporting directly to Kathy Johnson. Troy Johnson will assist with store start up. Day and evening charge persons will be hired and trained.

Staffing Plan

1. Organizational chart for proposed operations:
 - a. *Kathy Johnson: Responsible for the operations and management of the concession.*
 - b. *Troy Johnson: Responsible for on-site, 24-hour management and supervision of the concession. Reports to Kathy Johnson.*
 - c. *Casey, Troy, and Samantha Johnson: Consultation and support.*
 - d. *Day charge person (to be hired), reporting to Troy Johnson.*
 - e. *Evening charge person (to be hired), reporting to Troy Johnson.*
 - f. *Four additional sales people will be hired.*
2. Staffing plan: There will be two employees to service the customers at all times. During busy seasons there will be three to four employees. This number includes the charge person.
3. Resumés: see Business Plan Appendix.

Exit Strategy

Kathy Johnson and her children will continue to run Annie's as a family company. The company will stay in the family when Ms. Johnson retires in 5 to 10 years. The company has been developed to support and provide a good living for the entire family. Each of the children enjoys retailing and finds opening and running new stores an exciting part of the business. Kathy and her family hope to grow Annie's to 10 stores within the next 5 years.

STORE OVERVIEW

Floor Plan

A Ghirardelli merchandising tower will be near the right front window and a floor-standing lollipop rack near the left window. These may be moved to other areas of the store periodically. Window displays will be seasonal and kept low to enhance visibility into the store. As the customers enter the store, they will face an 8-foot curved glass chocolate showcase merchandised with truffles, turtles, pecan rolls, English toffee, and similar chocolate items. On both sides of the chocolate case there will be various packaged candies.

Both the right and left walls will be mirrored. Along the lower right wall will be acrylic Jelly Belly dispensers. Above these dispensers will be staggered glass shelves to display gift items. Along the back wall will be custom made acrylic bulk candy bins. Gift items will be displayed along the top shelves of these bins. The rear wall will be painted white. Neon will be installed across the rear wall above the bulk candy. Across from the bulk candy bins, on the back side of the service counter, will be shelves for novelty candy items and bins filled with taffy along the top shelf.

The left wall will have open cabinet shelves, the highest being 36 inches, for boxed chocolates. Above these shelves will be staggered glass shelves for display

of gift items. In the centre of this wall will be an 8-foot section of custom slat wall to hang packaged items.

The service counter will be in the centre of the store. There will be a 6-foot long, 36-inch high, flat glass counter showcase on both the right and left sides of the service area. The left side will hold sugar-free chocolates and the right side will hold fudge and other bulk chocolates. A centre island will be used to do chocolate dipping, construct baskets, and so on. There will be one register and one scale on each side of the service counter.

Behind the rear wall of the store is the required hand sink, three-basin sink, mop sink, water heater, microwave, small refrigerator, and shelving. It is estimated that this area is approximately 140 square feet.

Floor Space

There is approximately 250 sq. ft. of floor space allocated to merchandise fixtures. Based on this area, the estimated square footage for each category is

1. Bulk candy: approximately 84 sq. ft,
2. Bulk chocolates: approximately 38 sq. ft,
3. Edible gift: approximately 66 sq. ft,
4. Sugar-free and/or fat-free: approximately 15 sq. ft,
5. Non-edible gifts: approximately 10 sq. ft,
6. Novelty candy: approximately 37 sq. ft.

However, because there are multiple levels of shelves, the percentage of products carried to actual square footage would be quite different. For example, the right wall would have 22 square feet of Jelly Belly Bean fixtures but above the beans there would be four levels of glass shelves, with approximately 15 square feet for each level, for packaged gift items. It is estimated that 90 percent of all revenue would be from edible food and gift products and less than 10 percent from non-edible gift products. Aisles would be 5 feet wide to allow for wheelchair access, back packs, and comfortable movement for the customers.

See floor plan drawings in the appendix.

Visual Presentation of Merchandise

The colourful world of candy always lends itself to great displays and store designs. The stores are merchandised and decorated to reflect the numerous holidays and seasons throughout the year. The summer season is followed by Fall, Halloween (great fun!), Thanksgiving, Hanukah, Christmas, Valentine's Day (the prettiest), St. Patrick's Day, Easter, teachers, graduation, and Canada Day. Colours and store decor are changed to match these events. Organdy and other beautiful ribbons are used to dress up packages and displays. Gift wrap paper is changed to match the seasons/holidays.

With the exception of very high-turnover products, and products that are always carried, few single items are purchased in large quantities. Rather, many different items are purchased in smaller quantities, thus giving the customer a wider selection of products to choose from and giving the company the ability to bring in new merchandise and change displays often. Most importantly, this ensures freshness of the products.

Unique gift items are incorporated into the merchandising themes. Many times the company purchases its own supplies to create these unusual gifts. For example, employees may take small watering cans painted with sunflowers, insert cello bags printed with sunflowers, fill the bags with bulk lemon drops, and tie a silk sunflower into the organdy bow or attach a small plush item or sunflower button doll. All of the Easter baskets sold by Annie's are custom.

Bulk chocolates, including sugar-free items, are sold from the chocolate cases. Through the years the company has identified those items that are in high demand and those companies that manufacture the best products. Annie's knows which company makes the best truffles, the best turtles, the best honeycomb, and so on.

The bulk candy bins are very colourful; the customers love them—and they generate high revenues. The bins will be segmented by types of candy such as licorice, sour, gummi, sugar-free, and so on. Approximately 10 percent of the bulk bin space is allocated to candies that have a lower demand, such as horehound lumps and Bit O' Honey. Annie's believes that the company maintains a competitive edge by carrying some of these more difficult-to-find items.

Individual shelves within the store may be merchandised with different themes, for example, all golf-related gifts, or all teacher gifts, or all dried fruit packages. A certain shelf for example may be merchandised with the 101 Dalmatians theme, including such items as lollipops and stick candy by KenCraft with a Dalmatian on them, a plush Dalmatian, a fire engine tin shrink wrapped with Jelly Belly Jelly Beans to match, an Applause Dalmatian mug and straw filled with candy, and firefighter button babies. Product displays are changed frequently so that things don't become boring.

Products

The product lists in the appendix are examples of many products we carry and are arranged by merchandise category. Not all items are carried at all times because new companies such as Joseph Schmidt never repeat their seasonal packaging from year to year and frequently change their product lines. Annie's is vigilant about staying on top of the market. For example, Warheads were the rage yesterday and Raven's Revenge is the rage today. Tomorrow it will be something different.

There are six major merchandise categories:

1. bulk candy in self-serve bins;
2. bulk chocolates in the chocolate cases;
3. packaged, edible gift items (boxed chocolates, mugs filled with candy, etc.);
4. sugar-free and/or fat-free (incorporated throughout the store);
5. non-edible gift items (collectible plush bears, candy dishes, candy tins, etc.);
6. packaged novelty candy (Warheads, Pop Rocks, etc.).

Estimate of quantities:

1. bulk candy—approximately 175 bins, including 18 taffy and 54 Jelly Belly;
2. bulk chocolates—approximately 500 different pieces;
3. edible gifts—approximately 500 to 600 different items;
4. sugar-free—approximately 100 different items;
5. non-edible gifts—approximately 200 different items;
6. packaged novelty—approximately 300 to 400 different items.

Pricing

Most packaged and gift items are now street-priced at a 39 percent to 42 percent margin, which is monitored on the computer with every invoice. Since this was done, the average ticket increased (customers feel they can afford to purchase more).

Customers are happier now, product turnover is higher, and the problems associated with transferring product among stores have decreased significantly.

Estimate of price ranges:

1. Bulk candy: \$1.79 1/4 lb.
2. Bulk chocolates: \$1.00 to \$5.00 each, average \$2.25 each—\$2.98 1/4 lb. to \$4.98 1/4 lb., average \$3.98 1/4 lb.

3. Edible gifts: \$1.00 to \$150.00, average \$10 to \$30 range
4. Sugar free and/or fat free: Same as 1, 2, and 3 above
5. Non-edible gifts: \$1.00 to \$150.00, average \$10 to \$30 range
6. Packaged novelty candy: \$0.39 to \$25.00, average \$1.00 to \$3.00 each

MARKETING

Retail Trends

To keep abreast of retail trends, Annie's frequently attends the following trade shows:

1. the International Fancy Food Show—twice yearly,
2. the Toronto Candy Show,
3. the Alberta Gift Show,
4. the Montreal Gift Show,
5. the Maritime Gift Show,
6. the New York International Gift Fair,
7. the Vancouver Coffee Fest.

Annie's subscribes to trade journals and is in constant communication with both vendors and customers. Annie's frequently visits all competitors to monitor prices and look for new items.

Customer Service Philosophy/Programs

Annie's customer service goal is to assist the customer in getting his/her needs met in the most efficient and pleasant manner possible. The employees are expected to do whatever is necessary to make the purchase easy for the customer. This might mean gift wrapping a package, wrapping an item in bubble wrap so that it doesn't break, holding an item for a customer, or processing a special order.

Annie's accepts all credit cards for customer convenience.

Returns are processed cheerfully, efficiently, and without question. The customer is offered replacement merchandise or a refund. A refund/complaint form is completed, and all employees have the authority to process refunds, so that the customer is taken care of immediately.

Customers are often in a hurry and like their purchases processed quickly. This requires employees who are well trained and know the merchandise, and who are swift, accurate, helpful, friendly, and courteous, especially when under pressure. Annie's occasionally employs mystery shoppers and uses this feedback for coaching employees. Feedback on employee behaviour is solicited from regular customers, employees from other businesses, business acquaintances, and friends whenever possible. Annie's business card is always out on the counter for customers who wish to call.

Employees are taught the following concepts of customer service.

1. Always, whenever possible, acknowledge customers as they enter the store.
2. Offer assistance, but also respect their wishes to be left alone.
3. Smile—all the time.
4. Do not ignore customers or turn your back on them.
5. Do not talk/gossip among yourselves when customers are in the store.
6. Do not talk badly about any customer, especially in front of other people, not even outside work hours.
7. Do not complain about anything, or talk about personal problems, religion, or politics to customers or among yourselves when customers are in the store. Save this chatter for after hours, when you are away from the workplace.

8. Try to never leave a customer once you are engaged in a transaction.
9. Process refunds and/or complaints cheerfully and efficiently. Don't argue. Listen and hear the customer out. Resolve the problem on the spot whenever possible.
10. Always say thank you.
11. The customer is your real boss, so treat him/her accordingly.

Employees are taught about candy and chocolate, because they are expected to be knowledgeable and conversant. They are also taught how to gift-wrap, tie bows, construct gift baskets, dip chocolate, process special orders, process charges, and so on. They are trained to handle cash accurately. They all learn how to process shipments from invoices and price products.

All employees wear blue bib aprons with the store logo in pink across the front, and name tags are required at all times.

Marketing Plan

1. An advertisement will be placed in the local Yellow Pages candy section of the major area phone books. This advertisement will promote corporate/quantity orders and special orders.
2. Entertainment retail: most customers find it very entertaining just to browse the store. Employees dip chocolate-covered strawberries, caramel apples, and other items where customers can watch. Customers like to watch the employees mould chocolate items (Easter Bunnies, etc.). They also tend to stand and watch gift baskets being made.
3. Employees often dress up as a Mr. Jelly Belly, or as a witch at Halloween or an Easter Bunny at Easter time, and so on.
4. Face painting has been done in the past, as well as demonstrations showing how to make chocolate roses.
5. At Christmas time Annie's may construct a gingerbread house.
6. Controlled food sampling is used to promote sales.

STORE OPERATIONS

Stocking

Food products will be stored in the shop and non-food items will be stored in the storeroom. The storeroom area is inadequate and unsafe to store food products that are not sealed in cans or glass bottles. The temperature is too warm and it would be nearly impossible to have adequate pest control. There are storage shelves under the bulk candy bins, under the chocolate bins, and under the service counters. There is limited storage area near the sinks.

Bulk candy bins and other products will be replenished during slow periods or off hours by employees. Each candy bin is removable and can be replaced with a bin that is full. Pricing and stocking will be done by employees daily during quiet periods. During busy periods, such as Christmas, Valentines, and Easter, an employee will be brought in to adjust the price of merchandise and/or replenish shelves. All items will be individually priced, even if bar coded.

The owners may find it necessary to rent off-site storage. If this occurs, a part-time stocker will be hired to accept deliveries at the off-site location and price merchandise before transporting it to the store. During hot weather, merchandise will be transported at night.

Logistics and Frequency of Deliveries

1. Delivery schedule of new goods: Most goods are delivered by UPS or similar common carrier. UPS can deliver as often as daily. These shipments are generally not very large. The on-site manager will be responsible for coordinating deliveries. Large freight shipments will come in approximately every 10 days and may have to go to off-site storage for processing. Most manufacturers ship out UPS only on Monday or Tuesday so that product does not sit in a UPS warehouse over the weekend.
2. Replenishment of on-site stock: Par levels are established for items that are carried all of the time (e.g., malt balls). Orders are placed at least weekly and more often if needed. Seasonal items are replenished only if they turn over quickly and early. It is impossible to get replacement candy late into the holiday season. While stores are selling Christmas candies, the manufacturers are processing Valentine orders, and so on.

Facility Maintenance Plan

1. Policy for maintenance and repairs: A preventive maintenance program will be implemented for the refrigerated chocolate case and the under-counter refrigerator per manufacturer's recommendations. All repairs will be made in a timely manner and as needed.
2. Frequency of cleaning: Glass shelves are cleaned daily except for Friday and Sunday. The floors are mopped nightly by employees. The floors are professionally cleaned quarterly. Windows are washed weekly and touched up daily. The store is dusted daily. It is management's expectation that the store be kept spotless.
3. Disposal of trash: At least five times per day and sometimes more often.
4. Replacement of equipment, displays, fixtures, and carpeting: No replacement is anticipated during the life of this lease. If the need occurs, items will be replaced accordingly.

FINANCIAL MANAGEMENT AND FINANCIALS

System of Internal Control

Sales and Cash Receipts

- a. *Cash registers will include two point-of-sale registers that are capable of recording sales by stock-keeping units (SKUs). They will be equipped with sales totalizer counters for all sales categories in which the counters are locked, constantly accumulating and unable to be reset. Beginning and ending sales totalizer counter readings will be recorded daily.*
- b. *Sales will be entered into one of five departments:*
 - bulk candy (self serve out of the bins),
 - chocolates/candy (all other food and/or items containing food),
 - non-food gifts,
 - gift certificates,
 - shipping costs.
- c. *Sales transactions will be cash, debit or credit card, or traveller's cheques. No other cheques will be accepted. Debit and credit cards will be processed through one of two terminals for electronic authorization and capture. All transactions will be entered into the cash registers.*

- d. *At the end of each day, the daily journals (Z tapes) will be removed from the registers and placed with the cash receipts for the day. A \$200.00 bank will be left in each register and a coin bank of \$300.00 will be maintained on the premises. Each morning, for the previous day, Troy Johnson (or his designee) will prepare the night drop deposit and deposit it at the bank.*
- e. *The information from the daily journal tapes will be entered onto the weekly sales summary form. At the end of each week, the weekly totals will link to the monthly sales summary form. All Z tapes and any other paper transactions pertinent to the gross and/or net sales for each day (void slips, refund forms, cash-paid-out receipts, employee discount receipts, credit card batch slips, deposit slips, etc.) will be attached together by day and stored by month in the storeroom.*
- f. *Weekly and monthly records will be faxed to the accountant (CGA), who will prepare the monthly compiled financial statements for the location. The original Z tapes and other paper transactions will also be submitted to the CGA, who will prepare the annual audited sales report. Once returned by the CGA, the original Z tapes and report forms will be stored in the storeroom.*
- g. *The CGA performing the annual audit will review the system of internal control semi-annually.*
- h. *Gross sales will be offset only by customer refunds, voids (documented employee errors during sales transactions), shipping expenses when an item is shipped for a customer (customer will only be charged actual cost of shipping), and Annie's employee discounts.*
- i. *Annie's employees are allowed a 30 percent discount on all purchases daily and a 50 percent discount on Christmas Eve, Christmas Day, and Easter Sunday. All employee purchases will be entered into the registers by management. The sales receipt will be initialed by the manager and the employee and placed with the daily cash receipts. If management is not available, purchases will be documented in the "Tab Book" and paid for by the employee at a later date. Employees will not be allowed to ring up their own purchases.*
- j. *Sea World Encounters employees will be allowed a discount of 10 percent on any total sale of \$5.00 or more. The employee must be in uniform or be able to show some form of proof that he or she is an employee. Persons receiving the discount must write where they work on the receipt and sign it. This receipt is placed with the daily cash receipts.*
- k. *Employees are not allowed to make change from the register without a sale. There is no exception to this rule. Change is also made only up to the amount of cash amount tendered to complete the transaction.*
- l. *Cash is bled from the cash drawers at frequent intervals throughout the day and transferred to a locked, built-in cash-drop drawer.*
- m. *A cash register receipt tape showing a void will be stamped with the void stamp and initialed by the person making the error. Sometimes the customer just changes his or her mind after a sale is rung up. This is also treated as a void. The void slips are placed with the daily cash receipts.*
- n. *In the case of refunds and returns, the refund/return form will be completed. The merchandise and proof of purchase must be presented by the customer. The receipt will be attached to the refund/return form. If the item was charged, a credit will be processed. If the customer paid cash, a cash refund will be given. If there is no proof of purchase, but it can be determined that it was a valid purchase from Annie's, a refund will still be given. If the customer eats the merchandise and then attempts to get a refund, the request will be denied.*
- o. *It is not anticipated that any promotional discounts will be given.*
- p. *One set of Annie's storeroom keys will be kept on a large key ring in the store, and a key log will be used. One set of keys will also be issued to Kathy Johnson and Troy Johnson, for a total of three keys. Store keys will be issued to those hired to open and close the store. Delivery or other persons will never be left unattended in the storeroom.*

- q. Only key personnel, such as the day and evening charge persons and Annie's management, will be badged.
- r. Secret shoppers will be used periodically. Employees will be informed of this when they are hired. Video cameras may be installed.

Inventory and Accounts Payable

- a. Shipments will be checked at delivery for evidence of damage. Any damage will be documented with the carrier. Shipments will be checked against the packing slip/invoice. Internal damage and/or shortages will be documented and the vendor notified immediately.
- b. Extensions on all invoices, including computer-generated invoices, will be checked before payment. Amounts for damaged merchandise will be deducted from payment.
- c. COD shipments are not accepted by Annie's under any circumstances. It is anticipated that all purchases will be paid for by cheque or credit card and not by cash on hand.
- d. All invoices for payment will be approved by Kathy Johnson. Cheques will be prepared and signed by Kathy Johnson or other company members in her absence. Invoices will be paid when due and stored, by month of payment, in Annie's storeroom.
- e. Inventory counts will be completed monthly.
- f. A review of the actual cost of physical inventory will be compared to the inventory on the financial statement. Any significant variations will be investigated, especially for theft of inventory.
- g. Transfer of inventory among the Annie's locations will be documented, at cost, on a duplicate transfer form. A copy of each transfer form will be kept at both the sending and receiving store. These forms will be stored in Annie's storeroom.

Annie's Projected Rental Revenues and Annual Minimum Guarantee

Proposer's Name	Annie's
Store Concept	Full line bulk and packaged candy and chocolates, related gift-packaged fancy foods, gift baskets and gifts
Merchandising Theme	Fine Chocolates & Candy

Established Tenant Rental Rate: 12.5%

Projected	Gross Sales (\$)	Percentage Rent	Projected Rental Rental Revenues	Rental Revs. per Sq. Ft.
A. Year 1	\$600,000	12.5%	\$75,000	\$71.43
B. Year 2	\$660,000	12.5%	\$82,500	\$78.57
C. Year 3	\$726,000	12.5%	\$90,750	\$86.43
D. Year 4	\$798,600	12.5%	\$99,825	\$95.07
Total	\$2,784,600			\$348,075

Four Years

Proposed minimum annual guarantee: Year 1 \$75,000 \$71.43/sq. ft (Not less than \$55.00 per sq. ft. and not greater than Year 1's rental revs./sq. ft.)

ANNIE'S		Projected Annual Income and Cash Flow Statements for Proposed Store						
Proposer's Name		Annie's						
Store Concept		Packaged & bulk confections & related gift & food items						
Merchandising Theme		Fine Chocolates & Candy						
Category	Year 1		Year 2		Year 3		Year 4	
	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales	Amount	% of Gross Sales
Gross Sales	\$600,000.00		\$660,000.00		\$726,000.00		\$798,600.00	
Cost of Goods	\$216,000.00	36%	\$237,600.00	36%	\$261,360.00	36%	\$287,496.00	36%
Gross Profit	\$384,000.00	64%	\$422,400.00	64%	\$464,640.00	64%	\$511,104.00	64%
Operating Expenses:								
Salaries/Wages/Benefits	\$84,000.00	14.0%	\$92,400.00	14.0%	\$101,640.00	14.0%	\$11,804.00	14.0%
Utilities and Telephone	\$1,200.00	0.2%	\$1,320.00	0.2%	\$1,452.00	0.2%	\$1,597.00	0.2%
Maintenance/Cleaning/Supplies	\$14,400.00	2.4%	\$15,840.00	2.4%	\$17,424.00	2.4%	\$19,166.00	2.4%
Insurance	\$6,000.00	1.0%	\$6,600.00	1.0%	\$7,260.00	1.0%	\$7,986.00	1.0%
Marketing/Advertising	\$6,000.00	1.0%	\$6,600.00	1.0%	\$7,260.00	1.0%	\$7,986.00	1.0%
Licensing Fees	\$18,900.00	3.2%	\$20,790.00	3.2%	\$22,869.00	3.2%	\$25,156.00	3.2%
Rent	\$75,000.00	12.5%	\$82,500.00	12.5%	\$90,750.00	12.5%	\$99,825.00	12.5%
General & Administration	\$36,000.00	6.0%	\$39,600.00	6.0%	\$43,560.00	6.0%	\$47,916.00	6.0%
Interest Expense	\$9,600.00	1.6%	\$9,600.00	1.5%	\$9,600.00	1.3%	\$9,600.00	1.2%
Other Misc. Expenses	\$1,800.00	0.3%	\$1,980.00	0.3%	\$3,630.00	0.5%	\$3,993.00	0.5%
Total Expenses	\$252,900.00	42.2%	\$277,230.00	42.1%	\$305,445.00	42.1%	\$335,029.00	42.0%
Depreciation	\$7,600.00	1.3%	\$7,600.00	1.3%	\$7,600.00	1.3%	\$7,600.00	1.3%
Net Income	\$123,500.00	20.6%	\$137,570.00	20.8%	\$151,595.00	20.9%	\$168,475.00	21.1%
Add Back: Depreciation	\$7,600.00		\$7,600.00		\$7,600.00			
Cash Flow From Operations	\$131,100.00	—	\$145,170.00	—	\$159,195.00	—	\$176,075.00	—
Beginning Cash Balance	\$10,000.00		\$131,100.00		\$251,170.00		\$385,365.00	
Plus: Cash Flow from Operations	\$131,100.00		\$145,170.00		\$159,195.00		\$176,075.00	
Minus: Debt Service (Principal only)	\$10,000.00	—	\$25,000.00	—	\$25,000.00	—	\$15,000.00	—
Minus: On-Going Annual Capital Expenditures	\$—	—	\$—	—	\$—	—	\$—	—
Ending Cash Balance Available to Proposer	\$131,100.00	—	\$251,170.00	—	\$385,365.00	—	\$546,440.00	—

See list of assumptions made to create these sales projections and figures on the following pages.

Annie's Estimated Capital Investment

1. Retail Opportunity
 - a. *Proposer's Name: Annie's*
 - b. *Store Concept: Full line bulk and packaged candy and chocolates, related gift-packaged fancy foods, gift baskets and gifts*
 - c. *Merchandising Theme: Fine chocolates and candy*
2. Proposer's estimated capital investment
 - a. *Architectural & engineering fees \$5,000*
 - b. *Equipment, furnishings, & fixtures^{1,2} 20,000*
 - c. *Leasehold improvements² 40,000*
 - d. *Working capital 15,000*
 - e. *Initial inventory 25,000*
 - f. *Improvements completion bond 2,500*
 - g. *Total investment (sum of 2-A. through 2-F) \$107,500*
3. Source of investment
 - a. *Amount financed \$75,000 70%*
 - b. *Cash 32,500 30%*
 - c. *Total investment (3A + 3B) \$107,500 100%*
(should equal 2-G above)
4. Facility improvements/sq. ft. \$57.14 (2B + 2C)/1D

¹Items removable at end of lease term.

²The sum of these two categories (Equipment, furnishings, and fixtures, and Leasehold improvements) shall not be less than \$55 per sq. ft.

Assumptions Used In Developing Sales Projections and Figures

1. Statistics for this store are similar to the statistics for other stores in similar locations.
2. Five-year historical sales record for the former See's candy concession.
3. Current monthly sales should closely parallel historical record of former See's candy concession.
4. Growth projections provided by owner.
5. Historical record of growth.
6. Current economic growth.
7. Price increases in product over time.
8. Industry Canada *Confectionery Report* shows a steady, consistent increase in per capita consumption of candy since 1994.
9. Confection sales are predominantly impulse purchases; therefore, the higher the foot traffic, the higher the sales.

ANNIE'S APPENDIX*

- A. *Balance Sheet*
- B. *Break-Even Analysis*
- C. *Store Layout*
- D. *Facility Design*
- E. *Complete Store Design Details*
- F. *Resumés*
- G. *Legal References*
- H. *Business References*
- I. *Product Lists*
- J. *Market Research Statistics*

*Appendices A–J would be provided to Sea World Encounters, but are not included in this E-Module.