

Laundry shop- business plan essay sample

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Executive Summary In today's society, there are increasing numbers of Sydney-siders who spend many hours a day at work, or have children and families to look after, or both. Shiners' Laundry Service will target everyone – the young, the families and the elderly. We recognise the importance of conserving a person's most valuable asset – time – whilst providing quality services and products that will meet the needs and wants of our customers.

There are many groups of individuals in the Sydney Central Business District; a concentration of high disposable income families who can afford to pay for Restoration and Dry Cleaning, a number of small families who have limited income, and need maximum return on every dollar they spend, those who have plenty of time on their hands, those who are time-poor, as well as individuals who live in high-rise small apartments; where a large garden and washing lines are scarce. For these individuals, there is the ordinary laundry service. Customers will no longer have the 'DIY – Do It Yourself' philosophy, instead, opting for the much easier 'DI4M – Do It For Me' attitude.

The business will also stock and sell basic laundry and dry cleaning products, such as Preen, Napisan, Drive, Omo and Fab.

The long-term potential of the business exists to expand our services to other Metropolitan areas, within New South Wales, and possibly, nationwide.

2. 0 Business Profile2. 1 The BusinessShiners' Laundry will be providing customers with a variety of services and products, including dry-cleaning and laundering their clothes, selling quality laundry products (detergents, soaps, washing liquids and powders), providing snacks, lunches and refreshments to customers as well as a pick-up and delivery service for laundry. Shiners'

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ability to provide a high quality service, both in regards to the actual washing as well as customer service is all based on their ability to find the best employees. Hiring the best employees is cost effective because it decreases HR costs associated with turnover and other employee costs. Hiring the best employees and making sure that they are well taken care of ensures that they in turn take care of the customers. Study after study proves that a happy employee is far more likely to provide the highest level of customer service compared to an employee who is not happy and feels that they are being taken advantage of.

What makes this business different from other laundry and dry-cleaning services is that Shiners' is aware of threats to the environment, as well as the latest enforced water restrictions, and hence, has taken measures to promote "green cleaning". Amongst other strategies, Shiners' will use eco-friendly washing and drying machines, as well as the use of the Toyota Prius, Australia's first eco-friendly car. The business believes that whilst making a financial important, it should not come at the expense of our ecological responsibilities.

2. 2 Primary Function The primary function of this business is to provide a quality laundry, dry cleaning and restoration service to the community. Shiners' will also cater for many groups of individuals, those who want to 'drop off' their laundry and go to work, those who want to call us and arrange a time for us to 'pick up' their laundry (so they won't have to even move outside their homes). This provides customers with a lot of choice, and allows people with the opportunity to either unwind from their hectic

lifestyles and save time – which Shiners' understands to be the customer's most important asset.

2. 3 Name of the Business
2. 4 Location of the Business
The business will be run from Shiners' Laundry premises at Moore Park, Surry Hills. This is due to the location of many narrow houses, with no gardens and no washing lines. Within the vicinity of this location, there are five high-rise apartment blocks, with another two being built within a kilometre radius. This will ensure the business will generate a cash-flow, just off the basic laundry service.

Many of the people living in the area earn upwards of \$70 000 a year, which means that they have a relatively high disposable income. They will be the target market for our Restoration and Dry Cleaning services.

There is a bus service that stops about twenty metres down the road from the location of the business, which means that it will be a one minute walk. The site is also conveniently located near Central Railway station, making it convenient for customers to access the shop.

2. 5 Legal Structure of the Business
Shiners' Laundromat will be owned and operated by a sole trader. By operating as a sole trader, there are many advantages as compared with operating in a partnership or company form. These include: simple set up and operation, effective control can be retained, minimal reporting requirements, income tax rate for the business is the same as your personal tax rate which allows for the tax advantage of tax losses being offset against any other income the owner might have (for example, negative gearing), for capital gains purposes, the owner obtains the full benefit of indexation and also doesn't have to pay payroll tax.

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2. 6 Mission Statement To provide the most thorough, convenient services and the latest, quality products to customers that will maximise satisfaction by easing the tediousness of a mundane weekly family chore, however, at the same time, ensuring that our ecological responsibility to the environment is not comprised.

2. 7 Services of the Business Shiners' Laundromat is a one-stop shop for all things laundry and dry-cleaning. A list of the business's services are as follows:

- Dry Cleaning – same day service before midday, drive in and pick up
- Shirts Service – starched, folded or hanging
- Formal Wear / Evening Wear
- Delicate / Fragile / Silk – Hand Cleaned & Finished
- Furnishings – Bedspreads, Blankets, Quilts, Doonas, Sleeping Bags, Rugs, Car Seat Covers
- Uniforms
- Pressing Service
- Children's Wear / School Wear
- Suede / Leather / Fur / Sheepskin Cleaning
- Laundry Services – Pillow Cases, Sheets, Mattress Covers, Serviettes, Tea Towels, Table Cloths, Aprons, Bath Towels

2. 7 Objectives of the Business The first of the primary objectives of the business will be to make a profit. During the first few years of operation, Shiners' will aim to generate a positive cash flow.

Within the first three years of operation, our business will aim to become a profitable and cost-effective enterprise through the establishment of a firm reputation for quality services and products. The three to seven year plan of the business will be to start expanding to other Sydney Metropolitan areas such as Paramatta and Blacktown. These two areas fit the criteria of many high small apartments, not too many three bedroom houses with gardens and washing lines. These two areas also have a large concentration of

people who travel to work by car. This means that they would be able to drop off their laundry in the mornings, and pick them up in the afternoons.

Our five to eight year aim will be to expand to different locations both within New South Wales, as well as interstate. The business hopes to expand to other Central Business District areas such as Paramatta, Newcastle, Wollongong and Melbourne.

That being said, despite our objectives to make a financial profit and generate a positive cash-flow, those objectives should not come at the compromise of our responsibilities to the environment and our continual commitment to the community.

3. 0 Marketing Plan
3. 1 Market Analysis Summary
The laundry will be based in Surry Hills, in the heart of the Sydney Central Business District. This area has a number of benefits in terms of the market that it will provide for the business. According to the August 2006 Census, the surrounding area is quite affluent, 40% of the residents earn over \$70, 000 a year, and a 63% of these residents live in high-rise apartments – without a washing line and garden, and the business will be targeting these people.

Shiners' Laundry Service will aim to target a variety of markets. First and foremost, we cater for those who have a lot of time on their hands, as well as those who are time-poor. Those who want to ' drop off' their laundry will most likely be businessmen and women who have extremely time-consuming jobs. Those who want to call us to ' pick up' their laundry will most likely be the elderly, who find it difficult and inconvenient to get out of their homes, just to do something as mundane as their washing, or
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housewives with young children, who cannot leave their children at home, just so they can do the washing. However, not all of our target market will lead hectic lives: and that's what our café is for. Those who want to stay, and read the newspaper, enjoy a coffee, biscuits or sandwiches or chat amongst their friends are also well catered for.

The business can also provide services to those who are cash-rich, as well as those who are cash poor. According to the August 2006 Census, the surrounding area is quite affluent, 40% of the residents earn over \$70, 000 a year. There are services such as dry-cleaning and restoration for those with a high amount of disposable income, as well as ordinary laundry services with those with a limited income, and need the most value for money. However, according to the August 2006 Census, the surrounding area is quite affluent, 40% of the residents earn over \$70, 000 a year, and a 63% of these residents live in high-rise apartments – without a washing line and garden, and the business will be targeting these people.

3. 2 Market Segmentation
Shiners' Laundry segments its customers by their time ' availability', their disposable income and the limitations of their homes. We believe that the type of service(s) and/or product(s) that our customers are after will be determined by these two factors.

1. Time-Poor People: These include young adults with children, as well as everyday business people, who do not have the time to do their weekly (or biweekly) washing. These people will just want a quick laundry service – a service that is efficient, well-organised and professional. They can also opt for the business's Four Minute Laundry, whereby they can just drop off their

laundry in the morning on their way to work, or when they drive their children to school, and pick it up in the afternoon, when they come home from work, or when they pick up their children.

2. Cash-Poor People: A relatively small market, however, one that Shiners' can profit extremely well from. Despite a relatively large population of those living in Surry Hills and the surrounding Central Business District earning an income which includes a high disposable income, there will always be those who can only afford the ordinary laundry service.

3. Cash-Rich People: A large percentage of those living within a 5 kilometre radius of the laundry earn more than \$70 000 a year (as above), and these people will have a high disposable income. Shiners' can provide the basic laundry service to these customers, however, we will also be able to promote the more costly dry-cleaning and tailoring services to them.

4. The Elderly (and Immobile): Shiners' is proud to offer a service which no other laundry nor dry-cleaning outlet offers a pick-up and delivery of all clothing. This service is specifically targeted at the elderly, who will have great difficulty getting out of the home, just to do something as mundane as their washing, as well as full-time parents, who must stay at home with their children, at all times. These customers will ring Shiners', and we will go directly to their homes, and pick-up their clothes.

5. Businesses: This market segment will predominantly consist of beauty parlours and restaurants. Beauty parlours will need to have clean towels, face-washers and robes for their customers, whilst restaurants will need

clean tablecloths. Both of these businesses will need pristine white towels, linen and tablecloths, in order to maintain their business image.

3. 3 Target Market Segment Strategy The strategy behind Shiners' Laundry target segmentation is to attract customers who will be repeat users and will frequent the business in the typically quiet times for a laundry. It will not be difficult to attract customers during on the weekends. For an ordinary laundry/dry-cleaning outlet, the weekdays will be difficult to attract customers, as they are either too busy, or just simply incapable to do their laundry or dry-cleaning. Due to Shiners' " Do It For Me" philosophy, we will tap into these ' difficult' markets, such as business people, the elderly and young families, with services that are convenient to customers.

1. Business people tend to be very busy people, however, the majority do not have a problem paying a little extra, because they have a high disposable income.

2. Retired people are not restricted by typical work schedules so will be able to frequent the laundry during the week. However, a vast majority of them are immobile, and will not waste hours of time, and that's where Shiners' pick-up and delivery service comes in.

3. For young families with one mother at home, who cannot leave the home, because of the children – they will also require the pick-up and delivery service that the laundry offers.

4. Businesses will need their tablecloths, linen and towels washed during the week, on weekends, during regular business hours, and out of businesses hours, which means that Shiners' will always have a customer on hand.

3. 4 Identification of the Major Competitors Due to the fact that this business is a combination of many different businesses into one convenient 'one-stop-shop' for all household laundry necessities, it will have a large number of competitors, from which range from other laundry and dry-cleaning outlets, to even supermarkets (as a competitor in regards to the selling of our laundry products). However, they will not be able to provide and offer what Shiners' Laundry Service can provide.

3. 5 SWOT Analysis Strengths • The business is unique, there is no other business in the industry like it, and therefore holds a niche market.

- The business offers a more personalised service, as there are staff on site, to help with the loading of the laundry, as well as staff who pick up and deliver laundry.

- Has the ability to service many different target markets.

Weaknesses • Relatively new business, needs to establish a customer base before there is a high cash flow.

- Because there are many target markets, it will require 100% effort and dedication from all employees, and the owners/employees may be burnt out.

Opportunities • Once the business has proven to be successful, it could expand to other Central Business Districts, both within New South Wales and interstate, such as Paramatta, Newcastle, Wollongong and Melbourne.

- With water prices increasing, and tougher water restrictions being implemented, individuals will be looking for cheaper and more water efficient ways of doing their laundry.

Threats • A serious threat is the many different other laundry services out there.

- The business has no proven record of success.

- Some people may not be prepared to pay for a service which they can do themselves.

- The ease of entry into this industry is extremely easy, because the start up costs are relatively low, when compared to other industry sectors. This will cause Shiners' to review its marketing strategy and operations.

3. 6 Marketing Strategies The promotional campaign will be developed through the use of an advertising agency and will aim to reach over 10 000 people. Shiners' will utilise advertising agencies to make pamphlets advertising their service in the nearby streets, within a radius of 10 kilometres from the shop premises. Also, Shiners' will advertise its services through local papers, however, ultimately, the business's main form and most effective form of advertising will be through the word of mouth from satisfied customers. Through the use of the marketing mix, price, promotion, place and service, the business will be able to identify certain areas that the <https://assignbuster.com/laundry-shop-business-plan-essay-sample/>

business needs to work on, in order to improve services and customer satisfaction.

4. 0 Personnel Plan
4. 1 Overview of Staffing Requirements
There will be five people involved with the business. The owner, Alexander Dessler, will be the General Manager. As General Manager, he will undertake the management function which include, but are not limited to:

- Hiring/firing of personnel
- Bookkeeping
- Ensuring compliance with the industry and governmental regulations
- Coordinating the various departments and services
- Planning, developing and purchasing of products and services

The Marketing Manager assists in the planning of the café menu and its designs, advertising, and innovations to help attract clientele. They are also the business's initial contact with customers in an effort to develop a relationship of confidence and a need of our services and products. They must provide feedback to the telephone order personnel, particularly about client satisfaction or complaints, so the business can improve future performance, if possible.

The Operations Manager will be in charge of all the services pertaining to laundry and dry-cleaning, their operation, and the selling of all laundry products. They must have knowledge of how to operate and maintain these machines. Their role includes, but is not limited to: the planning of all projects regarding laundry and dry-cleaning, inspecting and examining the machines on a regular basis to assess the wear and tear damage, and hence, either mending or ordering an electrician to come and repair the broken machine, seeing that the business's operation is economically and

technically correct, requisitioning food supplies, and finally maintaining profitable operations in the food preparation department.

The telephone order clerk provides continual contact with customers to obtain orders, receives feedback from the marketing manager about contacting customers at convenient times, and processes orders to any available staff to arrange a swift pick-up of any laundry or dry-cleaning.

4. 2 Overview of Management and Training RequiredAs the General Manager of the business, it is essential to have a Business Management Degree. It would be preferable if the General Manager also had a Human Resources Management Degree, due to his/her responsibilities in regards to the acquisition and firing of personnel. Highly competent administration and accounting skills are also needed. This person will also need high interpersonal abilities.

In an ideal world, the Operations Manager would also have a Human Resources Management Degree, because of his/her interaction(s) with the staff. He/She will also require a profound understanding and knowledge of how the washing machines operate, an appreciation of good customer service and standards, as well as a proficient approach to cost control.

The Telephone Order Clerk must work efficiently and take orders accurately. This person will need to be enthusiastic, active, and have a pleasant phone manner. They must also possess poise and self-control, and must interact well with other people.

As a business that is predominantly service-based, it will be necessary for all the members of staff to have outstanding communication skills, be both reliable and punctual. Due to the limited start-up capital of the business, there will only be five employees, all of whom will have to be able to work together as a team. These five (including the General Manager), will have to assume the duties of any part of the business, which includes: assisting customers, if and when required, answering the telephone, in the absence of the telephone order clerk, preparing food and beverages for customers, and delivering and picking up laundry from various homes around the Sydney Central Business District.

Because of this structure of the business, it would be preferable if all staff members had a driving license, so they could pick-up and deliver our customers' laundry and dry-cleaning, as well as basic skills in food preparation, and an appreciation of good food standards. Those who work in the kitchen will prepare individual orders, identify customer delivery information and order the appropriate amounts of food and beverages. The delivery staff are responsible for picking up individual orders and delivering orders in a timely manner.

5. 0 Financial Plans
5. 15. 25. 3 Break Even Analysis
To arrive at the average monthly fixed costs, Shiners' calculated the fixed costs of the services (Section 2. 6). Using the average price per unit, less the average cost per unit, divided into the fixed costs of operation, Shiners' concludes that we will need to sell at least the number of units shown in the following table and chart to reach break-even each month. Our conservative forecast shows us passing the break-even point at about 8000 units, however, we will expect

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0 Future Prospects At the moment, being a small business, the business lacks the manpower to offer a pick-up and delivery service. However, as the business grows and diversifies, the business will start hiring new employees, including even more drivers who will be able to travel around Sydney, picking up and delivering laundry.

Another future prospect for the business would be a system called Washlotto. The computer randomly selects a machine, the light on that machine will glow, and bells will go off. The winner of this ‘lottery’ will get a free wash. At the end of the year, all the winners’ names go into a draw and someone gets a holiday trip.

However, the predominant future prospect will, and always will be the expansion of the business into franchises, to other Central Business Districts, other cities, other states, and even possibly, other countries. Since the research and planning has already been conducted for the Sydney CBD area, it will be easy to find other areas that fit the same criteria and contain the same demographics, and thus, will not make it too difficult to add another target market. The expansion into a franchise will allow the business to further increase its profitability. Should this expansion These ideas are all part of making the customer’s life a lot easier, and also making the washing experience fun. That is what people will remember, and that is what will make people come back for more.

At the moment, the business is currently renting the premises, as well as renting the dry-cleaning equipment. Since the business aims to make a profit and generate a positive net cash flow within the first few months of

operation, another one of the future aims and prospects will be to buy the washing machines and the dry-cleaning equipment, within the first two years of operation. If things are extremely successful, we hope to buy out the premises (about A\$1. 1 million) within five to eight years.

Bibliography

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Expenses For the First Year

Detail(s)	Cost
Advertising (local newspaper and pamphlets)	\$7 500
Bank charges	\$960
Courier	\$2 960
Depreciation – car	\$3 876
Depreciation – washing machines and equipment	\$5120
Electricity and gas	\$11 210
Freight and cartage	\$200
Hire of equipment	\$2 657
Insurance	\$5 850
Motor vehicle running expenses	\$4 214
Packaging materials	\$800
Stationery	\$50
Rent of business premises	\$37 180
Repairs and maintenance	\$2 000
Telephone	\$3 500
Wages (employees)	\$90 586
Water	\$14 864
Loan repayment	\$13 104
Total	\$190 121
Estimated Monthly Figure	\$15 843.42

Examples of Eco-Friendly Equipment Used By The Business

- Eco Washer
- Eco Dryer
- Ghidini Vapour Box
- Ghidini Pneumatic Press
- Finishing Cabinet

The Toyota Prius – The Eco-Friendly Car

Sources:

- <http://prius.toyota.com.au/>
- <http://www.richardjay.com.au/>

Cash at beginning of period

Total cash available at the beginning of the period.

Cash at end of period

Total cash calculated for the end of the period. If this amount is lower than your beginning balance, your business has a negative cash flow. If this amount is negative, you may need to increase your cash flow to maintain your current operations.

Operating cash flow

Received from customers

Cash received from your customers for the period. Make sure this amount is based on your actual receipts, not your booked sales. An increase in your accounts receivable may increase your profit on paper, but it does not change your cash flow.

Other cash receipts

Any other cash received during this period. Again, make sure this amount is based on the amount actually received.

For inventoryTotal cash paid for the period to purchase inventory. Like your cash received, your cash paid during a period should be your actual cash payments.

For insuranceTotal cash paid for insurance, advertising, rent payments and lease payments.

For payrollTotal cash paid for your payroll and employment taxes.

Other paymentsAny other cash paid during this period for your operations. This may include one time expenses or incidentals such as postage, couriers, or office supplies.

Interest paidTotal interest expenses you paid during this period.

Investment cash flow**Sale of property**Include any cash received during this period from the sale of assets, including real estate, tangible assets and intellectual property.

SaleCash received from the sale of any investments held. This includes the sale of investments in other companies, the sale of stock and the sale of bonds. It does not include issuing new stock or bonds for your company. This source of income is included in the financing section of your cash flow statement.

Other activityAny other cash received from your investment activities.

Capital expendituresCash used to purchase capital equipment or land for use in your business.

PurchasesCash used to purchase new or increase the holdings of your investments. Like the sale of investments, only include the purchase of external investments. Stock buy back, and debt retirement are included in the finance section of your cash flow statement.

Other UseCash used for any other investment activity.

Financing cash flowNew borrowingNet new borrowing for the period. Include new borrowing as well as the net increase in any line of credit borrowing.

Stock issuingNet cash received from issuing stock. Make sure this is the net amount, after any fees have been taken into account.

Capital contributionsAny cash received from the owner(s) for the period.

Loan repaymentsTotal loan principal repayments for the period. Do not include interest. Interest is included in the operating expenses of the cash flow statement.

Dividends paidAny cash dividends paid for the period.

Other distributionsAny other financial distributions made during this period.

How can you tell if your business idea will be profitable? A break-even analysis shows you the amount of revenue you'll need to cover your expenses before you can make a profit. To perform a break-even analysis, you will need to know your expenses and sales revenues.

- Fixed costs. Fixed costs (sometimes called “ overhead”) don't vary much from

month to month. They include rent, insurance, utilities, and other set expenses.

Example: Mary recently opened a dress studio. She designs formal dresses and suits for women. Mary's fixed costs are \$6,000 a month.

- Sales revenue. This is the total dollars from sales activity that you bring into your business each month or year. To perform a valid break-even analysis, you must base your forecast on the volume of business you really expect-not on how much you need to make a good profit.

Example: Mary realistically believes she can sell 25 dresses each month. She charges \$300 for each dress, so her monthly sales revenue is \$7,500.

- Average gross profit for each sale. Average gross profit is the money left from each sales dollar after paying the direct costs of a sale. Direct costs are what you pay to provide your product or service.

Example: Mary pays an average of \$100 for goods to make the dresses she sells for \$300. Therefore Mary's average gross profit is \$200 for each sale.

- Average gross profit percentage. This percentage tells you how much of each dollar of sales income gross profit is. To calculate your average gross profit percentage, divide your average gross profit figure by the average selling price.

Example: Mary makes an average gross profit of \$200 on dresses that she sells for \$300, so her gross profit percentage is 66.7 percent ($\$200 \div \300).

Calculating Your Break-Even Point Simply divide your estimated fixed costs by your gross profit percentage to determine the amount of sales revenue you'll need to bring in just to break even.

Fixed Costs ÷ Gross Profit Percentage = Amount of Sales Revenue Needed to Break Even
Example: Mary's fixed costs are \$6,000 per month and her expected profit margin is 66.7 percent. Therefore, her break-even point is close to \$9,000 in sales revenue per month ($\$6,000 \div 0.667$).

In other words, Mary must make \$9,000 each month just to pay her fixed costs and her direct (product) costs. This number does not include any profit, or even a salary for Mary. Since Mary's break-even point is \$9,000 a month and she has only estimated making \$7,500 a month, she realizes that her business won't survive unless she makes some changes.

If You Can't Break Even If your break-even point is higher than your expected revenues, you'll need to decide whether certain aspects of your plan can be changed to create an achievable break-even point. For instance, perhaps you can:

- Find a less expensive source of supplies
- Do without an employee
- Save rent by working out of your home, or
- Sell your product or service at a higher price.

Example: After Mary reviewed her break-even analysis, she decided to reduce her expenses by working from home rather than paying rent for a design studio. This will reduce Mary's fixed expenses from \$6,000 a month to \$1,500 a month. With these savings, her break-even point is now approximately \$2,250 a month ($\$1,500 \div .667$). Since Mary believes she can easily sell 25 dresses for \$300 a piece each month, her total sales

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revenue will be \$7, 500 a month. Now Mary will make more than \$5, 000 in profit each month.

Variable unit cost Cost associated with producing an additional unit.

Fixed cost The sum of all costs required to produce any product. This amount does not change as production increases or decreases.

Expected unit sales The number of units that are expected to be sold.

Price Price you will be able to receive per unit.

Total variable costs The product of units produced and variable unit cost (example 10 units at \$5 variable cost produces a total variable cost of \$50).

Total costs Sum of fixed costs and variable costs.

Total revenue Product of price and expected sale unit sales (example 10 units at \$10 equals \$100 total revenue).

Profit Total revenue minus total costs.

Breakeven Number of units required to sell to make a profit of zero.

Balance Sheets A balance sheet helps a small business owner quickly get a handle on the financial strength and capabilities of the business. Is the business in a position to expand? Can the business easily handle the normal financial ebbs and flows of revenues and expenses? Or should the business take immediate steps to bolster cash reserves? A balance sheet lists the following:

- **Assets** – Assets are anything of value. Some examples of business

assets are cash, accounts receivable, notes receivable, inventory, land, and equipment.

- Liabilities – Liabilities are amounts the business owes to others. Usually one of a business's biggest liabilities is to suppliers, who charge businesses for goods and services. Liabilities are listed in the order of how soon they have to be paid.

- Owners' or Stockholders' Equity – Owner's Equity is what the business owes the owner, assuming all liabilities (amounts owed) have been paid.

Your profit and loss statement (also referred to as an income statement) lists your revenues and expenses, and tells you the profit or loss of your business for a given period of time. It is helpful for planning and to help control operations expenses. List monthly projections for the first year and include the following information:

- Sales Projections – Include the number of units sold, the retail price, the net price and the gross revenue.

- Cost of Goods – Include your cost for manufacturing a single unit including labor and all other indirect costs such as shipping, packaging, etc.

- Controllable Expenses – This includes salaries and payroll expenses (benefits, etc.), legal and accounting expenses, advertising and marketing expenses, auto expenses, office supplies, utilities, repair and maintenance, and other outside services. Anything that fluctuates in cost from month to month.

- Fixed Expenses – These include office rent, depreciation (amortization of capital assets), loan payments, insurance, licenses and permits, and other fixed monthly expenses.

Once you have these items listed, subtract your total expenses from your gross profit to get your Net Profit (or Loss) before taxes.

Enter your tax information and be sure you include all taxes such as sales tax, excise tax, property tax, etc. To arrive at your Net Profit (or loss) after taxes, take the total tax figure and subtract it from your Net Profit (or Loss) before taxes.

If you're seeking funding for your business venture, you have two options. You can go to banks and other lending institutions and seek a business loan, or you can go in search of venture capitalists. Which source you choose, will depend on the amount of funding you need. And the type of funding you need will dictate how your plan (especially the financial section) is written. In other words, investors will want to know how they are going to profit from this investment down the road, while lenders will want to see how you will be repaying their loan.

Regardless of the funder, you'll need solid financial projections that cover all of the bases. Your business plan's Financial Plan is critical. For many, the financial portion of your business plan is its heart. If you think about it, why else are you going into business? To fill a need you saw in the market? Yeah, maybe, but most likely what you're really after is making money! And, your potential investors or lenders are reading your plan to see when (or if) you're going to make that money. So the financials of your plan can certainly be <https://assignbuster.com/laundry-shop-business-plan-essay-sample/>

referred to as the heart, the meat, the big enchilada — insert your own mega metaphor here.

What makes up the heart of your business plan is the profit and loss (or income) statement, the balance sheet, and a cash-flow statement. If your business is a startup, these will all be projections, or pro forma statements. If you're writing this for an existing business, then these statements will reflect your past business history and current financial situation. Break your financials down into monthly projections for the first two years and then move to annual projections. Since this is a very critical part of your business plan, make sure you follow Generally Accepted Accounting Standards, and that your financial statements are all prepared correctly.

It may be well worth the expense to enlist the help of an accountant to prepare them, or at the very least to review them. If you do have an accountant prepare your financials for your company, make sure you completely understand the process and what the terms and figures mean. Potential investors often feel more comfortable investing in a company whose owners have shown a good understanding of the financial aspects of the business.

Financial Needs Summary Before you throw numbers and spread sheets at your readers, summarize your financial needs. If you are seeking investors, this is where you will indicate how much cash you need to begin operations. Then describe how these funds will be used. How much will have to be spent on computer equipment, office furniture, etc? You can break these down into "operating projections" or "capital needs" or whatever makes the most

sense based on your needs and what you are seeking. Also, remember to have documentation to back up this information.

Your cash flow statement shows the amounts of cash needed to go out over a period of time, as well as cash that is coming in. It is very helpful for planning for large purchases, or to help be prepared for slow periods in the business. In simple terms, your Cash Flow equals your cash receipts minus your cash disbursements. What's left over is your Net Cash Flow, and when you add that to your beginning balance (before any receipts) you get your Cumulative Cash Flow. As a startup, when you complete your Cash Flow Projection, may want to include two columns for each month – one for your projections, and one for your actuals. The content of the statement consists of:

- Cash Receipts – include all sources of cash inflow such as cash sales, collections from credit sales, loans, etc.

- Cash Distributions – include all of your fixed and controllable expenses.
- A summary of your current cash position – begin with your opening balance, add your cash receipts, subtract your cash distributions, and you're left with your new balance.

You may also need to add notes to your Cash Flow Statements identifying certain cash terms, other sources of income, and explaining changes in your monthly distributions.

Your balance sheet gives a bird's eye view of your financial situation (or projection) at a given date in time. You'll typically create a balance sheet for the last day of your fiscal year. It includes your assets and liabilities and tells

you your business's net worth. As a startup, this will of course be speculative and based on your own assumptions. Unlike the other financial statements, the balance sheet should follow a strict format and include standard information in a specific order because it is used for analysis and comparison. You can define your categories to more closely fit your business, but don't stray from the order.