

SAMPLE
BUSINESS PLAN
FOR
MARINER'S CATCH SEAFOODS, INC.

Submitted to
The Back Bay National Bank

And

The Small Business Administration

Frank Swanson
Marian Switzer
801 Fisherman's Harbor Road
Conway, RI 03674
602-740-2360
October 1, 19—

Statement of Purpose

MARINER'S CATCH SEAFOODS, INC. is seeking a loan of \$36,000 to purchase equipment and inventory; purchase property and buildings at 801 Fisherman's Harbor Road, Conway, RI; perform necessary renovations and improvements; maintain sufficient cash reserves; and provide adequate working capital to expand an existing wholesale/retail seafood market. This sum, together with the \$10,000 equity investment of the principals, will be sufficient to finance transition through the expansion phase so the business can operate at a profit.

I. DESCRIPTION OF BUSINESS

MARINER'S CATCH SEAFOODS, INC. is a fish market that specializes in selling extremely fresh (no more than one day from the boat) seafood to both retail and wholesale customers. At present, 60 percent of sales are to retail customers. We plan to concentrate more heavily on the wholesale trade (restaurants and grocery chains) in the future. Our experience has shown that even though the markup is lower for wholesale trade, profits are higher due to lower personnel costs and faster turnover of inventory.

The company began business four years ago and is open seven days a week, from 10:00 a.m. to 8:30 p.m. for retail business, and from 6:00 a.m. to 8:30 p.m. for wholesale. The retail demand is seasonal and fluctuates according to weather (our store is located on a tourist route). The wholesale demand is consistent and increasing. We feel that the latter can be improved by more direct selling. Our customers agree. The quality of our seafood is exceptional and, since Mr. Swanson is a former fisherman with many personal friends in the fishing industry, we do not anticipate difficulty maintaining good relations with our suppliers. We have made a policy of paying premium prices in cash at dockside for the best, freshest fish.

II. MARKETING PLAN

MARINER'S CATCH SEAFOODS, INC. will continue to provide premium quality seafoods to both wholesale and retail customers emphasizing the former. Our goal is to provide the freshest seafood at competitive prices to customers within 25 miles of Conway. This market has a total population of over 100,000 people and a potential of 300 wholesale customers. Customers will be attracted by: (1) direct approach to restaurants and market, (2) a local radio and newspaper advertising campaign, (3) word-of-mouth advertising from our current customer base, and (4) our location on a heavily traveled tourist route.

Competition

There are three seafood operations directly competing with MARINER'S CATCH SEAFOODS, INC.

- (1) Freuhoff's Fish—scattered operation with one truck making the rounds and a small counter leased from a supermarket in Rockaway Village. We have cut into their sales by making promised deliveries on time at the agreed price. As a result, their operation has become marginal.

- (2) The Kingfish—clean, three-person operation specializing in cheaper fish. Have trouble with their suppliers because they aren't willing to pay top dockside prices. Otherwise, sell directly to housewives from a fleet of three trucks, some wholesale trade that they hope to expand. Their sales are apparently expanding because they have been serving the same routes for five years and have an excellent reputation. Located in Portsmouth.
- (3) Jonah's Seafoods—good relations with suppliers, have most of the supermarket trade, no retail. Currently rebuilding due to fire, but will be our most serious competition when the new store opens. Twenty-five years of experience in the area, good location on scenic bridge over the Inlet two miles south of MARINER'S CATCH on tourist route; plan to open retail store and may be willing to give up part of wholesale since the owner is getting on in years.

The indirect competition is from the major processors in New Hope (45 miles east) and Bristol (60 miles south). Since we fall between their primary market areas, we can purchase from both on a consignment basis.

Location

MARINER'S CATCH is currently leasing a one-story, wooden frame building with cement floor (22,000 square feet) at 801 Fisherman's Harbor Road, Conway, Rhode Island, for \$175 per month with an option in writing to buy at \$22,000. The area is zoned for commercial use. Fisherman's Harbor Road is part of U.S. Route 1, a heavily traveled tourist route with most businesses nearby catering to the tourist trade.

MARINER'S CATCH has performed major leasehold improvements, including a walk-in freezer and rough-sawn, pine board walls. The building is divided into: (1) sales/counter area (1,200 square feet); (2) cutting area (100 square feet); and (3) other (space for toilet, potential storage and/or sales area, totaling 700 square feet).

III. ORGANIZATION PLAN

Management

Mr. Swanson was born in Conway and has lived there all his life. After graduation from Conway schools and serving in the U.S. Navy for three years, he became a self-employed fisherman, taking evening courses in small business management and sales at R.I. State, with the ultimate aim of owning and managing a retail store. He also serves as a member of the zoning board for Conway.

Ms. Switzer was born in Milwaukee, Wisconsin, in 1950, attended schools in Utah, Alaska, and Florida, and served four years in the Marines (rank upon separation, E-3). She test-drove motorcycles for a year, then served as Parts Manager for Moped Cycles, Inc., before joining the CASH & HAUL FOODSTUFF, INC., as a packer in March 1973 in their Kennebunkport, Maine plant. In June, 19— she resigned as line foreman of the Frozen Food Filleting Department to join Swanson in the MARINER'S CATCH operation. She lives in Inlet Bay.

Both are healthy and energetic; they believe their abilities complement each other and will permit them to make MARINER'S CATCH a success. In particular, Swanson knows all of the fishermen while Switzer has had experience in cost control and line management. He will be responsible for the store and inventory control. Switzer will be primarily responsible for the development of the wholesale business and, with Swanson, will set policy. Personnel decisions will be made jointly.

Salaries will be \$215 a month for the first year to enable the business to pay off startup costs. (Swanson's wife earns enough to support his family; Switzer's personal expenditures are very low, since she shares a house with five other adults.) In the second year the managers will earn \$600 a month; in the third year \$660 a month, with any profit returned to the business.

In order to augment their skills, Switzer and Swanson have enlisted the help of Edward Allen, a CPA, and of James Woodall, Attorney. Other potential resources have been located, including the Conway Business Information Center (Andrew Beale), Rhode Island State's Venture Incubator Division, the Small Business Association of New England, and the Fish Retailers Organization for Growth (FROG). Marshall Campbell, a retired Conway banker, has agreed to serve on the MARINER'S CATCH board and will provide ongoing management review. Other members of the board are Allen, Woodall, Switzer, and Swanson.

Personnel

MARINER'S CATCH will hire one part-time salesperson within six months. The salesperson's duties will be selling seafoods over the counter to the retail customers. He or she will be paid the minimum wage (3.70) for weekend work; no fringe benefits or overtime are anticipated. They will also employ, on an as-needed basis, one cutter at \$3.75/hour to help prepare seafood for the wholesale trade.

Switzer's Experience

March 19-- - June 19--: Two years as line foreman, CASH & HAUL FOODSTUFF, INC., Kennebunkport, Maine. Responsible for hiring, training and directing operations of 15 persons in Frozen Fish Filleting department. Rescheduled work flow with resultant 30 percent increase in output per worker. Implemented new purchasing system that reduced spoilage by 8 percent. Reduced personnel turnovers by working with local union for revision of company contract policy, and by shifting from production line to team task approach. Received CASH & HAUL FOODSTUFF, INC., award for line management and was given special assignment to explain these changes to other line foremen at all 22 company plants in New England and the Middle Atlantic states.

Swanson's Experience

Frank Swanson is a former fisherman in the area with many personal friends in the fishing industry and good relationships with seafood industry suppliers. He is a native of Conway and has lived here all his life—except for three years in the U.S. Navy after high school graduation. He supported himself for several years as a self-employed fisherman while he took evening classes in retail store management and small business management. He is healthy, energetic, and well-liked. He will be responsible for store management, company policy, and inventory control.

IV. FINANCIAL PLAN

Application and Expected Effect of Loan

The \$36,000 will be used as follows:

Purchase of 801 Fisherman's Harbor Road property	\$ 22,000
Equipment:	
• '71, Ford pickup with insulated body	1,885
• Dayton compressor (used, serial no. 45-cah-990)	115
• Sharp Slicer (used, Speedy model)	200
Renovations	4,000
Working capital	4,000
Inventory	500
Reserve (not disbursed)	3,300
TOTAL	\$ 36,000

MARINER'S CATCH SEAFOODS, INC., can purchase the 801 Fisherman's Harbor Road property at a substantial savings under terms of the lease/purchase agreement signed in July, 19--. An independent appraiser has calculated the value of the property, including leasehold improvements by MARINER'S CATCH, at \$30,000. The monthly payment for a 12-year mortgage will be \$250 a month, a net increase of \$75 a month over the current rent. See FINANCIAL DATA for the effect on the business.

The truck will be used to deliver merchandise to wholesale customers, retard spoilage, and maintain the quality of our merchandise.

The compressor will replace the compressor now used for the refrigeration unit and should lower electric costs.

The slicer will eliminate four person-hours of work daily. The time released will be used for soliciting more business and processing a greater volume of whole fish. With the slicer, relatively untrained help can fillet flounder with minimal waste.

The renovations are a deep well (water) required by the state; a toilet and was sink separate from the work area; and replacement of the current obsolete heating system, thus reducing fuel expenses.

The working capital will enable MARINER'S CATCH to meet current expenses, offset negative (seasonal) cash flow as shown in the Working Capital Analysis in FINANCIAL DATA. And insure the continued growth of the business.

The inventory is to take advantage of bulk rates on certain fresh frozen packaged goods (baitfish, South African lobster tails).

The reserve will be held by the bank as a line of credit to be used to take advantage of special opportunities or to meet emergencies.

Summary

MARINER'S CATCH SEAFOODS, INC., can purchase the 801 Fisherman's Harbor Road property at a substantial savings under terms of the lease/purchase agreement signed July, 19--. An independent appraiser has calculated the value of the property, including leasehold improvements by MARINER'S CATCH, at \$30,000. The monthly payment for a 12-year mortgage will be \$250 a month, a net increase of \$75 a month over the current rent. See FINANCIAL DATA for the effect on the business.

Careful analysis of the potential market shows an unfilled demand for exceptionally fresh seafood. Switzer's local reputation will help secure a sizeable portion of the wholesale market, while Swanson's managerial experience assures that the entire operation will be carefully controlled. In addition to a working board. Switzer's studies at Rhode Island State will provide even more control over the projected growth of MARINER'S CATCH.

The funds sought will result in a greater increase in fixed assets than may be shown, as Switzer will be performing much of the renovation and improvements. The additional reserve and working capital will enable MARINER'S CATCH to increase their sales substantially while maintaining profit.

FINANCIAL DATA

MARINER'S CATCH SEAFOODS, INC.

Sources and Applications of Financing

Sources

Bank Loans:

1. Mortgage loan	\$22,000
2. Term loan	10,700
3. Reserved loan	<u>3,300</u>

Total \$36,000

Applications

Purchase building	\$22,000
Equipment	2,200
Renovations	4,000
Inventory	500
Working capital	4,000
Reserve for contingencies	<u>3,300</u>

Total \$36,000

To be secured
By
Assets of the Business
Signatures of the Principles
Marian Switzer
Frank Swanson

SBA Guarantee

MARINER'S CATCH SEAFOODS, INC.
CAPITAL EQUIPMENT LIST

<u>Major Equipment and Normal Accessories</u>	<u>Model</u>	<u>Cost or List Price Lower)</u>
Storequip, Inc., display case, glass front refrigerated	Handmade	\$ 200
Storequip, Inc., display case, glass front, ice	SST6-77K	400
Dayton air compressor	#45-cah-990	115
Bendix standing freezer	3979-7584	125
Nameless, Inc., standard freezer	-	50
Cleaning table, fibreglassed	Handmade	200
Freezing lock & compressor	Handmade	<u>3,000</u>
	TOTAL	\$ <u>4,290</u>
 <u>Minor Shop Equipment</u>		
Miscellaneous knives, scalers, etc.		\$ 75
Miscellaneous display trays, Storage boxes		\$ <u>50</u>
	TOTAL:	\$ 125
 <u>Other Equipment</u>		
Pickup truck with insulated body	1971 Ford, Lo-bed	\$ 1,885
Safe	1879 Mosler	100
Cash Register	1869 NCR	50
Calculator	TI-120	65
Light fixture	Custom design	100
	TOTAL:	\$ <u>2,200</u>
CAPITAL EQUIPMENT TOTAL:		\$ <u><u>6,615</u></u>

MARINER'S CATCH SEAFOODS, INC.

BEGINNING BALANCE SHEET

October 15, 19__

<u>Current Assets</u>		<u>Current Liabilities</u>	
Cash	\$ 530	Accounts payable	\$ 2,077
Accounts receivable (net)	100	Current portion LTD	1,440
Merchandise inventory	700	<u>Total Current Liabilities</u>	
Supplies	175	<u>Liabilities</u>	\$ <u>3,517</u>
Prepaid expenses	8		
<u>Total Current Assets</u>	\$ <u>1,585</u>	<u>Long Term Liabilities</u>	
		Notes payable (a)	\$ 535
<u>Fixed Assets</u>		Bank loan payable (b)	1,360
Fixtures & leasehold improvements	3,750	Equity loan payable ©	1,250
Building (freezer)	3,000	<u>Total Long-term Liabilities</u>	\$ 3,145
Equipment	1,100	<u>Total Liabilities</u>	\$ <u>6,662</u>
Trucks	2,500	<u>Net Worth:</u>	
<u>Total Fixed Assets</u>	\$ <u>10,350</u>	<u>Owner Equity</u>	\$ <u>5,273</u>
TOTAL ASSETS	\$ <u>11,935</u>	TOTAL LIABILITIES AND NET WORTH	\$ <u>11,935</u>

Accounts payable:	Cleaver's, Inc.	\$1700
	Dosser's	119
	Paxton	180
	Conway Reef	78

- (a) Dave N. Hall for electrical work
 (b) Term loan secured by '64 Jeep, '71 Ford
 (c) S & C Greer Finance Corp. Belmont, N.H.

BREAK-EVEN ANALYSIS

The proprietors of MARINER'S CATCH utilized the following formula:

Fixed Costs (FC) = \$1,625 per month

Variable Costs (VC) = 70% of gross sales (from experience)

Gross Margin (GM) = 30% of sales (100% - 70% = 30%) 30% = .30

Thus: Sales (S) = FC ÷ GM

S = \$1,625 ÷ .30

S = \$5,416.67

Seeking a more conservative figure, we can use a gross margin of 22 percent instead of 30 percent:

Thus: S = FC ÷ GM

S = \$1,625 ÷ .22

S = \$7,386.36

The figure \$7,386.36 represents the level of sales needed to break even per month. By cutting costs (mainly by reducing their draw to a bare minimum) fixed costs are recalculated at \$1,100.

Thus: S = FM ÷ GM

S = \$1,100 ÷ .22

S = \$5,000

To calculate how many units we need to sell each month, the break-even sales level of \$5,000 can be divided by the average unit selling price (\$3); this represents 1,667 units per month. Furthermore if we consider that a customer purchases two units once a week, and if we assume an average of 4.3 weeks per month, we can calculate the number of customers needed to break even as 194 per month. This seems a reasonable figure, giving credibility to the break-even sales level of \$5,000 per month.

**ANNUAL PROJECTED
INCOME STATEMENT**

MARINER'S CATCH SEAFOOD, INC.

Three Year Summary

	<u>Year I</u>	<u>Year II</u>	<u>Year III</u>
<u>Sales</u>			
Wholesale	27,400	68,800	84,000
Retail	40,400	91,000	91,000
<u>Total: Sales</u>	67,800	159,800	175,000
Cost of material	52,884	124,625	136,550
Variable labor cost	900	3,250	5,200
<u>Cost of goods sold</u>	53,784	127,875	141,780
<u>Gross Margin</u>	14,016	31,925	33,250
<u>Operating expenses</u>			
Utilities	1,200	1,680	1,920
Salaries	5,160	14,400	16,000
Payroll taxes and benefits	480	1,360	1,360
Advertising	480	720	720
Office supplies	120	180	180
Insurance	600	600	600
Maintenance & cleaning	240	300	300
Legal & accounting	500	740	740
Delivery expense	1,320	1,802	1,764
Licenses	60	60	60
Boxes, paper, etc.	120	240	240
Telephone	600	720	720
Depreciation	480	480	840
Miscellaneous	275	400	400
<u>Total Operating Expenses</u>	11,640	23,682	25,404
<u>Other Expenses</u>			
Interest (mortgage) 9.75%	2,160	2,160	2,160
interest (loan) 10.75%	900	900	900
<u>Total: Other expenses</u>	3,060	3,060	3,060
<u>Total: All Expenses</u>	14,700	26,742	28,500
<u>Net profit (loss) before taxes</u>	(684)	5,183	4,750

MONTHLY CASH FLOW PROJECTION

MARINER'S CATCH SEAFOODS, INC.

October 19__ to September 19__

	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sep.	Total
Cash receipts													
Income from sales													
Wholesale	1,000	1,200	1,400	1,600	1,800	2,200	2,400	2,800	3,100	3,100	3,300	3,500	27,400
Retail	3,000	3,100	3,100	2,900	2,700	2,800	3,300	3,700	3,900	3,900	4,000	4,000	40,400
Total: Cash receipts	4,000	4,300	4,500	4,500	4,500	5,000	5,700	6,500	7,000	7,000	7,300	7,500	67,800
Cash disbursements													
Cost of goods	3,120	3,354	3,510	3,510	3,510	3,900	4,446	5,070	5,460	5,460	5,694	5,850	52,884
Variable labor								200	200	200	200	100	900
Advertising	100	25	25	25	25	40	40	40	40	40	40	40	480
Insurance			150			150			150			150	600
Legal & accounting		125			125			125			125		500
Delivery expense	80	85	90	95	100	110	110	120	130	130	135	135	1,320
Fixed cash disbursements	688	688	688	688	688	688	688	688	688	688	688	688	8,256
Loan #1	145	145	145	145	145	145	145	145	145	145	145	145	1,740
Mortgage	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Total cash disbursements	4,383	4,672	4,858	4,713	4,843	5,283	5,679	6,638	7,063	6,913	7,277	7,358	69,680
Net cash flow	-383	-372	-358	-213	-343	-283	21	-138	-63	87	23	142	-1,880
Cumulative cash flow	-383	-755	-1,113	-1,326	-1,669	-1,952	-1,931	-2,069	-2,132	-2,045	-2,022	-1,080	
Fixed cash disbursements													
Utilities	100												
Salaries	430												
Payroll taxes & benefits	40												
Office supplies	10												
Maintenance & cleaning	20												
Licenses	5												
Boxes, paper, etc.	10												
Telephone	50												
Miscellaneous	<u>23</u>												
	\$688												
Cash on hand: Loan proc.	4,000												
Cash	535												
Opening Balance	4,535	4,152	3,780	3,422	3,209	2,866	2,583	2,604	2,466	2,403	2,490	2,513	
+ Cash receipts	4,000	4,300	4,500	4,500	4,500	5,000	5,700	6,500	7,000	7,000	7,300	7,500	
Total new balance	4,152	3,780	3,422	3,209	2,866	2,583	2,604	2,466	2,403	2,490	2,511	2,655	

**NOTES AND EXPLANATION
FOR
MARINER'S CATCH SEAFOODS, INC.,
CASH FLOW PROJECTION**

The only receipts shown on this cash flow are from sales. LOAN PROCEEDS are shown on line 36 in the cash balance reconciliation. This data sheet shows how *business operations* affect cash flow. Since most purchases of inventory are made on a cash basis (cash or 10-day net) the principals of MARINER'S CATCH plan to have a minimum of \$2,500 available to provide liquidity and to purchase additional equipment, if needed. Otherwise, line 41 is only used as a quick check on whether they are following their budget or not.

References are to line numbers on the accounting sheet unless otherwise noted (page 30).

(3) Wholesale: see INCOME PROJECTION for derivation of these figures.

(4) Retail: see INCOME PROJECTION for derivation of these figures.

(7) Cost of goods: 78 percent of line (5).

(8) Variable labor: \$200 per month from May to mid-September to handle the extra tourist traffic on weekends and extra seafood preparation costs associated with two restaurants that do weekend clambakes during peak season.

(9) Advertising: \$100 for initial burst, \$25 per month thereafter.

(10) Insurance: payable quarterly.

(11) Legal & accounting: retainers payable quarterly.

(12) Delivery expense: projected to increase less slowly than wholesale sales due to careful route planning.

(13) Fixed cash disbursements: cash expenses that do not vary with sales. See lines (20) through (29) for details.

(14) Loan #1: \$8,500 SBA guaranteed loan at 10.75 percent for 7 years.

(15) Mortgage: \$22,000 at 9.5 percent for 15 years.

(17) NET CASH FLOW: line 5 minus line 16.

(18) CUMULATIVE CASH FLOW: this sums up the NET CASH FLOW on a monthly basis, adding the current month NCF to the previous month's CCF. (This is useful on a periodic basis—quarterly, semiannually, and annually, for instance.)