

## Appendix 1: Business plan for Sport Retail

### **Business name and address:**

*Sport Retail  
14 Lower Street  
Bedford*

### **Proprietor's name and address:**

*John Bull  
Address as above*

**Business form:** *Sole trader*

**Business activity:**

The shop will sell general sportswear, clothing, footwear and sports accessories from a good secondary retail location close to the main shopping area of Bedford. Sports covered will include football, cricket, golf, tennis, archery, skiing and other sports, as appropriate to the season. In addition, the shop will sell general sports clothing and footwear such as track suits, trainers and so on. Suppliers will include major names such as Adidas, Nike, and so on.

**Aims:**

The aim of the business is to provide an adequate income for myself and my wife. We shall be living above the shop.

**Objectives:**

1. Sales of £250,000 in the first year
2. Gross profit margin of 40%
3. Net profit margin of 16%
4. Drawings at least £25,000

**Market size and growth:**

The last decade has seen a substantial increase in the popularity of sport and consequently the growth of the sportswear market. It is estimated that two-thirds of time spent on leisure pursuits is devoted to sport. The estimated size of the sport clothing and footwear market is some £1 billion. The market for sport equipment is about the same size and the market for swimwear and beachwear is over £200,000. These estimates are very approximate because the demarcation between sportswear and fashionwear is becoming increasingly blurred.

**Competitors:**

<i>Names</i>	<i>Strengths</i>	<i>Weaknesses</i>
Olympus Sports Silver St. (400 yards away)	Located in main shopping area Very price competitive National promotion Shop layout appeal to young	Lack of expert advice Lack of personal service Limited range Lower end of market
2 Seasons Harpur St	Skiing and tennis equipment Good service Well known brands	Poor location Cramped shop, poor displays
Market stall	Cheap	No service Only open market day Poor quality low end of market

**Your business:**

<i>Strengths</i>	<i>Weaknesses</i>
Personal, expert service Wide range of equipment Quality equipment Well-known brands	Secondary location (better than 2 Seasons) Limited merchandising opportunities Cannot afford expensive promotions

**Competitive advantages:**

1. *Personal, expert service*
2. *Football links – proprietor local football celebrity*
3. *Links with local sports clubs, schools and so on will enable equipment and sportswear to be purchased to meet their specific requirements*
4. *Wide range of quality merchandise*

**Proposed customers:**

General public                      Typical market segments: School age (male and female)\*  
 Teenage and twenties  
 Middle age (mainly male)\*  
 Impulse shopper  
 Dedicated buyer\*

Sports clubs and schools\*

\* These are the groups we expect to attract

**Advertising and promotions strategy:**

1. *Very limited advertising in local paper: shop opening and seasonal sales. It is proposed to get a well-known sportsman to open the shop.*
2. *Extensive promotion to sports clubs and schools offering special equipment and sportswear and 'discounts'. Displays may be mounted at Clubs and so on or special evenings could be arranged.*
3. *In-store seasonal promotions of particular sportswear or equipment. This could include special displays, promotional signs and, perhaps, a discounted 'loss-leader' to get customers into the shop.*
4. *Store displays would emphasise the professional football links.*

**Pricing strategy:**

*We cannot compete against Olympus on price and will not attempt to do so. We will offer good quality branded merchandise at recommended retail prices. We will attempt to stock alternative merchandise and brands to Olympus. We will offer good value for money but not lowest price.*

**Premises:**

*1000 square foot retail premises on Lower Street, Bedford. This is a prime secondary site close to the main shopping area of Bedford. Bedford itself offers a good location and is the main shopping centre for the north of the county. The premises are leasehold with 18 years to run, let on a full repairing and insuring basis with rent reviews every 5 years. There is a two-bedroom flat above the shop in which I intend to live with my wife.*

**Equipment**

*Shop display equipment only.*

**Key people and job functions:**

*Mr and Mrs Bull – Proprietors*

*There may be other part-time counter staff, as required for Saturday work and so on.*

**Background details of key people:**

Mr Bull

Formerly professional footballer (joined from school). Retired 4 years ago. Worked as a salesman with Rank Xerox selling photocopiers to large companies. Made redundant 6 months ago. Still maintains good links with local sports clubs and, in particular, old football club.

Mrs Bull

Housewife. No work experience since marriage.

Prior to marriage was employed as counter staff with Marks & Spencer.

Currently Parent Governor of Priory School and on organising committee for local Youth Club.

**Financial highlights**

**12 months to:** 30 April 2002

**Turnover:**

£250,000

**Profit:**

£40,000 before drawings

**Break-even:**

$$\frac{£60,000 \times 250,000}{100,000} = £150,000$$

**Funding requirement:**

Lease purchase	£20,000
Redecoration	5,000
Fixtures and fittings	<u>15,000</u>
Total	<u>£40,000</u>

+ Overdraft facility as required (see cash flow)

**Source of funds:**

Own funds	£25,000
Bank loan	15,000

We shall be seeking a 10 year, fixed interest rate loan.

## Forecast profit and loss account

**Business:** Sport Retail

**Period:** Year to 30 April 2002

<b>Sales:</b>		£250,000	(A)
<b>Less direct (variable) costs:</b>			
materials	£150,000		
direct wages	£		
other	£		
<b>Total direct (variable) costs:</b>		<u>£150,000</u>	
<b>Gross profit/contribution:</b>		£100,000	(40%) (B)
<b>Fixed costs (overheads):</b>			
wages/salaries (including taxes)	£ 12,000		
rent	£ 18,000		
heat/light/power	£ 3500		
advertising	£ 2500		
insurance	£ 1500		
transport/travel	£ 6000		
telephone	£ 3000		
stationery/postage	£ 2000		
repairs/renewals	£ 500		
depreciation	£ 4000		
local taxes	£		
other <i>Professional fees</i>	£ 5000		
other _____	£		
<b>Total fixed costs</b>		<u>£ 60,000</u>	(16%) (C)
<b>Net profit</b>		£ 40,000	
<b>Less drawings or dividends</b>		<u>£ 25,000</u>	
<b>Profit retained in the business</b>		<u>£ 15,000</u>	
<b>Break-even point</b>	$= \frac{(C) \times (A)}{(B)}$		

### Cash flow forecast

Month:	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	Total
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#### SALES

Volume:													
Value:	-	20.0	25.0	15.0	20.0	25.0	30.0	30.0	15.0	20.0	25.0	25.0	250.0

#### RECEIPTS

Sales – cash		20.0	25.0	15.0	20.0	25.0	30.0	30.0	15.0	20.0	25.0	25.0	250.0
Sales – debtors													
Capital introduced	25.0												25.0
Grants, loans etc.	15.0												15.0
VAT on sales		3.5	4.4	2.6	3.5	4.4	5.3	5.3	2.6	3.5	4.4	4.4	43.9
<b>Total (A)</b>	<b>40.0</b>	<b>23.5</b>	<b>29.4</b>	<b>17.6</b>	<b>23.5</b>	<b>29.4</b>	<b>35.3</b>	<b>35.3</b>	<b>17.6</b>	<b>23.5</b>	<b>29.4</b>	<b>29.4</b>	<b>333.9</b>

#### PAYMENTS

Materials	30.0	-	12.0	15.0	9.0	12.0	15.0	18.0	18.0	9.0	15.0	15.0	168.0
Wages/salaries	-	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	11.0
Rent	9.0	-	-	-	-	-	-	-	-	-	-	-	9.0
Heat/light/power	-	-	-	4.5	-	-	4.5	-	-	4.5	-	-	13.5
Advertising	-	0.5	-	0.2	0.2	0.2	0.3	0.2	0.2	0.3	0.2	0.2	2.5
Insurance	1.5	-	-	-	-	-	-	-	-	-	-	-	1.5
Transport/travel	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	6.0
Telephone			0.75	-	-	0.75	-	-	0.75	-	-	0.75	3.0
Stationery/postage	1.0					0.5						0.5	2.0
Repairs/renewals						0.25						0.25	0.5
Local taxes			0.5			0.5			1.0			1.5	3.5
Other _____													
Other _____	0.6	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	5.0
Capital purchases	20.0	20.0											40.0
Loan repayments													
Drawings/dividends													
VAT on purchases	5.3	-	2.1	2.6	1.6	2.1	2.6	3.2	3.2	1.6	2.6	2.6	29.5
VAT paid to C & E			0.5			4.2			4.2			5.5	14.4
<b>Total (B)</b>	<b>67.9</b>	<b>22.4</b>	<b>17.75</b>	<b>24.2</b>	<b>12.7</b>	<b>22.4</b>	<b>24.3</b>	<b>23.3</b>	<b>29.25</b>	<b>17.3</b>	<b>19.7</b>	<b>28.2</b>	<b>309.4</b>

#### CASH BALANCES

Cash flow (A)–(B)	(27.9)	1.1	11.65	(6.6)	10.8	7.0	11.0	12.0	(11.65)	6.2	9.7	1.2	
Opening balance	-	(27.9)	(26.8)	(15.15)	(21.75)	(10.95)	(3.95)	7.05	19.05	7.4	13.6	23.3	
Closing balance	(27.9)	(26.8)	(15.15)	(21.75)	(10.95)	(3.95)	7.05	19.05	7.4	13.6	23.3	24.5	24.5