You and the Bplan Chef, create better Business Plans

The Business Plan Workbook

Create a better business plan with the Bplan Chef!

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Create a better Business Plan with the Business Plan Chef!

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To Your Success!

A Business Plan is crucial to the success of any business. An effective business plan is defined as follows:

A formal statement of a set of business goals, the reasons why they are believed attainable, and the plan for reaching those goals.

We would like you to approach the entire Business Plan creation process with a positive mentality, eagerness to learn as well as with a dash of excitement!

A wise individual once stated "If you fail to plan, you plan to fail." We are of the opinion that anyone can prepare a cohesive business plan. Just as the gourmet chef assembles the key ingredients to insure a successful dish to delight the palate, so can you follow the guidelines of Bplan Chef in this workbook!

This Workbook contains extensive guidelines, structure and template for working through the components of a business plan, and to ultimately create a successful business plan.

It is aimed squarely at new and established businesses seeking to expand, raise finance etc., which need to produce a comprehensive business plan for internal/external use. The Workbook is intended as an exercise book for sophisticated entrepreneurs as well as for small, medium and large businesses.

The writing and thinking through your business requirements are as important as the final business plan document. The Workbook allows you to challenge your assumptions, and produce a rough format with which to guide the creation of your business plan. You must use the notes from this workbook as a reference for when you create your formal business plan.

Follow through the business plan outline questions and write your responses on a separate piece of paper. Our purpose is to communicate to you the keys to developing a Business Plan and urge you to take ownership of your work. Use your own style. It should be a personal expression (an art form) as much as a professional document (scientifically and structurally sound).

The objective of this workbook is to educate you on the following:

- Why you need a business plan
- To understand what a business plan entails
- To challenge your ideas and format them for presentation
- Where and how to start
- How to write an effective business plan
- How to ultimately use a business plan to develop your venture
- How to introduce and sell your venture to investors, financiers
- How to introduce your products and services to your target market

Business planning does not just entail creating a report. It is in actual fact an exercise, an evolving document that should guide you and you the operation of your venture. It communicates to investors and other key parties, the status of your business and its road map for development, and success.

To Your Success! (continues)

A Business Plan should be a dynamic plan with its own personality and potential, and not just a carbon copy of another business. Ensure that your Business Plan truly reflects the uniqueness of the business and your strategy to success.

We are also of the opinion that you should build an element of "giving" in the operation of your ventures. Make a commitment right from the start to share a set percentage of your business success with charities and other not-for-profit organisations of your choice. Manage your business not just to create wealth for yourself and your shareholders, but also to make a difference in the communities you operate your business from.

Enjoy the process. To your Success!

The Bplan Chef
January 2008

How to read this eBook

We recommend that you print the Business Plan Workbook in order to make notes more easily.

It is very easy to read and roam through your new electronic book via your computer. This eBook is only available in Adobe's Portable Document Format (PDF). To read PDF documents one needs to have Acrobat Reader installed.

The latest version of the Adobe Acrobat Reader can always be downloaded free of charge from www.adobe.com/products/acrobat/readstep2.html

At the bottom or top of each page of your PDF book in Adobe Reader, there is a box that shows the number of the page you are looking at and the total number of pages in your book. If you click on the number shown, a small box pops up. Type the number of the page that you want to go to into the box, press ENTER and you are there. Alternatively, you can type the number of the page you want to go to over the number shown in the small permanent box in the bottom task-bar of Adobe Reader, then just press "Enter" and you go there.

On the left of the box that shows the page number there are back and forward arrow button. Use these buttons to move the previous or next page.

At the right side of your screen, there is a Scroll Bar to be used by you to manually scroll through the eBook. Adobe Reader also has an option for automatic scrolling through your pages. Just hit SHIFT+CTRL+H on your keyboard to activate this function, and ESCAPE to deactivate it.

Watch out for the following symbols used throughout the Workbook:

! Take note of critical guidelines

Q Interesting quotes from interesting people

6 Reasons why you need to write a Business Plan

1 - To Plot the course

Define and Realize “what business am I in?” To create the “big picture” - to recognize long term direction and think about staying in business and not just starting a business.

2 – To Create a Feasibility Study

- Test the viability of your idea
- Is it going to be profitable
- What kind of financing will you need
- Recognize the barriers to your success.

3 - Become a Better Decision Maker

- Anticipate problems
- The process of gathering information ahead of time will allow you to make more informed decisions
- Your plan will provide you with an organized way to face issues.

4 - For a Reality Check

- The plan will challenge some of your preconceived assumptions
- Your plan will raise questions that will inspire solutions before you need face those problems
- It allows you to recognize what will be required of you
- Identifies your strengths and weaknesses and highlights needed areas of assistance.

5 - Guide & Measurement Tool

- The Business Plan will act as guide throughout your development and allow you measure your progress against planned expectations. You can make adjustments accordingly.

6 - Selling Tool

- The Business Plan is the document ultimately needed to sell your venture as an investment opportunity to potential investors and partners (see www.postidea.com) and to your own suppliers, and employees.

Checklist for completing the workbook exercises

- ✓ The Business Plan's audience. Who are you writing the Business Plan for?
- ✓ Obtain an idea of the type of structure you will need to create. This Workbook provides a few examples of Business Plans
- ✓ Prepare a timeline (how much time you will commit to the project and the completion date)
- ✓ Define the potential audience for you business plan (investors, suppliers, or employees), and what this plan provides for them;
- ✓ Gather research on your industry, on similar businesses, your particular location, type of business, sector, market, etc.
- ✓ Organize the research into easily referenced sections
- ✓ Write the plan
    - Use clear vocabulary, appropriate for your audience
    - Avoid unneeded jargon
    - Note to stress your plan is of quality and not just quantity
    - Be confident, it will show in your writing style
    - How are you able to make it happen - make a strong case for your competency to lead the business (investors place their money and confidence in "YOU" to make it happen, not just investment into an idea)

! By taking the time to go through the exercises ahead of time, you will be able to confront and deal the challenges of creating a successful business plan. In the end you will write a more effective business plan and actually complete it in less time than if you just began writing it on your own!

Business Plan Research

Before you begin, make sure that you have done some research on your idea, industry and competitors. Business Plan Research helps you make informed decisions and create a successful direction for your business plan:

- Gather information sources
- Record relevant information
- Analyze the information you have gathered and note the associated opportunities and risks

Where to gather information:

Primary Data Sources:

- Focus Groups (focus group findings from research houses etc.)
- Questionnaire/Survey (compile and send out your own questionnaire, results of existing questionnaires/surveys)
- Product or Service Sampling (products, services from competitors, industry leaders)
- Personal communication with competitors, potential customers, industry leaders, venture capitalists etc.

Secondary Data Sources:

- The internet (use search engines, email newsletters etc.)
- Newspapers & Magazines
- Industry Directories
- University Publications
- Governmental Entrepreneurial Departments
- Operational results of competitors (financial statements etc.)
- Books and other publications by specialists

! The gathering of information is closely associated to the word "research". Visit the following link for research methods and tips: http://en.wikipedia.org/wiki/Research

How to record information

It is imperative that you centralise and sort all the information that you have gathered. The following is a list of application programmes to be used for purposes of centralising all your research findings:

- Microsoft™ Notepad
- Microsoft™ Word
- Microsoft™ Excel (for combining and manipulating figures and information)
- Microsoft™ Powerpoint (compile presentations etc.)

Business Plan Research (continues)

Analyze the information

Use the programmes mentioned in the previous page to summarise your understanding and findings.

! We recommend that you first page through the Business Plan Workbook in order to get an understanding of the information you will need for completing the Workbook.

Knowledge is Power

You will also need to ask yourself what skills you would like to improve on in order to effectively manage and build your business. A few of examples of skills you might be interested in developing over time are:

- Communication and presentational skills
- Marketing skills
- Business management skills
- Conflict management skills
- Financial accounting skills
- Leadership skills
- Time management skills

Knowledge is power. We especially recommend the use of the internet for purposes of finding ways to develop specific business essential skills. There are various other methods of developing skills, including reading of self-help books, attending seminars, obtaining a degree/diploma from academic institutions, receiving coaching from mentors etc.

An example of an internet-based self-help portal is the website eBooks4Me.com (www.eBooks4Me.com). eBooks4Me offers various online self-help resources on various subjects, including:

- How to boost your fund raising skills
- Tips for women working from home
- Home business success keys
- Online business basics
- Postal mail marketing success
- Investing in property
- How to effectively consult
- Selling made easy
- How to live life to the maximum
- How to improve your self-esteem
- Effective public speaking
- How to manage stress
- How to stay motivated

Q "Income seldom exceeds personal development."

Jim Rohn (Motivational speaker and author)

Business Plan Outline

Note that there are many different types of Business Plan formats. The layout is dependent upon the type of business, purpose of the plan, readership, etc. You may choose to add some more sections to this outline or ignore some others, but the basics are listed below:

1. Executive Summary

What is an Executive Summary? The Executive Summary is the one to two page introduction of your business plan. It describes the opportunity and proves that any investment in the venture will provide a good return.

Why is it important? It is important as it needs to capture interest and support from the reader. Based on the Executive Summary an investor will make up his/her mind whether or not read more about the opportunity.

2. Company Profile

What is a Company Profile? The Company Profile provides a snapshot of your business, and who is involved in it. This is an important page for a perspective investor as he/she can scan the type of business, commitment level and involvement from this one page. This section should also be used to summarise the chosen business image, business logo, owned intellectual property (e.g. domain names registered) etc.

Why is it important? It is the follow up section to the Executive Summary, providing an overall impression of the business. Suppliers and potential partners are often interested in this page.

3. Business History Summary

Why a Business History Summary? This section provides the reader with a summary of previous trading activities if the business plan relates to existing businesses requiring support for purposes expanding operations etc. For new business ventures, this section should be used to state any actions already taken to commence with the venture (e.g. registration of corporate entity, domain names etc.). This section should also summarise the resources required in order to continue with the next steps of growing your enterprise.

Why is it important? A Business history summary will inform the reader exactly what effort you and your partners/team have already put into the business, and the results thereof. It will also communicate the resources required for further business development.

Business Plan Outline (continues)

4. Marketing Plan

Why a Marketing Plan? This section communicates to the reader facts on the industry and general economy that your business will be operating in. Marketing plans for businesses these days are usually split between online (internet) and offline marketing.

Why is it important? Without a clear-cut marketing and promotional strategy, communication of your products and services to your target market will be very difficult. Marketing is crucial to business success.

Key aspects to discuss in a marketing plan include:

- Industry Trends, Product/Service
- Target Market. Competitive Analysis
- Marketing Mix (distribution strategy)

5. Operational Plan

Why an Operational Plan? This section should explain how all tasks will be accomplished. It should cover the suppliers you will use, execution strategies and manufacturing plans. This section should also mention briefly the individuals responsible for day-to-day operations, as well as a summary of operating risks and how those risks will be managed (e.g. insurance cover).

Why is it important? The operations of your business should be managed very well to ensure success. A logical and formal Operational Plan will act as a guide for those responsible for operating the business.

6. Management Team/Human Resources

Why discuss Human Resources? This section provides an overview of those responsible for overall management of the business. This is also where you will need to evaluate your own expertise levels, the cost, and identify the areas of need to grow the management team. This section should also summarise the below managerial staff, and their role and responsibilities.

Why is it important? Employee payroll is usually the largest single expense on a company's income statement. Having the right team is thus of paramount importance.

Q "Start with good people, lay out the rules, communicate with your employees, motivate them and reward them. If you do all those things effectively, you can't miss."

Lee Lacocca

Business Plan Outline (continues)

7. Financial Plan

Why a Financial Plan? This plan provides prospective investors and other relevant readers with the facts and figures of your business. The figures associated with a Business Plan, especially for a new business, will most likely only be based on estimates and budgets. These figures need to be summarised in three key financial statements:

- Income statement
- Balance sheet
- Cash flow statement

Why is it important? You will quickly notice when you start with operations that cash is king in your operations. A strong financial plan, managed very well on a monthly/weekly basis, will ensure that you stay on top of all income and most importantly all income and capital expenditures.

! See the appendix to this eBook for links to various financial statement and budget templates.

8. Conclusion/ Actions

We recommend that you use this section to provide a commitment to yourself and potential investors. Commit to the success of the business and to the creating of maximum returns on investments made. Also highlight again commitments with regards to the social responsibility investment activities (e.g. ad-hoc or regular assistance to specific charities) of the business. This section should again communicate the confidence you have in yourself and your team for creating and building wealth through your business.

Q "If one advances confidently in the direction of one's dreams, and endeavours to live the life which one has imagined, one will meet with a success unexpected in common hours."

Henry David (Poet and Philosopher)

9. Appendix

Utilise the appendices to attach only strategic information (e.g. income, balance sheet and cash flow budgets) referred to in the outlines of your business plan.

Let's get started

The following pages contain the remainder of the Business Plan Outline section of the workbook. Be sure to have done some research before beginning the exercises. Simply use point-form descriptions if you like. Once you have gone through all of the sections of the Outline, you will be ready to begin compiling your formal Business Plan!

Q "Virtually every company will be going out and empowering their workers with a certain set of tools, and the big difference in how much value is received from that, will be how much the company steps back and really thinks through their business processes…thinking through how their business can change, how their project management, their customer feedback, their planning cycles can be quite different than they ever were before."

Bill Gates (Philanthropist and Founder of Microsoft Corporation)

Executive Summary

You should write your Executive Summary once you have completed the entire workbook or business plan. It provides an overview of the entire plan to the reader. The definition and importance of an executive summary was discussed on page 10.

Answer the following key questions to formulate your executive summary:

Answer the question of "what business am I in?" Define the core of the value you are providing to a consumer

Define the opportunity for you to deliver this value (in one sentence)

Marketing Highlights:
Distinctive features of the product/service
Target market summary
Competitive analysis (define the competitive landscape)
Key marketing strategies

Executive Summary (continues)

Operational Highlights:
Is it an independent business, franchise, expansion, takeover, etc?
Critical legal issues related to your particular venture
Management team overview - critical roles and pertinent skills
Who will be your major suppliers, and what are the current or proposed relationships with them

Financial Highlights:
Summary of financial requirements and projections (why you need financial input and how you will use it)
What is the equity that you and any partners have invested in the venture?

! See the appendix to this eBook for examples of executive summaries

Company Profile

As mentioned on page 10, the company profile provides a snapshot of your business, and who is involved in it.

Answer the following key questions to formulate your company profile:

Name of statutory entity

Trading name of entity

Form of business:
Sole proprietor, close corporation, company, corporation. Provide statutory information as well (e.g. registration details).

Owners/Principals

What is the start date of the business?

Business operations
Operating hours, and geographical trading platform (e.g. province, country)

Business description
Describe briefly the product or/and service you trade in.

Company Profile (continues)

Location of business
Describe the address of the location/s of your offices, manufacturing site.

Contact information
Telephone, fax & mobile numbers, website and email addresses

Business advisors
Include contact details of lawyers, accountants, tax consultants, bankers etc.

! See the appendix to this eBook for examples of company profiles

Business History Summary

As mentioned on page 10, the business history summary will inform the reader exactly what effort you and your partners/team have already put into the business, and the results thereof. It will also communicate the resources required for further business development.

Answer the following key questions to formulate your business history summary:

If the business plan is to be utilised for purposes of purchase or expansion of an existing business, a history of the business is required. Include years in existence, current owner, current location, market share, strengths, weaknesses, and financial information for the past three to five years

For a new business venture, state the requirements of support. Are you seeking a partner, a bank loan, a private investment, access to an incubator, etc.? Also state the reasons why you are seeking this type of investment and how an investment in your business will benefit this particular investor or partner.

Marketing Plan

Without a clear-cut marketing and promotional strategy, communication of your products and services to your target market will be very difficult. Marketing is crucial to business success. See page 11 again.

Answer the following key questions to formulate your marketing plan:

A. Industry overview
This section provides a synopsis for the reader about the industry and general economy that your business will be operating in. Note trends, characteristics, etc. from which you can later justify opportunities or risks.
Note any trends, legislation or changes within the following categories from which your business will ultimately benefit from:

Social change

Technological change

Political change

Demographic change

Marketing Plan (continues)

A. Industry overview (continues)

Economic change

Environmental change

Consider the trends noted and how they relate to your business. What are the key success factors which will allow you to benefit from these trends?

What are the barriers to entry for this industry? Is the size of the industry large or small? Are the costs to enter the market high or low? Is it based on technological advantage or supplier relationships?

Marketing Plan (continues)

B. Product/Service
This section describes the features and benefits of the product or service that you are selling. It defines the product function, how it will be used, and what is the new feature that it brings to market. Note that this is your initial definition of your product/service, and most likely this will evolve, as your business does. So be sure to capture the core of what you are offering and keep the description clear and concise. Stress the uniqueness of your product. This is the feature that differentiates your product. That is, the advantage that your product has over the competition.

What are your product or service's unique features?

What are the value added features to the end user?

Are there any complimentary products/services that your product is dependent upon? What are they if any?

Marketing Plan (continues)

B. Products/Services (continues)

How is your product/service positioned against the competition?

What are you doing differently from what is on the market currently?

How has this product/service or a similar product performed in the market?

Provide further descriptions of the product/service (Pictures, specifications, diagrams, complimentary features to related products/services, functionality description, design components, etc.)
Note: Browse through the various business plan templates referred to in the appendix to this eBook for examples of product/service descriptions within a Business Plan.

Marketing Plan (continues)

C. Target Market
The target market refers to the group of people or businesses that is willing to pay for your products/services. Knowing your target market profile helps you make critical marketing and promotional decisions.

Q "[Businesses] need to know how the target market perceives their brand's reputation and that of their competitors', and how customers rate their brand experience and competitors' experiences."

Milton Pedraza

Consumer Demographics
Ensure that you discuss the following to introduce your target market/s to the reader of your Business Plan: - Age range - Income range - Gender - Marital status - Dependants - Occupation - Location - Spending habits

Marketing Plan (continues)

C. Target Market (continues)

Consumer Psychographics:
Ensure that you consider the following to introduce your target market/s's consumer psychographics profile to the reader of your Business Plan: - Lifestyle Description - What need in their lifestyle does your product fill? - What are the major influencers on their choice to purchase? - Are there any demographic or market shifts occurring? - Is this market declining, growing or steady? - What is the size of this target market? - How much of this market can you capture in 6 months? - How much of this market can you capture in 5 years? - Are there any secondary target markets that will have a need filled by your product or service? If yes, what are the characteristics of that target market?

Marketing Plan (continues)

D. Competitive Analysis
This section highlights the competitive landscape for your business, identifies strengths and weaknesses of competitors and provides insight into the price, market and differentiation points. It can provide you with an overview of why your strongest competitors have been successful and identify information on the market such as general likes and dislikes. Recognize that you also have Indirect competitors; although they are not providing the same service, they are competing for the same consumer's spending.

Direct Competitors
Describe each direct competitor to your business, and consider the following per competitor: - Hours of operation - Years in business - Product/Service descriptions - Customer profile - Pricing strategies - Marketing/Advertising strategies - Strengths/Weaknesses (Why do customers buy from them? Why would they switch possibly?) - Opportunities for your Business given this competitive landscape - What have you learned from their operations?

Marketing Plan (continues)

D. Competitive Analysis (continues)

Indirect Competitors
Make a list of your indirect competitors. What are their characteristics? Why would their customers choose to switch to purchasing your products or services?

Q "Your most dangerous competitors are those that are most like you."

Bruce Henderson

Marketing Plan (continues)

E. Marketing Mix

The marketing mix is generally accepted as the use and specification of the four Ps describing the strategic position of a product in the marketplace. The four Ps of the marketing mix are:

Product - An object or a service that is mass produced or manufactured on a large scale with a specific volume of units.

Price – The price is the amount a customer pays for the product. It is determined by a number of factors including market share, competition, material costs, product identity and the customer's perceived value of the product. The business may increase or decrease the price of product if other stores have the same product.

Place – Place represents the location where a product can be purchased. It is often referred to as the distribution channel. It can include any physical store as well as virtual stores on the Internet.

Promotional strategy – Promotion represents all of the communications that a marketer may use in the marketplace. Promotion has four distinct elements - advertising, public relations, word of mouth and point of sale. One of the most effective means of promotion today is the Promotional Product, as in useful items distributed to targeted audiences with no obligation attached. Word of mouth is any apparently informal communication about the product by ordinary individuals, satisfied customers or people specifically engaged to create word of mouth momentum. Sales staff often plays an important role in word of mouth and Public Relations.

Broadly defined, optimizing the marketing mix is the primary responsibility of marketing. By offering the product with the right combination of the four Ps marketers can improve their results and marketing effectiveness. Making small changes in the marketing mix is typically considered to be a tactical change. Making large changes in any of the four Ps can be considered strategic.

In your promotion strategy, you need decide what the intent is for each of your promotional methods, how much money to dedicate to it, and what the intended outcome you are expecting.

! The internet contains a number of websites dedicated to explaining the marketing mix and the effective use thereof. Click on the following link for more information http://en.wikipedia.org/wiki/Marketing_mix

Q "I don't have other salespeople in here wondering what's going in and out. I keep track of what's selling."

Elizabeth Baker (Entrepreneur)

The four Ps of the marketing mix are discussed in more detail within the next few pages.

Marketing Plan (continues)

E. Marketing Mix (continues)

Promotional strategy
This is the method you choose to communicate with your target market. The promotional strategy plays an integral role in the awareness, trial and adoption rates of your product or service. It is a critical link in the overall marketing strategy. As well it will have a direct impact on cash flow, so timing and planning are crucial. Keep this in mind when you are making jotting notes for this section.
The following is a list of potential promotion channels: - Affiliate Programs (online) - Banner Advertising (online) - Business Cards - Billboards - Contests - Coupons - Cross-promotion with complementary products - Cross-merchandising - Direct Mail - Flyers - Giveaways - Magazines - Personal Selling - Radio - Sponsorship of related events - Television - Trade magazines - Yellow Pages For each of the potential promotion channels listed above create a table to consider: - Costs - Readership - Target market profile - Distribution coverage - Distribution frequency - Type of distribution used within the channel

Marketing Plan (continues)

E. Marketing Mix (continues)

Promotional strategy (continues)

Marketing Plan (continues)

E. Marketing Mix (continues)

Place (Distribution) strategy
What does "Place" cover? This section describes "how" and "where" you will sell your products and service. You should showcase any market research you have conducted to add credibility to your claims in this section. You can have as many distribution channels as you like, simply make sure to detail each one. Note: You should match your distribution channels to the buying patterns of your target market. – E.g. If your target market is most likely to purchase software from a store just as soon as purchasing it online, you should describe the distribution approach for retail sales as well as online initiatives and the related costs, and advantages.

What is the location of your business?

Why have you chosen this location?

What are the marketing and distribution advantages of this location?

What are the costs associated with this location?

What are the potential traffic flows from this location?

Marketing Plan (continues)

E. Marketing Mix (continues)

Place (Distribution) strategy (continues)

Where else can your product or service be purchased?

What are the associated costs of this additional location/s?

What are the marketing advantages of this additional location/s?

Are there any other methods of distribution you currently have or will use in the future? Be sure to note the effects on service quality, promotion, and timing with all of your above suggested distribution methods and locations.

Marketing Plan (continues)

E. Marketing Mix (continues)

Pricing Strategy
The pricing of your product/service is the fee that you will charge to the customer. This is a number that will be based on your costs, competition, and customers' perceived value for your product or services. The pricing strategy should provide with a desired profit level, and should be consistent with the positioning of the product/service in the market.
The general categories of costs for a service or a product as follows; **Materials:** Direct cost of materials going into the product/service **Labour:** Direct man hours into a product or service **Overheads:** Indirect costs to produce the product or service (electricity, water consumption Your desired profit margin will be based on the pricing strategy you choose to follow. Here are some considerations: - retail cost and pricing - competitive position - pricing below competition - pricing above competition - price lining - multiple pricing

Is your target market price sensitive? If yes, specify the degree (Low, medium, high)

How important is value to the customer? Will the price reflect the perceived value of the product?

Marketing Plan (continues)

E. Marketing Mix (continues)

Pricing Strategy (continues)

Will you be discounting the price on a regular basis? (for ongoing sales, retailer sales discounts, distribution discounts, sales agent discounts, volume discounts, etc.)?

What will be your Break-Even point?
Note: The break-even point is defined as the how many products/services you need to sell to at least reach a zero profit position, having thus covered all fixed costs (e.g. rental expenses).

The formulae is as follow:

Fixed costs: Cash outflows that are generally independent of the number of products/services sold (e.g. business, telephone, internet rental expenses)

Variable operating profit made when selling a product/service: This is the selling price minus the variable costs associated with a product/service (e.g. labour, material and overhead costs specifically allocated to a product/service.

Break-even point: Number of products/services to sell to at least cover all the fixed costs.

Fixed costs ÷ Variable operating profit per product/service

Marketing Plan (continues)

E. Marketing Mix (continues)

Product & Services
In addition to attaching a product picture or description, consider the following points as well, and do your best to define them:

What kind of image do we want to have (such as cheap but good, or exclusiveness, or customer-oriented or highest quality, or convenience, or speed, or what exactly)?

List the features that you wish to emphasize:

Marketing Plan (continues)

E. Marketing Mix (continues)

Product & Services (continues)

Weigh the Benefits vs. Features
These points are known as the 6 "O's" of consumer behaviour: ORIGINS of purchase: *Who buys it?* OBJECTIVES of purchase: *What do they need/buy?* OCCASIONS of purchase: *When do they buy it?* OUTLETS of purchase: *Where do they buy it?* OBJECTIVES of purchase: *Why do they buy it?* OPERATIONS of purchase: *How do they buy it?*

Weigh the Benefits vs. Features
Also make note of the type of marketing positioning you will follow: - Market Leader vs. Follower - Price vs. Quality - Innovator vs. Adaptor - Customer vs. Product - International vs. Domestic - Private Sector vs. Government

Operational Plan

As noted on page 11, the operational plan defines how all tasks will be accomplished. It should cover the suppliers you will use, execution strategies and manufacturing plans.

Answer the following key questions to formulate your operational plan:

Development synopsis
Here you can briefly outline the design and development plans, an overview of the strategy details for taking your venture from concept to reality.
What is the current status of product/service/website development?
When is the proposed "finish" date of development? What obstacles, if any, must the company overcome in this process? What specific tasks must be completed?
Who, if anyone, outside the company will be involved?

Operational Plan (continues)

Development synopsis (continues)
How will you protect your company's company proprietary information/technology or competitive advantage?
List your suppliers. Rate them on a scale of 1 to 5, with 5 being the most reliable. Briefly state their terms and conditions if you know them as well as pricing and trade discounts.
List additional rules and regulations, tax considerations that your business will be subjected to for all levels of government. Also state industry specific issues that you are aware of applicable to your business.

Operational Plan (continues)

Manufacturing Plan
The manufacturing plan outlines the process and resources needed to create your product or service. The manufacturing plan will highlight the impact the production process has on your physical location, equipment requirements, human resources, time lines, and licensing.
What is your production methodology? What is the production process for your product or service?
Provide a list of the costs associated with this process. Include direct and overhead costs. These notes will be valuable for your formal business plan.
What are the research and development requirements? What are the timelines and costs associated with this?
What are your requirements for equipment, plant and storage facilities? What will be the approximate costs associated with this?

Operational Plan (continues)

Manufacturing Plan (continues)
Will you be working with any sub-contractors, value added resellers, etc.? What are the quality control provisions you propose?
Do you or will you have trademarks or patents on any of your products/services? If yes, please provide details.

Q "You need to do two things for your readers in the operating section of the business plan: show what you've done so far to get your business off the ground (and that you know what else needs to be done) and demonstrate that you understand the manufacturing or delivery process of producing your product or service."

Susan Ward (About.com)

Operational Plan (continues)

Risk Management Plan
You will need to identify the risks of loss inherent to your type of business as this will form the basis for your insurance needs. Below is an example to typical forms of insurance cover: - Loss due to product theft - Workers' Compensation - Fire or structural damage - Business interruption (e.g. riots, unplanned power cuts) - Liability settlement cover - Loss of certain key individuals relating to business - Loss due to theft of key assets - Glass and sign breakage - Indemnity insurance
Are there any other risks inherent to your business that you should consider preparing for such as bad credit, piracy of software, etc. **How have you prepared for these risks to offset their potential impact on your business?**

Human Resources

As noted on page 11, a strong management team is of utmost importance to investors, as is the recognition that where skill gaps exist, you have developed a plan to fill in the "gaps" with the appropriate staff to make it happen!

Answer the following key questions to formulate your human resources plan:

The Management Team
Demonstrate that your company has the required human resources to be successful. Below you will outline and introduce your team with full resumes including information on existing board members and advisors.
Who are the key management personnel and what are their backgrounds?
Who are the other investors and/or shareholders involved in the operations?

Human Resources (continues)

The Management Team (continues)
Who comprises the Board of Directors and/or Board of Advisors?

Staff
Provide a job description of any staff required, note their a) responsibilities, b) skill set, c) full-time, part-time or contract status, d) salary and e) benefits.

Financial Plan

The financial plan is a very crucial ingredient to a successful and business plan, and should address various key financial questions, including:

- What are the costs associated with your business, what is the marginal profit?
- Do you have a secure path to grow your business?
- What is the main required financing mechanism and why?
- What is the time line within which the investor can expect to earn his returns?

Sound financial management is one of the best ways for your business to remain profitable and solvent. In this section you think through some of the general issues you will have to address in your formal business plan.

To effectively manage your finances, plan a sound, realistic budget by determining the actual amount of money needed to open your business (start-up costs) and the amount needed to keep it open (operating costs).

The budget should allow for the following cash outflows:

- Salaries/wages
- Legal/professional fees associated with the start-up phase
- Business occupancy costs (rental and including deposits)
- Licenses/permits to obtain
- Equipment related costs
- Cost of insurance
- Office supplies
- Advertising/promotional expenses
- Accounting and other professional fees
- Insurance costs
- Depreciation
- Loan payments
- Utilities
- Dues/subscriptions/fees
- Taxes
- Other miscellaneous costs
- Charitable contributions

! Please see the appendix of this eBook for examples of budgets.

Financial Plan (continues)

The following main sections should be included within your budgets:

- **Cash flow statement** - The actual money that is collected from sales and the money that is paid out for expenses during each month.

- **Balance sheet** - shows the financial picture of your business at a certain point in time, highlighting that which you own vs. what you owe.

- **Income statement** - shows the profit or loss of your business over a certain period in time.

Cash flow statement

The Cash flow statement takes the predictions and estimates that you draw in your business plan, and transfers them to a comprehensive financial statement. A statement in which you can analyze total monthly cash receipts minus expenses.

It highlights potential problem areas in payment terms, etc., so that you can determine whether you or not you will be able to draw funds from the business.

The following is the main components of a cash flow statement:

- **Cash flow from operating activities** – The net result of cash generated from operations is the most important section of the entire cash flow statement as a positive figure indicates that operating cash inflows were more than cash outflows. A negative operating net cash flow indicates that the business is losing money.

- **Cash flow from finance activities** – This section will indicate to the reader what methods of financing were utilised. Financing activities include issuing shares, and obtaining funds via loans. This section will also reflect the amounts paid back on loans.

- **Cash flow from investing activities** – The result of capital expenditures, and other investing activities (e.g. buying shares in other businesses) will reflect within this section. Proceeds from selling investments will also be pointed out within this section.

- **Reconciliation to bank balance** – The net result of the cash flow from operating, finance and investing activities should be determined and should equal to the cash on hand or projected cash and cash equivalents at a specific period.

! Cash is King! Make sure that spend enough time to understand the workings of cash flow statements. See appendix for examples.

Financial Plan (continues)

Balance sheet

The Balance Sheet displays your liquidity and solvency (assets vs. liabilities) to an investor. The Income Statement displays your profitability over a certain period of time as well as the effect taxes have on your overall performance.

The following are the main components of a balance sheet:

- **Non-current assets** – These types of assets include property, plant and equipment, and the value of long-term investments (e.g. property).

- **Current assets** – This includes debtor, other receivables (e.g. prepayments), value of stock, and the value of cash and cash equivalents (e.g. bank accounts and petty cash)

- **Equity** – Components of equity includes share capital, and other reserves like retained earnings. Retained earnings shows the effect of the profit and losses of previous year's trading. Dividend payments to shareholders/members are usually made from retained/accumulated earnings.

- **Non-current liabilities** – This usually includes long-term borrowings.

- **Current liabilities** – Refers to liabilities to be settled within the next 12 months, and includes creditor balances, tax liability and other short-term borrowings (e.g. overdrafts).

The balance sheet's total assets (positive) and liabilities (negative) added together will give you the value of shareholders equity, or in other words, the net asset value (NAV).

Income Statement

The Income Statement reflects the profit or loss of your business over a certain period in time. The net loss/profit position is then transferred to retained/accumulated earnings as reflected on the balance sheet.

The main components of an Income Statement are as follow:

- **Revenue** – Total of all credit and cash sales made

- **Cost of Sales** – The total of all costs directly attributable to sales e.g. cost of stock sold

- **Gross profit** – Revenue minus Cost of Sales

- **Administrative costs** – Costs of running the business e.g. stationery costs and professional fees

Financial Plan (continues)

Income Statement components (continues)

- **Other income** – Other income should include interest and dividend income
- **Other expenses** – Should reflect total of other non-administrative expenses e.g. repairs and maintenance etc.
- **Operating profit before tax** – Gross profit - Administrative costs + Other income – Other expenses
- **Tax expense** – Should reflect the total tax payable on the above operation. The services of a Tax expert should be used for calculating the potential tax payable.
- **Net profit/loss for the period** – Operating profit before tax minus Tax expense

! For purposes of your Business Plan: if you have already commenced with operations you should include the results of actual trading to date in the form of a income statement, balance sheet and cash flow statement.

Your business plan should always include budgeted figures for a set period in future (e.g. next six months) and should be set out in the form of an income statement, balance sheet and cash flow statement. Attach these figures to the appendix of your Business Plan.

Q "If the actual numbers delivered turn out to be close to the budget, this will demonstrate that management understands their business and has been successfully driving it in the direction they had planned. On the other hand, if the actual figures diverge wildly from the budget, this sends out an 'out of control' signal and the share price could suffer as a result."

Anonymous venture capitalist

Conclusion/Actions

As noted on page 12, conclude your business plan with a positive writing style, and ensure that you communicate to the reader your commitment to the success of the business.

Be sure to view the business plan examples in the appendix of this eBook for illustrations on how to conclude on your business plan.

Notes

Congratulations!

You have worked through and itemized some of the general considerations for your business plan. You have probably confronted some issues that have drawn attention to weaknesses as well as highlighted some opportunities by going through the exercises within this eBook.

The exercises within this eBook should have given you some insight on:

- Why you need a business plan
- To understand what a business plan entails
- To challenge your ideas and format them for presentation
- Where and how to start
- How to write an effective business plan
- How to ultimately use a business plan to develop your venture
- How to introduce and sell your venture to investors, financiers
- How to introduce your products and services to your target market

Now that you have your notes in hand and stronger understanding of how to organize and craft a business plan, you can move onto creating your formal business plan!

The next few pages contain the appendix to this eBook.

We have included various internet based links to very useful business plan resources that can assist you with the development of your formal business plan. The appendix also includes two business plan examples for you to refer to.

Please let us know whether you feel the Business Plan Workbook has added value to your Business Plan Writing project, as this was indeed our main intention during the production of this eBook.

The Bplan Chef

Q "The man who can drive himself further once the effort gets painful is the man who will win."

Roger Bannister

Appendix

Table of contents

Section A **Page 50**
This section contains a number of links to various online resources on the internet.

Section B **Pages 51 to 88**
This section contains two examples of full business plans to be used for familiarising yourself with the look and feel of an actual business plan.

Appendix

Section A

- **Free Bonus Report for all South African entrepreneurs who purchased a copy of The Business Plan Workbook**

  For a **FREE bonus report** on the various types of businesses in South Africa, including on:

  - The advantages and disadvantages of running your business as a sole proprietor
  - The advantages and disadvantages of running your business as close corporation
  - The advantages and disadvantages of running your business as a company
  - How to register a close corporation or company in South Africa
  - How to open a bank account in South Africa
  - How to find office space
  - How to find assistance with tax matters relating to your business
  - How to find an accountant and/or auditor
  - How to register a domain name for your business website
  - How to find a developer for your website
  - The best methods to sell your products and services online
  - How to decide on the best accounting software to use
  - Books to read for entrepreneurs who want to be successful in South Africa
  - South African charities and other non-profit entities worth supporting
  - Free sample income statement, balance sheet, and cash flow statements in Microsoft™ Excel for you to use

  visit www.eBooks4Me.co.za/BusinessPlan/FreeReport.

- **Online Business Plan Resources**

  For various other Business Plan resources, please visit http://www.bplanresources.com

- **Business Plan Writing Software**

  For software programmes that can actually assist with the formal writing of your business plan, see the links below *(Note: these website might charge you a once off fee for their software):*

  - Visit http://www.bplans.com/ for business plan writing software, cash flow and break-even calculators and more. Also includes more than 500 business plan templates.

  - Visit http://www.planmagic.com for general business, construction and retail business writing software.

  - Visit http://www.eBooks4Me.com/BusinessPlan/Writer for a free starter business plan writing application. (redirection)

Appendix

Section B

The following two business plan templates are from the public sample collection of www.bplans.com. Visit www.bplans.com for a large variety of business plan resources.

It is important to note that although the business plan outlines (executive summary, company profile etc.) of the two templates below differ from the order in which the outlines were discussed in this eBook, all the outlines are however present in the two templates!

- **Bed and Breakfast Business Plan** (Pages 52 – 65)
- **Internet Cafe Business Plan** (Pages 66 – 88)

Appendix

Section B

Bed and Breakfast Business Plan (Sample 1)

1.0 Executive Summary

Introduction
The long-term goal of Coach House Bed and Breakfast (Coach House) is to become the best choice on Tybee Island, Georgia for temporary lodging by creating a differentiated experience capitalizing on personal service, the historical nature of the Coach House building, and its unique location in one of the most attractive parts of the Old South. We plan to be more than a great bed and breakfast. We plan to create an environment of pampered luxury that surpasses the standard fare for Tybee. Expanding our exposure via the Internet and introducing the island to people that have not yet discovered this year-round paradise will allow us to maintain a higher than average occupancy rate and above average profits.

The Company
Coach House Bed and Breakfast is an established B&B, and has been in operation for the last three years as Marsh Hen Bed and Breakfast. After possession and a brief period of becoming established, Coach House will diverse into other ventures to ensure a steady flow of patrons (tourists and locals) through its doors.

The Coach House Bed and Breakfast will be a partnership, equally owned by John Maesch and Frank Williams. Mr. Maesch will reside on the property, managing and maintaining the business and satisfying Tybee Island license requirements.

Our Services
The Coach House Bed and Breakfast was originally built in 1920 and is believed to have been one of three train stations on Tybee Island, linking the island to Savannah. The building has undergone a number of restorations and uses since the train service ceased operation. With construction completed, it now has the potential of four rental units with owner-occupancy in an unused room.

Creating a "home away from home" which is often more beautiful and palatial than where they are traveling from will ensure many return customers. The riches of Chatham County have always drawn a significant number of tourists to the Savannah/Tybee Island area. In addition to providing information about such locations, we plan to collaborate with tour agencies and businesses throughout the area by offering packages and special rates.

As the B&B becomes established through the peak season, we plan to expand our services to the residents of Tybee and Savannah in time for the off-season. The adjoining rooms open creating a large area, ideal for formal or informal gatherings (i.e. wedding receptions, office parties, Christmas parties, etc.).

The Market
B&Bs, along with other short-term lodging on Tybee Island, have been a substantial part of the island tourism. Of the short-term lodgings on Tybee, ten are categorized as inns, 19 as long-term lease facilities (rentals, condos, and houses) and only four as B&Bs, including the Coach House. Hotels/motels constitute the largest percentage of rental properties on the island in terms of units.

A modest projection for increased unit rental is 30% per year. Competitors on the island have averaged 30% + rental increases over the past three years, and the Georgianne Inn is forecasting 50% increases for the next two years before hitting full capacity.

This projection is without any significant increase in advertising or exposure, but is based on the general average increase in tourism.

Our two major customer segments are tourists from the north who traditionally prefer the cozy environment of B&Bs, and local patrons who need the facilities for various events. Subscriptions to various Web services will provide international exposure to potential customers for nominal annual fees.

Financial Considerations
Coach House will be acquired at $500,000 via a small business administration (SBA) loan (CDC 504 Loan Program) with the buyers supplying 20% down ($100,000), Ameribank supplying 50% ($250,000), and SBA supplying 30% ($150,000). We are assuming an initial capital start-up of $12,000 for operating expenses.

We estimate average monthly fixed costs to be at $6,770 ($3,486 for expenses and $3,284 for interest payments). Peak and off-season will have significant impact on the monthly earnings. For the first year, on-season revenues will offset off-season losses. As Coach House B&B builds its market position among the local patrons, we anticipate that off-season revenues will be enough to break even during that season.

1.1 Objectives

1. Open the Coach House Bed and Breakfast as a "turn key operation" on May 3, 2000 with existing bookings for the Marsh Hen Bed and Breakfast (prior ownership), and new bookings under an increased rental rate after possession.

2. Demonstrate a minimum of 65% occupancy averaged throughout year 2000.

3. Increase exposure and market using Internet technology and direct advertising to northern regions of the United States.

4. Through incentives and increased exposure on the Internet, we hope to increase off-season occupancy by 30% the first year.

5. Increase off-season use by divesting into other uses for property (cater parties, receptions, weddings, etc.).

1.2 Mission

The mission of Coach House is to become the best choice in Tybee for temporary lodging by expanding our exposure via the Internet (with multiple networks and links), and introducing the island to areas that have not yet discovered this year-round paradise. We plan to be more than a great bed and breakfast. We plan to create an environment of pampered luxury that surpasses the standard fare for Tybee.

The Coach House guest will have every need met to ensure his/her comfort. For special occasions, catered meals, chilled wine, etc. can be provided for an additional stipend. During the weekends, guests will return to the B&B in the evening and find cheese, fruit, and wine for snacking before turning in.

As the B&B becomes established through the peak season, we plan to expand our services to the residents of Tybee and Savannah in time for the off-season. The adjoining rooms open creating a large area, ideal for formal or informal gatherings (i.e. wedding receptions, office parties, Christmas parties, etc.). The outdoors, with its access to the beach, a beautiful, tropical front yard, and a private deck, opens several additional opportunities. A gazebo in the front yard would make the perfect location for a wedding, as would the sand and surf for those that prefer a beach wedding. With the capability for a catered reception inside, Coach House will make the event smooth and easy for the guests. Immediate family or selected members of the

wedding party would be able to stay at the B&B ,while other party members will be referred to neighboring Inns. This collaborative practice is not new to Tybee, but Coach House will be a new member in the exchange.

Tourists will want to explore the riches of Chatham County (Bonaventure Cemetery, River Street, Worms Low, Savannah's historic district, market square, dolphin tours, the marinas, and Fort Pulaski to name a few). In addition to providing information about such locations, we plan to collaborate with tour agencies and businesses throughout the area by offering packages and special rates with in-kind incentives for the cooperating merchants, including tours originating from the Coach House.

Amenities that go beyond the typical B&B will include:

* Pralines on pillows.
* A complimentary music CD for each room that the guest may keep (copy included in packet).
* An extensive video and audio library for guest use.
* CD stereo systems and VCRs in each room.
* Starbucks coffee.
* A variety of herbal teas.
* Daily fresh-baked muffins and fresh fruit.
* Links to other businesses and services on the island and the mainland.

1.3 Keys to Success

In order to succeed, the new management will strive to achieve the following goals:

* Position Coach House B&B as the best B&B on Tybee Island among the numerous tourists.
* Build strong market position among the local patrons.
* Maintain sound financial management of the venture.

2.0 Company Summary

Coach House Bed and Breakfast is an established B&B, and has been in operation for the last three years as Marsh Hen Bed and Breakfast. After possession and a brief period of becoming established, Coach House will diverse into other ventures to ensure a steady flow of patrons (tourists and locals) through its doors.

2.1 Company Ownership

The Coach House Bed and Breakfast will be a partnership, equally owned by John Maesch and Frank Williams. As of this writing, the decision to incorporate has not yet been made, but will be considered after the owners relocate to Georgia and establish local legal representation. Mr. Maesch will reside on the property, managing and maintaining the business and satisfying Tybee Island license requirements. Mr. Williams will remain in Indiana fulfilling his employment contract.

As the B&B becomes self-supporting, Mr. Williams will resign--transferring his retirement money to the capital reserve, relocating to Tybee, and assisting with the daily responsibilities of the B&B.

2.2 Company History

The Coach House Bed and Breakfast was originally built in 1920 and is believed to have been one of three train stations on Tybee Island, linking the island to Savannah. The station offered patrons a place to shower and change after a day at the beach before boarding for the return trip. The building has undergone a number of restorations and uses since the train service ceased operation. It currently functions as the Marsh Hen Bed and Breakfast, having begun in 1997 with two rental units and one living unit, following a period of

extensive renovations and improvements to the property. While open, the current owner continued with improvements (a new roof and new construction for an efficiency apartment above the existing roof). Due to continual structural improvements during 1997, 1998 and 1999, the B&B has not yet gone through a season with full operational capacity. With construction completed, it now has the potential of four rental units with owner-occupancy in an unused room.

In addition to the limitations caused by construction, Inn operators and other business members on the island have reported that the current owner lacks some of the commitment, investment, and business sense to run at a higher capacity. The current owner will often leave the building to the care of an answering machine, and categorically deny accessibility to various classes of people. The general consensus is that it has operated as a hobby and not a business under the current ownership.

The table below outlines the B&B's performance over the last three years under the current ownership.

Past Performance

Past Performance			
	1997	1998	1999
Sales	$10,000	$18,608	$28,320
Gross Margin	$1,429	$3,203	$13,565
Gross Margin %	14.29%	17.21%	47.90%
Operating Expenses	$8,571	$15,405	$14,755
Collection Period (days)	49	33	47
Inventory Turnover	0.00	0.00	4000.00
Balance Sheet			
Current Assets	1997	1998	1999
Cash	$5,000	$7,000	$12,000
Accounts Receivable	$1,000	$1,500	$4,000
Inventory	$1,000	$1,500	$2,000
Other Current Assets	$500	$500	$1,000
Total Current Assets	$7,500	$10,500	$19,000
Long-term Assets			
Capital Assets	$200,000	$200,000	$200,000
Accumulated Depreciation	$10,000	$20,000	$30,000
Total Long-term Assets	$190,000	$180,000	$170,000
Total Assets	$197,500	$190,500	$189,000
Capital and Liabilities			
	1997	1998	1999
Accounts Payable	$10,000	$15,000	$20,000
Current Borrowing	$0	$0	$0
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$10,000	$15,000	$20,000
Long-term Liabilities	$100,000	$50,000	$0
Total Liabilities	$110,000	$65,000	$20,000
Paid-in Capital	$50,000	$50,000	$50,000
Retained Earnings	$37,500	$75,500	$119,000

Earnings	$0	$0	$0
Total Capital	$87,500	$125,500	$169,000
Total Capital and Liabilities	$197,500	$190,500	$189,000
Other Inputs	1997	1998	1999
Payment Days	30	30	30
Sales on Credit	$7,500	$13,956	$21,240
Receivables Turnover	7.50	9.30	5.31

Past Performance

3.0 Services

The Coach House Bed and Breakfast is a resort lodging facility on Tybee Island, Georgia, designed to provide guests with luxurious surroundings at reasonable rates while vacationing in the coastal Georgia area.

4.0 Market Analysis Summary

The Coach House B&B will focus on quality, luxurious, yet affordable, lodging for vacationers interested in exploring Tybee Island and the surrounding coastal regions of Savannah, Georgia. This area is a sleeping giant on the verge of awakening.

Our most important groups of potential customers are those who traditionally choose the bed and breakfast climate to the more traditional and sterile surroundings of hotels / motels. Creating a "home away from home" which is often more beautiful and palatial than where they are traveling from will ensure many return customers.

4.1 Market Segmentation

A modest projection for increased unit rental is 30% per year. Competitors on the island have averaged 30% + rental increases over the past three years, and the Georgianne Inn is forecasting 50% increases for the next two years before maxing out at full capacity. This projection is without any significant increase in advertising or exposure, but is based on the general average increase in tourism.

Market Analysis

Market Analysis							
Potential Customers	Growth	2000	2001	2002	2003	2004	CAGR
Tourists	20%	100,000	120,000	144,000	172,800	207,360	20.00%
Local Patrons	5%	5,000	5,250	5,513	5,789	6,078	5.00%
Total	19.40%	105,000	125,250	149,513	178,589	213,438	19.40%

4.2 Market Analysis

Our two major customer segments are tourists from the north who traditionally prefer the cozy environment of B&Bs, and local patrons who need the facilities for various events. The table below outlines the total market potential for our business.

4.3 Target Market Segment Strategy

The Marsh Hen's history demonstrates that money can be made in this area simply by existing. We continue to see that Tybee Island, in general, is under exposed as a winter vacation destination. We plan to aggressively pursue guests from the north while introducing Tybee Island to this under-tapped market population. We also plan to use the B&B for local patrons by opening it for catered parties, receptions, etc.

Subscriptions to various Web services will provide international exposure for nominal annual fees. Committing to staying in the building to book reservations and opening the B&B to diverse groups of people will also increase bookings.

4.3.1 Market Needs

Similar to tourists who choose to stay in traditional hotels, customers who patronize B&Bs seek relaxation, fun and stress management while on vacation. However, this type of customer also prefers comfortable accommodations in a cozy, family environment. These patrons are more social, they love meeting new people while at the same time require enough privacy to enjoy their vacation. Coach House has all the necessary facilities to attract such customers.

4.4 Service Business Analysis

B&Bs, along with other short-term lodging on Tybee Island, have been a substantial part of the island tourism. Of the short-term lodgings on Tybee, ten are categorized as Inns, 19 as long-term lease facilities (rentals, condos, and houses) and only four as B&Bs, including the Coach House (currently operating as the Marsh Hen Bed and Breakfast). Hotels/motels constitute the largest percentage of rental properties on the island in terms of units. However, the average B&B patron is not typically interested in the hotel/motel climate. That and the comparison of rates, which are substantially higher in the hotel/motel industry, do not put such facilities in the category of competitor.

4.5 Competition and Buying Patterns

The bed and breakfast industry offers a unique lodging environment, which caters to an ever-increasing group of travelers. B&Bs create a climate of home, where guests become temporary members of a larger family. The B&B home opens itself to guests, allowing them to participate and share in the richness of a community, while still allowing whatever degree of privacy is preferred.

Meals can be shared with the innkeepers and other travelers allowing new relationships to be created and old ones enriched. Or, meals can be taken in the privacy of the guest's room.

A variety of settings available in the B&B are situated to enable individuals or small groups to locate the perfect setting for whatever mood or activity one is pursuing (reading, watching television, playing board games, etc.). In the B&B, a guest is a guest in one's home, not a customer. It becomes a place to return to: at the end of a day, or during the next vacation (like going home).

At the Coach House B&B, guests will have the right mix of membership and privacy. Being dutiful without being intrusive is a delicate balance and one that owners have mastered in their various walks of life.

5.0 Strategy and Implementation Summary

We commit to creating the best on Tybee Island from the beginning. As a furnished (turn key) operation, we will be able to invest more time and money into the finer things (the extra amenities that go above and beyond those associated with the other Inns on the Island). In most resort areas, parking is a problem. Coach House has off-street parking that will accommodate all guests. These are the extras that people remember, and separate an exceptional lodging from one that is merely okay.

With the right exposure, we believe that an un-tapped market of vacationers can be enticed to Tybee Island and the Coach House. Membership in WorldRes.com (an international Web catalog for Inns and B&Bs) will put us in front of millions of computer screens on a daily basis.

The WorldRes partner network allows real-time reservations on today's most popular websites, including AOL, Yahoo!, and Lycos. In addition, WorldRes has developed exclusive relationships with destination and special activity websites and call centers. WorldRes provides a free connection to the SABRE travel agent system, providing access to over 100,000 agents worldwide, as well as to users of Travelocity, one of the most popular online travel sites.

All of this visibility is free, with the exception of a five to ten percent transaction fee for any booking made directly via the service and online; much less expensive, yet more comprehensive than traditional advertising. However, not all B&B patrons are computer-friendly. Therefore, we will be placing seasonal specific advertisements in regional newspapers and major city magazines.

5.1 Competitive Edge

We start with a critical competitive edge: there is no competitor we know of that can offer the convenience and luxury one will find at the Coach House. We have traveled the country and stayed in many B&Bs. We know how to create the climate that others seek when shopping for B&B lodging.

5.2 Sales Strategy

Coach House will sell its rooms directly to repeat customers, as well as via traditional travel agents and through the Internet. All reservations will be handled by Mr. Maesch. Repeat customers will have the privilege of priority reservations during the high season. As mentioned above, the new owners will also list Coach House on www.worldres.com, which will make it available to millions of international tourists.

5.2.1 Sales Forecast

Our sales forecast is based on the historical industry trend of Tybee Island and the following rates and occupancy assumptions:

	Off-season	On season (May-Sept.)
Occupancy Rate	45%	85%
Apartment	$150	$200
Large Jacuzzi	$100	$175
Adjoining Unit	$80	$150
Smaller Unit	$70	$125

Sales Monthly

Sales Forecast

Sales Forecast Sales	2000	2001	2002
Apartment	$40,320	$42,336	$44,453
Large Jacuzzi	$34,324	$36,040	$37,842
Adjoining Unit	$27,140	$28,496	$29,921
Smaller Unit	$22,934	$24,081	$25,285
Total Sales	$124,718	$130,953	$137,501
Direct Cost of Sales	2000	2001	2002
Apartment	$0	$0	$0
Large Jacuzzi	$0	$0	$0
Adjoining Unit	$0	$0	$0
Smaller Unit	$0	$0	$0
Subtotal Direct Cost of Sales	$0	$0	$0

6.0 Management Summary

The Coach House will operate as an owner-occupied business. Salary for the first year of operation will be $12,000, as indicated on the expense table. This salary, though low, is reasonable considering that major living expenses (mortgage, utilities, etc.) will be covered by the business.

6.1 Personnel Plan

As mentioned above, Mr. Maesh will reside on the property while performing necessary day-to-day management tasks. The co-owner, Mr. Williams, is currently employed in Indiana, but will retire in September 2000 and will relocate to the Tybee Island. Since he will reside off of the property, his total planned compensation is higher than that of Mr. Maesh's.The table below outlines projected personnel plan for Coach House.

Personnel

Personnel Plan			
	2000	2001	2002
John Maesch	$12,000	$15,000	$18,000
Frank Williams	$3,000	$20,000	$22,000
Total People	2	2	2
Total Payroll	$15,000	$35,000	$40,000

7.0 Financial Plan

Coach House will be acquired at $500,000 via an small business administration (SBA) loan (CDC 504 Loan Program) with the buyers supplying 20% down ($100,000), Ameribank supplying 50% ($250,000), and SBA supplying 30% ($150,000). The bank mortgage is for 20 years at ten percent and the SBA 504 loan is for ten years, also at ten percent. We are assuming an initial capital start-up of $12,000 for operating expenses. In addition to the $12,000 of start-up money available from Mr. Maesch's retirement, Mr. Williams will be adding $30,000 by September 15, 2000.

7.1 Break-even Analysis

We estimate average monthly fixed costs to be at $6,770 ($3,486 for expenses and $3,283 for interest payments). Peak and off-season will have significant impact on the monthly earnings. For the first year, on-season revenues will offset off-season losses. As Coach House B&B builds its market position among the local patrons, we anticipate that off-season revenues will be enough to break even during that season. Further, a rate increase may be considered in Fiscal Year 2001.

Break-even Analysis

Break-even point = where line intersects with 0

Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	6,838
Monthly Revenue Break-even	$6,838
Assumptions:	
Average Per-Unit Revenue	$1.00
Average Per-Unit Variable Cost	$0.01
Estimated Monthly Fixed Cost	$6,770

7.2 Projected Profit and Loss

Below is the Coach House's projected income statement for the next three years. As mentioned above, earnings are subject to seasonal fluctuations. The new ownership will, however, strengthen Coach House's market position among the local community who will patronize the establishment during the low season, and thus offset the negative impact of the season.

Profit and Loss

Pro Forma Profit and Loss			
	2000	2001	2002
Sales	$124,718	$130,953	$137,501
Direct Cost of Sales	$0	$0	$0
Other	$0	$0	$0
	---	---	---
Total Cost of Sales	$0	$0	$0
Gross Margin	$124,718	$130,953	$137,501
Gross Margin %	100.00%	100.00%	100.00%
Expenses:			
Payroll	$15,000	$35,000	$40,000
Sales and Marketing and Other Expenses	$2,775	$3,900	$4,095
Depreciation	$4,440	$4,500	$473
Insurance	$2,580	$2,600	$210
Telephone	$2,400	$2,500	$10,500
Security	$420	$450	$368
Duties & Subscriptions	$175	$200	$2,100
Rent	$9,996	$10,000	$10,000
Room/Housecleaning	$300	$350	$2,730
Groceries	$1,500	$2,000	$2,625
Payroll Taxes	$2,250	$5,250	$6,000
Other	$0	$0	$0
	---	---	---
Total Operating Expenses	$41,836	$66,750	$79,100
Profit Before Interest and Taxes	$82,882	$64,203	$58,401

Interest Expense	$52,500	$51,750	$50,150
Taxes Incurred	$7,480	$3,113	$2,097
Net Profit	$22,902	$9,340	$6,154
Net Profit/Sales	18.36%	7.13%	4.48%

7.3 Projected Cash Flow

The table below outlines the projected cash flow and shows that the company will have enough cash reserves to cover the off-season's low sales. These projections are realistic in terms of the historical market of Tybee Island and operations, based on current pricing research and the addition of a fourth rental unit.

Cash

Cash Flow

Pro Forma Cash Flow			
	2000	2001	2002
Cash Received			
Cash from Operations:			
Cash Sales	$31,179	$32,738	$34,375
Cash from Receivables	$91,109	$97,894	$102,788
Subtotal Cash from Operations	$122,288	$130,632	$137,164
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$0	$0	$0
New Other Liabilities (interest-free)	$0	$0	$0
New Long-term Liabilities	$525,000	$0	$0
Sales of Other Current Assets	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0
New Investment Received	$0	$0	$0
Subtotal Cash Received	$647,288	$130,632	$137,164

Expenditures	2000	2001	2002
Expenditures from Operations:			
Cash Spending	$8,024	$7,686	$8,484
Payment of Accounts Payable	$104,787	$109,619	$121,937
Subtotal Spent on Operations	$112,812	$117,305	$130,421
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$0	$0	$0
Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$0	$15,000	$17,000
Purchase Other Current Assets	$0	$0	$0
Purchase Long-term Assets	$500,000	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$612,812	$132,305	$147,421
Net Cash Flow	$34,477	($1,674)	($10,257)
Cash Balance	$46,477	$44,803	$34,546

7.4 Balance Sheet

The table below outlines the projected balance sheet of Coach House for Fiscal Year 2000-2002.

Balance Sheet

Pro Forma Balance Sheet			
Assets			
Current Assets	2000	2001	2002
Cash	$46,477	$44,803	$34,546
Accounts Receivable	$6,429	$6,751	$7,088
Other Current Assets	$1,000	$1,000	$1,000
Total Current Assets	$53,906	$52,554	$42,634
Long-term Assets			
Long-term Assets	$700,000	$700,000	$700,000
Accumulated Depreciation	$34,440	$38,940	$39,413
Total Long-term Assets	$665,560	$661,060	$660,588
Total Assets	$719,466	$713,614	$703,221
Liabilities and Capital			
Current Liabilities	2000	2001	2002

Accounts Payable	$4,564	$4,372	$4,826
Current Borrowing	$0	$0	$0
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$4,564	$4,372	$4,826
Long-term Liabilities	$525,000	$510,000	$493,000
Total Liabilities	$529,564	$514,372	$497,826
Paid-in Capital	$50,000	$50,000	$50,000
Retained Earnings	$117,000	$139,902	$149,242
Earnings	$22,902	$9,340	$6,154
Total Capital	$189,902	$199,242	$205,396
Total Liabilities and Capital	$719,466	$713,614	$703,221
Net Worth	$189,902	$199,242	$205,396

7.5 Business Ratios

The following table provides industry information for Coach House B&B based on the Standard Industry Classification (SIC) Index, 7011.

Ratios

Ratio Analysis				
	2000	2001	2002	Industry Profile
Sales Growth	340.39%	5.00%	5.00%	5.90%
Percent of Total Assets				
Accounts Receivable	0.89%	0.95%	1.01%	5.00%
Inventory	0.00%	0.00%	0.00%	1.00%
Other Current Assets	0.14%	0.14%	0.14%	26.00%
Total Current Assets	7.49%	7.36%	6.06%	32.00%
Long-term Assets	92.51%	92.64%	93.94%	68.00%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	0.63%	0.61%	0.69%	19.40%
Long-term Liabilities	72.97%	71.47%	70.11%	34.60%
Total Liabilities	73.61%	72.08%	70.79%	54.00%
Net Worth	26.39%	27.92%	29.21%	46.00%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	100.00%	100.00%	100.00%	0.00%
Selling, General & Administrative Expenses	81.73%	92.87%	95.50%	75.10%
Advertising Expenses	1.60%	2.29%	2.29%	1.90%
Profit Before Interest and Taxes	66.46%	49.03%	42.47%	2.50%

Main Ratios				
Current	11.81	12.02	8.83	1.45
Quick	11.81	12.02	8.83	1.05
Total Debt to Total Assets	73.61%	72.08%	70.79%	54.00%
Pre-tax Return on Net Worth	16.00%	6.25%	4.02%	1.70%
Pre-tax Return on Assets	4.22%	1.75%	1.17%	3.70%
Additional Ratios	2000	2001	2002	
Net Profit Margin	18.36%	7.13%	4.48%	n.a
Return on Equity	12.06%	4.69%	3.00%	n.a
Activity Ratios				
Accounts Receivable Turnover	14.55	14.55	14.55	n.a
Collection Days	45	24	24	n.a
Inventory Turnover	0.00	0.00	0.00	n.a
Accounts Payable Turnover	19.58	25.03	25.36	n.a
Payment Days	28	15	14	n.a
Total Asset Turnover	0.17	0.18	0.20	n.a
Debt Ratios				
Debt to Net Worth	2.79	2.58	2.42	n.a
Current Liab. to Liab.	0.01	0.01	0.01	n.a
Liquidity Ratios				
Net Working Capital	$49,342	$48,182	$37,808	n.a
Interest Coverage	1.58	1.24	1.16	n.a
Additional Ratios				
Assets to Sales	5.77	5.45	5.11	n.a
Current Debt/Total Assets	1%	1%	1%	n.a
Acid Test	10.40	10.48	7.37	n.a
Sales/Net Worth	0.66	0.66	0.67	n.a
Dividend Payout	0.00	0.00	0.00	n.a

Appendix

Section B

Internet Cafe Business Plan

1.0 Executive Summary

JavaNet, unlike a typical cafe, will provide a unique forum for communication and entertainment through the medium of the Internet. JavaNet is the answer to an increasing demand. The public wants: (1) access to the methods of communication and volumes of information now available on the Internet, and (2) access at a cost they can afford and in such a way that they aren't socially, economically, or politically isolated. JavaNet's goal is to provide the community with a social, educational, entertaining, atmosphere for worldwide communication.

This business plan is prepared to obtain financing in the amount of $24,000. The supplemental financing is required to begin work on site preparation and modifications, equipment purchases, and to cover expenses in the first year of operations. Additional financing has already been secured in the form of: (1) $24,000 from the Oregon Economic Development Fund (2) $19,000 of personal savings from owner Cale Bruckner (3) $36,000 from three investors (4) and $9,290 in the form of short-term loans.

JavaNet will be incorporated as an LLC corporation. This will shield the owner Cale Bruckner, and the three outside investors, Luke Walsh, Doug Wilson, and John Underwood, from issues of personal liability and double taxation. The investors will be treated as shareholders and therefore will not be liable for more than their individual personal investment of $12,000 each.

The financing, in addition to the capital contributions from the owner, shareholders and the Oregon Economic Development Fund, will allow JavaNet to successfully open and maintain operations through year one. The large initial capital investment will allow JavaNet to provide its customers with a full featured Internet cafe. A unique, upscale, and innovative environment is required to provide the customers with an atmosphere that will spawn socialization. Successful operation in year one will provide JavaNet with a customer base that will allow it to be self sufficient in year two.

Highlights

1.1 Objectives

JavaNet's objectives for the first three years of operation include:

* The creation of a unique, upscale, innovative environment that will differentiate JavaNet from local coffee houses.
* Educating the community on what the Internet has to offer.
* The formation of an environment that will bring people with diverse interests and backgrounds together in a common forum.
* Good coffee and bakery items at a reasonable price.
* Affordable access to the resources of the Internet and other online services.

1.2 Mission

As the popularity of the Internet continues to grow at an exponential rate, easy and affordable access is quickly becoming a necessity of life. JavaNet provides communities with the ability to access the Internet, enjoy a cup of coffee, and share Internet experiences in a comfortable environment. People of all ages and backgrounds will come to enjoy the unique, upscale, educational, and innovative environment that JavaNet provides.

1.3 Keys to Success

The keys to the success for JavaNet are:

* The creation of a unique, innovative, upscale atmosphere that will differentiate JavaNet from other local coffee shops and future Internet cafes.
* The establishment of JavaNet as a community hub for socialization and entertainment.
* The creation of an environment that won't intimidate the novice user. JavaNet will position itself as an educational resource for individuals wishing to learn about the benefits the Internet has to offer.
* Great coffee and bakery items.

1.4 Risks

The risks involved with starting JavaNet are:

* Will there be a demand for the services offered by JavaNet in Eugene?
* Will the popularity of the Internet continue to grow, or is the Internet a fad?
* Will individuals be willing to pay for the service JavaNet offers?
* Will the cost of accessing the Internet from home drop so significantly that there will not be a market for Internet Cafes such as JavaNet?

2.0 Company Summary

JavaNet, soon to be located in downtown Eugene on 10th and Oak, will offer the community easy and affordable access to the Internet. JavaNet will provide full access to email, WWW, FTP, Usenet and other Internet applications such as Telnet and Gopher. JavaNet will also provide customers with a unique and innovative environment for enjoying great coffee, specialty beverages, and bakery items.

JavaNet will appeal to individuals of all ages and backgrounds. The instructional Internet classes, and the helpful staff that JavaNet provides, will appeal to the audience that does not associate themselves with the computer age. This educational aspect will attract younger and elderly members of the community who are rapidly gaining interest in the unique resources that online communications have to offer. The downtown location will provide business people with convenient access to their morning coffee and online needs.

2.1 Company Ownership

JavaNet is a privately held Oregon Limited Liability Corporation. Cale Bruckner, the founder of JavaNet, is the majority owner. Luke Walsh, Doug Wilson, and John Underwood, all hold minority stock positions as private investors.

2.2 Start-up Summary

JavaNet's start-up costs will cover coffee making equipment, site renovation and modification, capital to cover losses in the first year, and the communications equipment necessary to get its customers online.

The communications equipment necessary to provide JavaNet's customers with a high-speed connection to the Internet and the services it has to offer make up a large portion of the start-up costs. These costs will include the computer terminals and all costs associated with their set-up. Costs will also be designated for the purchase of two laser printers and a scanner.

In addition, costs will be allocated for the purchase of coffee making equipment. One espresso machine, an automatic coffee grinder, and minor additional equipment will be purchased from Allann Brothers.

The site at 10th and Oak will require funds for renovation and modification. A single estimated figure will be allocated for this purpose. The renovation/modification cost estimate will include the costs associated with preparing the site for opening business.

Start-up

Start-up	
Requirements	
Start-up Expenses	
Legal	$500
Stationery etc.	$500
Brochures	$500
Consultants	$2,000
Insurance	$700
Rent	$1,445
4-group Automatic Coffee Machine	$10,700
Bean Grinder	$795
Computer Systems (x11)	$24,310
Communication Lines	$840
Fixtures/Re-model	$20,000

Total Start-up Expenses	$62,290
Start-up Assets	
Cash Required	$24,000
Start-up Inventory	$2,000
Other Current Assets	$0
Long-term Assets	$0
Total Assets	$26,000
Total Requirements	$88,290

Start-up

2.3 Company Locations and Facilities

A site has been chosen at 10th and Oak in downtown Eugene. This site was chosen for various reasons, including:

- Proximity to the downtown business community.
- Proximity to trendy, upscale restaurants such as West Brothers.
- Proximity to LTD's Eugene Station. Parking availability.
- Low cost rent - $.85 per square foot for 1700 square feet.
- High visibility.

All of these qualities are consistent with JavaNet's goal of providing a central hub of communication and socialization for the Eugene community.

3.0 Services

JavaNet will provide full access to email, WWW, FTP, Usenet and other Internet applications such as Telnet and Gopher. Printing, scanning, and introductory courses to the Internet will also be available to the customer. JavaNet will also provide customers with a unique and innovative environment for enjoying great coffee, specialty beverages, and bakery items.

3.1 Service Description

JavaNet will provide its customers with full access to the Internet and common computer software and hardware. Some of the Internet and computing services available to JavaNet customers are listed below:

* Access to external POP3 email accounts.
* Customers can sign up for a JavaNet email account. This account will be managed by JavaNet servers and accessible from computer systems outside the JavaNet network.
* FTP, Telnet, Gopher, and other popular Internet utilities will be available.
* Access to Netscape or Internet Explorer browser.
* Access to laser and color printing.
* Access to popular software applications like Adobe PhotoShop and Microsoft Word.

JavaNet will also provide its customers with access to introductory Internet and email classes. These classes will be held in the afternoon and late in the evening. By providing these classes, JavaNet will build a client base familiar with its services. The computers, Internet access, and classes wouldn't mean half as much if taken out of the environment JavaNet will provide. Good coffee, specialty drinks, bakery goods, and a comfortable environment will provide JavaNet customers with a home away from home. A place to enjoy the benefits of computing in a comfortable and well-kept environment.

3.2 Competitive Comparison

JavaNet will be the first Internet cafe in Eugene. JavaNet will differentiate itself from the strictly-coffee cafes in Eugene by providing its customers with Internet and computing services.

3.3 Fulfillment

JavaNet will obtain computer support and Internet access from Bellevue Computers located in Eugene. Bellevue will provide the Internet connections, network consulting, and the hardware required to run the JavaNetwork. Allann Brothers will provide JavaNet with coffee equipment, bulk coffee, and paper supplies. At this time, a contract for the bakery items has not been completed. JavaNet is currently negotiating with Humble Bagel and the French Horn to fulfill the requirement.

3.4 Technology

JavaNet will invest in high-speed computers to provide its customers with a fast and efficient connection to the Internet. The computers will be reliable and fun to work with. JavaNet will continue to upgrade and modify the systems to stay current with communications technology. One of the main attractions associated with Internet cafes, is the state of the art equipment available for use. Not everyone has a Pentium PC in their home or office.

3.5 Future Services

As JavaNet grows, more communications systems will be added. The possibility of additional units has been accounted for in the current floor plan. As the demand for Internet connectivity increases, along with the increase in competition, JavaNet will continue to add new services to keep its customer base coming back for more.

4.0 Market Analysis Summary

JavaNet is faced with the exciting opportunity of being the first-mover in the Eugene cyber-cafe market. The consistent popularity of coffee, combined with the growing interest in the Internet, has been proven to be a winning concept in other markets and will produce the same results in Eugene.

4.1 Market Segmentation

JavaNet's customers can be divided into two groups. The first group is familiar with the Internet and desires a progressive and inviting atmosphere where they can get out of their offices or bedrooms and enjoy a great cup of coffee. The second group is not familiar with the Internet, yet, and is just waiting for the right opportunity to enter the online community. JavaNet's target market falls anywhere between the ages of 18 and 50. This extremely wide range of ages is due to the fact that both coffee and the Internet appeal to a variety of people. In addition to these two broad categories, JavaNet's target market can be divided into more specific market segments. The majority of these individuals are students and business people. See the Market Analysis chart and table below for more specifics.

Market Analysis (Pie)

Market Analysis

Market Analysis							
		1999	2000	2001	2002	2003	
Potential Customers	Growth						CAGR
University Students	4%	15,000	15,600	16,224	16,873	17,548	4.00%
Office Workers	3%	25,000	25,750	26,523	27,319	28,139	3.00%
Seniors	5%	18,500	19,425	20,396	21,416	22,487	5.00%
Teenagers	2%	12,500	12,750	13,005	13,265	13,530	2.00%
Other	0%	25,000	25,000	25,000	25,000	25,000	0.00%
Total	2.68%	96,000	98,525	101,148	103,873	106,704	2.68%

4.2 Target Market Segment Strategy

JavaNet intends to cater to people who want a guided tour on their first spin around the Internet and to experienced users eager to indulge their passion for computers in a social setting. Furthermore, JavaNet will be a magnet for local and traveling professionals who desire to work or check their email messages in a friendly atmosphere. These professionals will either use JavaNet's PCs, or plug their notebooks into Internet connections. JavaNet's target market covers a wide range of ages: from members of Generation X who grew up surrounded by computers, to Baby Boomers who have come to the realization that people today cannot afford to ignore computers.

4.2.1 Market Needs

Factors such as current trends, addiction, and historical sales data ensure that the high demand for coffee will remain constant over the next five years. The rapid growth of the Internet and online services, that has been witnessed worldwide, is only the tip of the iceberg. The potential growth of the Internet is enormous, to the point where one day, a computer terminal with an online connection will be as common and necessary as a telephone. This may be 10 or 20 years down the road, but for the next five years, the online service provider market is sure to experience tremendous growth. Being the first cyber-cafe in Eugene, JavaNet will enjoy the first-mover advantages of name recognition and customer loyalty. Initially, JavaNet will hold a 100 percent share of the cyber-cafe market in Eugene. In the next five years, competitors will enter the market. JavaNet has set a goal to maintain greater than a 50 percent market share.

4.2.2 Market Trends

A market survey was conducted in the Fall of 1996. Key questions were asked of fifty potential customers. Some key findings include:

- 35 subjects said they would be willing to pay for access to the Internet.
- Five dollars an hour was the most popular hourly Internet fee.
- 24 subjects use the Internet to communicate with others on a regular basis.

4.3 Service Business Analysis

The retail coffee industry in Eugene experienced rapid growth at the beginning of the decade and is now moving into the mature stage of its life cycle. Many factors contribute to the large demand for good coffee in Eugene. The University is a main source of demand for coffee retailers. The climate in Eugene is extremely conducive to coffee consumption. Current trends in the Northwest reflect the popularity of fresh, strong, quality coffee and specialty drinks. Eugene is a haven for coffee lovers.

The popularity of the Internet is growing exponentially. Those who are familiar with the Internet are well aware of how fun and addictive surfing the Net can be. Those who have not yet experienced the Internet, need a convenient, relaxed atmosphere where they can feel comfortable learning about and utilizing the current technologies. JavaNet seeks to provide its customers with affordable Internet access in an innovative and supportive environment.

Due to intense competition, cafe owners must look for ways to differentiate their place of business from others in order to achieve and maintain a competitive advantage. The founder of JavaNet realizes the need for differentiation and strongly believes that combining a cafe with complete Internet service is the key to success. The fact that no cyber-cafes are established in Eugene, presents JavaNet with a chance to enter the window of opportunity and enter into a profitable niche in the market.

4.3.1 Business Participants

There are approximately 16 coffee wholesalers in Lane County. These wholesalers distribute coffee and espresso beans to over 20 retailers in the Eugene area. Competition in both channels creates an even amount of bargaining power between buyers and suppliers resulting in extremely competitive pricing. Some of these major players in the industry (i.e. Allann Brothers Coffee Co., Inc. and Coffee Corner Ltd.) distribute and retail coffee products.

The number of online service providers in Eugene is approximately eight and counting. These small, regional service providers use a number of different pricing strategies. Some charge a monthly fee, while others charge hourly and/or phone fees. Regardless of the pricing method used, obtaining Internet access through one of these firms can be expensive. Larger Internet servers such as America Online (AOL), Prodigy, and CompuServe, are also fighting for market share in this rapidly growing industry. These service providers are also rather costly for the average consumer. Consumers who are not convinced they would frequently and consistently travel the Internet, will not be willing to pay these prices.

4.3.2 Distribution Patterns

The dual product/service nature of JavaNet's business faces competition on two levels. JavaNet competes not only with coffee retailers, but also with Internet service providers. The good news is that JavaNet does not currently face any direct competition from other cyber-cafes in the Eugene market. There are a total of three cyber-cafes in the state of Oregon: one located in Portland and two in Ashland.

Heavy competition between coffee retailers in Eugene creates an industry where all firms face the same costs. There is a positive relationship between price and quality of coffee. Some coffees retail at $8/pound while other, more exotic beans may sell for as high as $16/pound. Wholesalers sell beans to retailers at an average of a 50 percent discount. For example, a pound of Sumatran beans wholesales for $6.95 and retails for $13.95. And as in most industries, price decreases as volume increases.

4.3.3 Competition and Buying Patterns

The main competitors in the retail coffee segment are Cafe Paradisio, Full City, Coffee Corner and Allann Bros. These businesses are located in or near the downtown area, and target a similar segment to JavaNet's (i.e. educated, upwardly-mobile students and business people).

Competition from online service providers comes from locally-owned businesses as well as national firms. There are approximately eight, local, online service providers in Eugene. This number is expected to grow with the increasing demand for Internet access. Larger, online service providers, such as AOL and CompuServe are also a competitive threat to JavaNet. Due to the nature of the Internet, there are no geographical boundaries restricting competition.

5.0 Strategy and Implementation Summary

JavaNet has three main strategies. The first strategy focuses on attracting novice Internet users. By providing a novice friendly environment, JavaNet hopes to educate and train a loyal customer base.

The second, and most important, strategy focuses on pulling in power Internet users. Power Internet users are extremely familiar with the Internet and its offerings. This group of customers serves an important function at JavaNet. Power users have knowledge and web-browsing experience that novice Internet users find attractive and exciting.

The third strategy focuses on building a social environment for JavaNet customers. A social environment, that provides entertainment, will serve to attract customers that wouldn't normally think about using the Internet. Once on location at JavaNet, these customers that came for the more standard entertainment offerings, will realize the potential entertainment value the Internet can provide.

5.1 SWOT Analysis

The SWOT analysis provides us with an opportunity to examine the internal strengths and weaknesses JavaNet must address. It also allows us to examine the opportunities presented to JavaNet as well as potential threats.

JavaNet has a valuable inventory of strengths that will help it succeed. These strengths include: a knowledgeable and friendly staff, state-of-the-art computer hardware, and a clear vision of the market need. Strengths are valuable, but it is also important to realize the weaknesses JavaNet must address. These weaknesses include: a dependence on quickly changing technology, and the cost factor associated with keeping state-of-the art computer hardware.

JavaNet's strengths will help it capitalize on emerging opportunities. These opportunities include, but are not limited to, a growing population of daily Internet users, and the growing social bonds fostered by the new Internet communities. Threats that JavaNet should be aware of include, the rapidly falling cost of Internet access, and emerging local competitors.

5.1.1 Strengths

1. Knowledgeable and friendly staff. We've gone to great lengths at JavaNet to find people with a passion for teaching and sharing their Internet experiences. Our staff is both knowledgeable and eager to please.
2. State-of-the art equipment. Part of the JavaNet experience includes access to state-of-the-art computer equipment. Our customers enjoy beautiful flat-screen displays, fast machines, and high-quality printers.
3. Up-scale ambiance. When you walk into JavaNet, you'll feel the technology. High backed mahogany booths with flat-screen monitors inset into the walls provide a cozy hideaway for meetings and small friendly gatherings. Large round tables with displays viewable from above provide a forum for larger gatherings and friendly "how-to" classes on the Internet. Aluminum track lighting and art from local artists sets the mood. Last, but not least, quality cappuccino machines and a glass pastry display case provide enticing refreshments.
4. Clear vision of the market need. JavaNet knows what it takes to build an upscale cyber cafe. We know the customers, we know the technology, and we know how to build the service that will bring the two together.

5.1.2 Weaknesses

1. A dependence on quickly changing technology. JavaNet is a place for people to experience the technology of the Internet. The technology that is the Internet changes rapidly. Product lifecycles are measured in weeks, not months. JavaNet needs to keep up with the technology because a lot of the JavaNet experience is technology.
2. Cost factor associated with keeping state-of-the-art hardware. Keeping up with the technology of the Internet is an expensive undertaking. JavaNet needs to balance technology needs with the other needs of the business. One aspect of the business can't be sacrificed for the other.

5.1.3 Opportunities

1. Growing population of daily Internet users. The importance of the Internet almost equals that of the telephone. As the population of daily Internet users increases, so will the need for the services JavaNet offers.
2. Social bonds fostered by the new Internet communities. The Internet is bringing people from

across the world together unlike any other communication medium. JavaNet will capitalize on this social trend by providing a place for smaller and local Internet communities to meet in person. JavaNet will grow some of these communities on its own by establishing chat areas and community programs. These programs will be designed to build customer loyalty.

5.1.4 Threats

1. Rapidly falling cost of Internet access. The cost of access to the Internet for home users is dropping rapidly. Internet access may become so cheap and affordable that nobody will be willing to pay for access to it. JavaNet is aware of this threat and will closely monitor pricing.
2. Emerging local competitors. Currently, JavaNet is enjoying a first-mover advantage in the local cyber-cafe market. However, additional competitors are on the horizon, and we need to be prepared for their entry into the market. Many of our programs will be designed to build customer loyalty, and it is our hope that our quality service and up-scale ambiance won't be easily duplicated.

5.2 Strategy Pyramids

The following subtopics provide an overview of JavaNet's three key strategies. Strategy pyramid graphics are presented in the appendix of this plan.

5.2.1 Attract Novice Internet Users

JavaNet's first strategy focuses on attracting novice Internet users. JavaNet plans on attracting these customers by:

* Providing a novice friendly environment. JavaNet will be staffed by knowledgeable employees focused on serving the customer's needs.
* A customer service desk will always be staffed. If a customer has any type of question or concern, a JavaNet employee will always be available to assist.
* JavaNet will offer introductory classes on the Internet and email. These classes will be designed to help novice users familiarize themselves with these key tools and the JavaNet computer systems.

5.2.2 Attract Power Internet Users

JavaNet's second strategy will be focused on attracting power Internet users. Power Internet users provide an important function at JavaNet. JavaNet plans on attracting this type of customer by:

* Providing the latest in computing technology.
* Providing scanning and printing services.
* Providing access to powerful software applications.

5.2.3 Social Hub

The third strategy focuses on building a social environment for JavaNet customers. A social environment, that provides entertainment, will serve to attract customers that wouldn't normally think about using the Internet. Once on location at JavaNet, these customers that came for the more standard entertainment offerings, will realize the potential entertainment value the Internet can provide.

5.3 Competitive Edge

JavaNet will follow a differentiation strategy to achieve a competitive advantage in the cafe market. By providing Internet service, JavaNet separates itself from all other cafes in Eugene. In addition, JavaNet provides a comfortable environment with coffee and bakery items, distinguishing itself from other Internet providers in Eugene.

5.4 Marketing Strategy

JavaNet will position itself as an upscale coffee house and Internet service provider. It will serve high-quality coffee and espresso specialty drinks at a competitive price. Due to the number of cafes in Eugene, it is important that JavaNet sets fair prices for its coffee. JavaNet will use advertising as its main source of promotion. Ads placed in The Register Guard, Eugene Weekly, and the Emerald will help build customer awareness. Accompanying the ad will be a coupon for a free hour of Internet travel. Furthermore, JavaNet will give away three free hours of Internet use to beginners who sign up for an introduction to the Internet workshop provided by JavaNet.

5.4.1 Pricing Strategy

JavaNet bases its prices for coffee and specialty drinks on the "retail profit analysis" provided by our supplier, Allann Brothers Coffee Co., Inc. Allann Brothers has been in the coffee business for 22 years and has developed a solid pricing strategy.

Determining a fair market, hourly price, for online use is more difficult because there is no direct competition from another cyber-cafe in Eugene. Therefore, JavaNet considered three sources to determine the hourly charge rate. First, we considered the cost to use other Internet servers, whether it is a local networking firm or a provider such as America Online. Internet access providers use different pricing schemes. Some charge a monthly fee, while others charge an hourly fee. In addition, some providers use a strategy with a combination of both pricing schemes. Thus, it can quickly become a high monthly cost for the individual. Second, JavaNet looked at how cyber-cafes in other markets such as Portland and Ashland went about pricing Internet access. Third, JavaNet used the market survey conducted in the Fall of 1996. Evaluating these three factors resulted in JavaNet's hourly price of five dollars.

5.4.2 Promotion Strategy

JavaNet will implement a pull strategy in order to build consumer awareness and demand. Initially, JavaNet has budgeted $5,000 for promotional efforts which will include advertising with coupons for a free hour of Internet time in local publications and in-house promotions such as offering customers free Internet time if they pay for an introduction to the Internet workshop taught by JavaNet's computer technician.

JavaNet realizes that in the future, when competition enters the market, additional revenues must be allocated for promotion in order to maintain market share.

5.5 Sales Strategy

As a retail establishment, JavaNet employs people to handle sales transactions. Computer literacy is a requirement for JavaNet employees. If an employee does not possess basic computer skills when they are hired, they are trained by our full-time technician. Our full-time technician is also available for customers in need of assistance. JavaNet's commitment to friendly, helpful service is one of the key factors that distinguishes JavaNet from other Internet cafes.

5.5.1 Sales Forecast

Sales forecast data is presented in the chart and table below.

Sales Forecast

Sales Forecast	1999	2000	2001
Unit Sales			
Coffee (based on average)	12,015	14,068	15,475
Specialty Drinks (based on average)	6,654	7,913	8,705
Email Memberships	8,704	10,505	11,556
Hourly Internet Fees	38,270	46,365	51,002
Baked Goods (based on average)	32,673	42,150	46,365
Total Unit Sales	98,316	121,002	133,102
Unit Prices	1999	2000	2001
Coffee (based on average)	$1.00	$1.00	$1.00
Specialty Drinks (based on average)	$2.00	$2.00	$2.00
Email Memberships	$10.00	$10.00	$10.00
Hourly Internet Fees	$2.50	$2.50	$2.50
Baked Goods (based on average)	$1.25	$1.25	$1.25
Sales			
Coffee (based on average)	$12,015	$14,068	$15,475
Specialty Drinks (based on average)	$13,308	$15,826	$17,409
Email Memberships	$87,038	$105,053	$115,558
Hourly Internet Fees	$95,676	$115,913	$127,505
Baked Goods (based on average)	$40,841	$52,688	$57,956
Total Sales	$248,878	$303,548	$333,903
Direct Unit Costs	1999	2000	2001
Coffee (based on average)	$0.25	$0.25	$0.25
Specialty Drinks (based on average)	$0.50	$0.50	$0.50
Email Memberships	$2.50	$2.50	$2.50
Hourly Internet Fees	$0.63	$0.63	$0.63
Baked Goods (based on average)	$0.31	$0.31	$0.31

Direct Cost of Sales			
Coffee (based on average)	$3,004	$3,517	$3,869
Specialty Drinks (based on average)	$3,327	$3,957	$4,352
Email Memberships	$21,759	$26,263	$28,890
Hourly Internet Fees	$23,919	$28,978	$31,876
Baked Goods (based on average)	$10,129	$13,067	$14,373
Subtotal Direct Cost of Sales	$62,138	$75,782	$83,360

Sales Monthly

5.6 Milestones

The JavaNet management team has established some basic milestones to keep the business plan priorities in place. Responsibility for implementation falls on the shoulders of Cale Bruckner. This Milestones Table below will be updated as the year progresses using the actual tables. New milestones will be added as the first year of operations commences.

Milestones

Milestones

Milestones					
Milestone	Start Date	End Date	Budget	Manager	Department
Business Plan	1/1/1998	2/1/1998	$1,000	Cale Bruckner	Admin
Secure Start-up Funding	2/15/1998	3/1/1998	$1,000	Cale Bruckner	Admin
Site Selection	3/1/1998	3/15/1998	$1,000	Cale Bruckner	Admin
Architect Designs	4/1/1998	5/1/1998	$1,000	Cale Bruckner	Admin
Designer Proposal	4/1/1998	4/15/1998	$1,000	Cale Bruckner	Admin
Technology Design	4/1/1998	4/15/1998	$1,000	Cale Bruckner	Admin
Year 1 Plan	6/1/1998	6/5/1998	$1,000	Cale Bruckner	Admin
Personnel Plan	7/1/1998	7/10/1998	$1,000	Cale Bruckner	Admin
Accounting Plan	7/1/1998	7/5/1998	$1,000	Cale Bruckner	Admin
Licensing	9/1/1998	9/15/1998	$1,000	Cale Bruckner	Admin
Totals			$10,000		

6.0 Management Summary

JavaNet is owned and operated by Mr. Cale Bruckner. The company, being small in nature, requires a simple organizational structure. Implementation of this organizational form calls for the owner, Mr. Bruckner, to make all of the major management decisions in addition to monitoring all other business activities.

6.1 Personnel Plan

The staff will consist of six part-time employees working thirty hours a week at $5.50 per hour. In addition, one full-time technician (who is more technologically oriented to handle minor terminal repairs/inquiries) will be employed to work forty hours a week at $10.00 per hour. The three private investors, Luke Walsh, Doug Wilson and John Underwood will not be included in management decisions. This simple structure provides a great deal of flexibility and allows communication to disperse quickly and directly. Because of these characteristics, there are few coordination problems seen at JavaNet that are common within larger organizational chains. This strategy will enable JavaNet to react quickly to changes in the market.

Personnel

Personnel Plan			
	1999	2000	2001
Owner	$24,000	$26,400	$29,040
Part Time 1	$7,920	$7,920	$7,920
Part Time 2	$7,920	$7,920	$7,920
Part Time 3	$7,920	$7,920	$7,920
Part Time 4	$7,920	$7,920	$7,920

Part Time 5	$3,960	$7,920	$7,920
Part Time 6	$7,920	$7,920	$7,920
Technician	$21,731	$23,904	$26,294
Manager	$4,000	$24,000	$26,400
Total People	0	0	0
Total Payroll	$93,291	$121,824	$129,254

7.0 Financial Plan

Sales: JavaNet is basing their projected coffee and espresso sales on the financial snapshot information provided to them by Allann Bros. Coffee Co. Internet sales were estimated by calculating the total number of hours each terminal will be active each day and then generating a conservative estimate as to how many hours will be purchased by consumers.

Cost of Goods Sold: The cost of goods sold for coffee-related products was determined by the "retail profit analysis" we obtained from Allann Bros. Coffee Co. The cost of bakery items is 20% of the selling price. The cost of Internet access is $660 per month, paid to Bellevue Computers for networking fees. The cost of e-mail accounts is 25% of the selling price.

Fixture Costs: Fixture costs associated with starting JavaNet are the following: 11 computers = $22,000, two printers = $1,000, one scanner = $500, one espresso machine = $10,700, one automatic espresso grinder = $795, two coffee/food preparation counters = $1,000, one information display counter = $1,000, one drinking/eating counter = $500, sixteen stools = $1,600, six computer desks w/chairs = $2,400, stationery goods = $500, two telephones = $200, decoration expense = $14,110 for a total fixture cost of $50,000.

Salaries Expense: The founder of JavaNet, Cale Bruckner, will receive a salary of $24,000 in year one, $26,400 in year two, and $29,040 in year three.

Payroll Expense: JavaNet intends to hire six part-time employees at $5.75/hour and a full-time technician at $10.00/hour. The total cost of employing seven people at these rates for the first year is $7,240/month.

Rent Expense: JavaNet is leasing a 1700 square foot facility at $.85/sq. foot. The lease agreement JavaNet signed specifies that we pay $2,000/month for a total of 36 months. At the end of the third year, the lease is open for negotiations and JavaNet may or may not re-sign the lease depending on the demands of the lessor.

Utilities Expense: As stated in the contract, the lessor is responsible for the payment of utilities including gas, garbage disposal, and real estate taxes. The only utilities expense that JavaNet must pay is the phone bill generated by fifteen phone lines; thirteen will be dedicated to modems and two for business purposes. The basic monthly service charge for each line provided by US West is $17.29. The 13 lines used to connect the modems will make local calls to the network provided by Bellevue resulting in a monthly charge of $224.77. The two additional lines used for business communication will cost $34.58/month plus long distance fees. JavaNet assumes that it will not make more than $40.00/month in long distance calls. Therefore, the total cost associated with the two business lines is estimated at $74.58/month and the total phone expense at $299.35/month. In addition, there will be an additional utility expense of $800 for estimated EWEB bills.

Marketing Expense: JavaNet will allocate $5,000 for promotional expenses at the time of start-up. These dollars will be used for advertising in local newspapers in order to build consumer awareness. For additional information, please refer to section 5.0 of the business plan.

Insurance Expense: JavaNet has allocated $1,440 for insurance for the first year. As revenue increases in the second and third year of business, JavaNet intends to invest more money for additional insurance coverage.

Legal and Consulting Fees: The cost of obtaining legal consultation in order to draw up the paper work necessary for an LLC is $1,000.

Depreciation: In depreciating our capital equipment, JavaNet used the Modified Accelerated Cost Recovery Method. We depreciated our computers over a five-year time period and our fixtures over seven years.

Taxes: JavaNet is an LLC and, as an entity, it is not taxed. However, there is a 15% payroll burden.

Accounts Payable: JavaNet acquired a $24,000 loan from a bank at a 10% interest rate. The loan will be paid back at $750/month over the next three years. The $9,290 short term loan will be paid back at a rate of 8%.

7.1 Start-up Funding

This business plan is prepared to obtain financing in the amount of $24,000. The supplemental financing is required to begin work on site preparation and modifications, equipment purchases, and to cover expenses in the first year of operations. Additional financing has already been secured in the form of: (1) $24,000 from the Oregon Economic Development Fund (2) $19,000 of personal savings from owner Cale Bruckner (3) $36,000 from three investors (4) and $9,290 in the form of short-term loans.

Start-up Funding

Start-up Funding	
Start-up Expenses to Fund	$62,290
Start-up Assets to Fund	$26,000
Total Funding Required	$88,290
Assets	
Non-cash Assets from Start-up	$2,000
Cash Requirements from Start-up	$24,000
Additional Cash Raised	$0
Cash Balance on Starting Date	$24,000
Total Assets	$26,000
Liabilities and Capital	
Liabilities	
Current Borrowing	$9,290
Long-term Liabilities	$24,000
Accounts Payable (Outstanding Bills)	$0
Other Current Liabilities (interest-free)	$0
Total Liabilities	$33,290
Capital	
Planned Investment	

Cale Bruckner	$19,000
Luke Walsh	$12,000
Doug Wilson	$12,000
John Underwood	$12,000
Additional Investment Requirement	$0
Total Planned Investment	$55,000
Loss at Start-up (Start-up Expenses)	($62,290)
Total Capital	($7,290)
Total Capital and Liabilities	$26,000
Total Funding	$88,290

7.2 Important Assumptions

Basic assumptions are presented in the table below.

General Assumptions

General Assumptions			
	1999	2000	2001
Plan Month	1	2	3
Current Interest Rate	8.00%	8.00%	8.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	25.42%	25.00%	25.42%
Other	0	0	0

7.3 Key Financial Indicators

Profit growth data is presented in the chart below.

Profit Monthly

7.4 Break-even Analysis

Break-even data is presented in the chart and table below.

Break-even Analysis

Break-even point = where line intersects with 0

Break-even Analysis

Break-even Analysis	
Monthly Units Break-even	7,904
Monthly Revenue Break-even	$20,008
Assumptions:	
Average Per-Unit Revenue	$2.53
Average Per-Unit Variable Cost	$0.63
Estimated Monthly Fixed Cost	$15,013

7.5 Projected Profit and Loss

P & L data is presented in the table below.

Profit and Loss

Pro Forma Profit and Loss			
	1999	2000	2001
Sales	$248,878	$303,548	$333,903
Direct Cost of Sales	$62,138	$75,782	$83,360
Other	$0	$0	$0
	---	---	---
Total Cost of Sales	$62,138	$75,782	$83,360
Gross Margin	$186,740	$227,767	$250,543
Gross Margin %	75.03%	75.03%	75.03%
Expenses			
Payroll	$93,291	$121,824	$129,254
Sales and Marketing and Other Expenses	$33,750	$40,000	$43,000
Depreciation	$0	$0	$0
Utilities	$9,120	$9,120	$9,120
Insurance	$6,000	$6,000	$6,000

Rent	$24,000	$24,000	$24,000
Payroll Taxes	$13,994	$18,274	$19,388
Other	$0	$0	$0
	---	---	---
Total Operating Expenses	$180,154	$219,217	$230,762
Profit Before Interest and Taxes	$6,586	$8,549	$19,781
EBITDA	$6,586	$8,549	$19,781
Interest Expense	$2,325	$1,470	$1,100
Taxes Incurred	$584	$1,770	$4,748
Net Profit	$3,677	$5,309	$13,933
Net Profit/Sales	1.48%	1.75%	4.17%

7.6 Projected Cash Flow

Cash flow data is presented in the chart and table below.

Cash Flow

Pro Forma Cash Flow			
Cash Received	1999	2000	2001
Cash from Operations			
Cash Sales	$248,878	$303,548	$333,903
Subtotal Cash from Operations	$248,878	$303,548	$333,903
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	$0	$0	$0
New Current Borrowing	$2,000	$5,000	$0
New Other Liabilities (interest-free)	$0	$0	$0
New Long-term Liabilities	$0	$0	$0
Sales of Other Current Assets	$0	$0	$0
Sales of Long-term Assets	$0	$0	$0
New Investment Received	$0	$0	$0
Subtotal Cash Received	$250,878	$308,548	$333,903
Expenditures	1999	2000	2001
Expenditures from Operations			

Cash Spending	$93,291	$121,824	$129,254
Bill Payments	$142,648	$178,392	$190,537
Subtotal Spent on Operations	$235,939	$300,215	$319,792
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	$0	$0	$0
Principal Repayment of Current Borrowing	$9,290	$2,000	$0
Other Liabilities Principal Repayment	$0	$0	$0
Long-term Liabilities Principal Repayment	$9,600	$5,000	$4,800
Purchase Other Current Assets	$0	$0	$0
Purchase Long-term Assets	$0	$0	$0
Dividends	$0	$0	$0
Subtotal Cash Spent	$254,829	$307,215	$324,592
Net Cash Flow	($3,951)	$1,333	$9,311
Cash Balance	$20,049	$21,382	$30,693

Cash

7.7 Projected Balance Sheet

Our projected balance sheet is presented in the table below.

Balance Sheet

Pro Forma Balance Sheet			
	1999	2000	2001
Assets			
Current Assets			
Cash	$20,049	$21,382	$30,693

Inventory	$7,669	$9,353	$10,288
Other Current Assets	$0	$0	$0
Total Current Assets	$27,718	$30,735	$40,982
Long-term Assets			
Long-term Assets	$0	$0	$0
Accumulated Depreciation	$0	$0	$0
Total Long-term Assets	$0	$0	$0
Total Assets	$27,718	$30,735	$40,982
Liabilities and Capital	1999	2000	2001
Current Liabilities			
Accounts Payable	$14,931	$14,638	$15,752
Current Borrowing	$2,000	$5,000	$5,000
Other Current Liabilities	$0	$0	$0
Subtotal Current Liabilities	$16,931	$19,638	$20,752
Long-term Liabilities	$14,400	$9,400	$4,600
Total Liabilities	$31,331	$29,038	$25,352
Paid-in Capital	$55,000	$55,000	$55,000
Retained Earnings	($62,290)	($58,613)	($53,303)
Earnings	$3,677	$5,309	$13,933
Total Capital	($3,613)	$1,697	$15,630
Total Liabilities and Capital	$27,718	$30,735	$40,982
Net Worth	($3,613)	$1,697	$15,630

7.8 Business Ratios

The Standard Industrial Classification (SIC) Code for the Internet Service Provider industry is "Remote data base information retrieval" 7375.9903. We used the report for "Information retrieval services" 7375 to generate the industry profile.

As we are also a food cafe we could have used the ratios based on SIC classification 5812, "Eating places". The combined nature of JavaNet Cafe makes our ratios a blend of the two industries.

Ratios

Ratio Analysis				
	1999	2000	2001	Industry Profile
Sales Growth	0.00%	21.97%	10.00%	0.90%
Percent of Total Assets				
Inventory	27.67%	30.43%	25.10%	2.17%
Other Current Assets	0.00%	0.00%	0.00%	59.34%

Total Current Assets	100.00%	100.00%	100.00%	86.95%
Long-term Assets	0.00%	0.00%	0.00%	13.05%
Total Assets	100.00%	100.00%	100.00%	100.00%
Current Liabilities	61.08%	63.90%	50.64%	28.33%
Long-term Liabilities	51.95%	30.58%	11.22%	16.21%
Total Liabilities	113.03%	94.48%	61.86%	44.54%
Net Worth	-13.03%	5.52%	38.14%	55.46%
Percent of Sales				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	75.03%	75.03%	75.03%	100.00%
Selling, General & Administrative Expenses	73.78%	73.30%	70.86%	79.00%
Advertising Expenses	6.03%	8.24%	8.39%	1.01%
Profit Before Interest and Taxes	2.65%	2.82%	5.92%	1.62%
Main Ratios				
Current	1.64	1.57	1.97	1.90
Quick	1.18	1.09	1.48	1.52
Total Debt to Total Assets	113.03%	94.48%	61.86%	52.45%
Pre-tax Return on Net Worth	-117.95%	417.22%	119.52%	3.74%
Pre-tax Return on Assets	15.37%	23.03%	45.58%	7.86%
Additional Ratios	1999	2000	2001	
Net Profit Margin	1.48%	1.75%	4.17%	n.a
Return on Equity	0.00%	312.92%	89.14%	n.a
Activity Ratios				
Inventory Turnover	10.91	8.90	8.49	n.a
Accounts Payable Turnover	10.55	12.17	12.17	n.a
Payment Days	27	30	29	n.a
Total Asset Turnover	8.98	9.88	8.15	n.a
Debt Ratios				
Debt to Net Worth	0.00	17.11	1.62	n.a
Current Liab. to Liab.	0.54	0.68	0.82	n.a
Liquidity Ratios				
Net Working Capital	$10,787	$11,097	$20,230	n.a

Interest Coverage	2.83	5.82	17.98	n.a
Additional Ratios				
Assets to Sales	0.11	0.10	0.12	n.a
Current Debt/Total Assets	61%	64%	51%	n.a
Acid Test	1.18	1.09	1.48	n.a
Sales/Net Worth	0.00	178.90	21.36	n.a
Dividend Payout	0.00	0.00	0.00	n.a

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