

Engineering Management
Field Project

**Business Plan – Exploration of
Just Dogs! Gourmet
Franchise Opportunity**

By

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Master's of Science

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Acknowledgments

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Finally, I would be remiss not to acknowledge the foundation of enduring love and guidance provided by my mother and father. My respect and appreciation for everything they've done grows every day.

Executive Summary

During the summer of 2008, Sean and Michelle Ryland studied the possibility of owning their own business. They discovered a franchise, *Just Dogs! Gourmet*, that bakes and sells dog treats, along with other pet-related merchandise. Following some basic initial research they decided to pursue this enterprise and, after investigating some potential locations for a store, put together a business plan.

Compiling data provided by the franchisor along with data gathered during research, start-up costs of \$212,050 were calculated, with projected sales for the first year of \$277,500. At the end of the third full year of business, income before taxes was projected to be \$105,219. Investing \$46,480 of their own savings, Sean and Michelle sought to borrow the additional \$165,570 of the start-up costs from a bank.

After visiting with three different banks, Sean and Michelle were unsuccessful in obtaining the required financing. In addition to the risk associated with starting a new business in an unstable economy, Sean and Michelle's personal finances were not favorable for such a large loan. Without funding from the banks, Sean and Michelle were unable to purchase a franchise, so they decided to focus on getting their personal finances in order and investigate other avenues to starting their own business.

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Literature Review

In conducting research for a business plan, there is an endless supply of resources available. But to truly determine the feasibility of a business, and its potential for success in a specific market, the business plan must support its claims with accurate and thorough data and statistics. In this case, since *Just Dogs! Gourmet* is a franchise, much of the business-specific information was obtained from the franchisor. However, additional research was needed to gather data that represents the area where the new business will be located.

Right Management's FastTrac NewVentures program, developed by the Kauffman Foundation of Kansas City, gives participants the opportunity to fully review all aspects of building a business plan — from concept development, entry and exit strategies, market research, pricing, marketing, building an organization and team, to financing and budgeting. While doing so, the program introduces a multitude of printed and Internet-based resources, including many available at the Johnson County Public Library. Since many resources are organized by SIC (Standard Industrial Classification), a four-digit government code assigned to industries to track economic growth, *The SIC Code Book* (also available online at www.osha.gov) is a good starting point. However, since the government is transitioning to a six-digit code, the NAICS (North American Industry Classification System, available at www.census.gov) is also important to identify.

The *Market Share Reporter* contains market share information — a percentage of what share of the market the company holds, organized by major industry group, with data

from business magazines and brokerage reports. This information can help in determining the size of the industry, along with year-to-year growth.

CEDDS (Complete Economic and Demographic Data Source) offers demographic statistics, arranged by county. This helps determine the type of market and potential revenue from a geographic area by dividing each county's population into age groups, ethnic backgrounds, income brackets and sales figures.

Much research was done on the phone as well, contacting the franchisor, other franchisees, landlords and service providers for business-related cost estimates. Sean and Michelle also visited a *Just Dogs! Gourmet* store in Omaha to observe an actual store and its customers.

Procedure and Methodology

Michelle and Sean have long considered owning their own business. After Sean left Sprint in March 2008, they decided this was an opportune time to do so. Sean was more interested in the aspect of operating the business, so he left it to Michelle to select the business itself. Michelle has always wanted to work with animals, especially dogs, and after reviewing many day care and grooming businesses she found a franchise that made baked goods for dogs, named *Just Dogs! Gourmet*. Kansas City currently has a Three Dog Bakery at the Country Club Plaza with a similar business model, and other local pet stores also offer baked goods for dogs, so evidently this kind of business can be successful in this area. The franchise fees and start-up costs seemed relatively low, so they decided to pursue this business.

After requesting more information from the franchisor, Just Dogs! Barkery, Inc., in Washington, Pennsylvania, through their Web site (justdogsgourmet.com), Sean and Michelle held a phone interview with Mark Kennison, Director of Sales and Marketing, to answer basic questions both parties had regarding the business and each others' expectations. Mr. Kennison outlined the standard plan for proceeding with opening a store, whether as a stand-alone store or as part of a mall: (1) finding potential locations, (2) completing a business plan, and (3) getting pre-approved for a loan. Once these steps were completed, the franchisor would send a team to review the locations and begin developing plans for the build-out of the store.

Sean and Michelle already had a few locations in mind, so one of their next steps was to contact the landlords of those properties to inquire about availability and costs. One of the first locations they considered was The Village, an established, outdoor strip mall at 71st Street and Mission Road, in Prairie Village, Kansas. This was considered an ideal location since there were often people walking their dogs in that area. A second location was Oak Park Mall, an established, indoor mall at 95th Street and Quivira Road, in Overland Park, Kansas. As the largest and most successful shopping mall in the area, this location would guarantee a greater amount of foot traffic. A third location being considered was a newly developed, and still under construction, shopping center just north of Town Center Plaza called Park Place, at 115th Street and Nall Avenue, in Leawood, Kansas. As an outdoor strip mall, this seemed to be the most ideal location of the three, since not only was it adjacent to the high-traffic Town Center Plaza, but a small park was to be included in the development which would appeal to dog owners. After contacting the three landlords, Park Place was found to have the lowest rent per square foot. Because of this, along with the other positive aspects of its location, Park Place was selected as the primary candidate for the location of Sean and Michelle's store.

Upon Sean's exit from Sprint, he was given access to the outplacement services of Right Management. One of the classes they offer is FastTrac New Ventures, a program developed by the Kauffman Foundation of Kansas City that gives participants the opportunity to fully review all aspects of building a business plan. This program reviews not only the many aspects of the business plan itself, but also the topics that should be investigated when conducting a feasibility study. In doing so, the program introduces

many valuable resources to assist in building a business plan. Using these resources, along with the feedback of his classmates, Sean wrote a business plan for a *Just Dogs! Gourmet* franchise (see Appendix II).

Results

Once completed, Sean and Michelle presented the business plan to three different financial institutions to request the funding needed to cover the required start-up costs. Unfortunately, all three banks declined the request, giving three main reasons for their decision: (1) not enough collateral to support the loan, (2) excessive personal debt, and (3) too much risk associated with a new business. After hearing the same basic reasons from the different banks, Sean and Michelle decided that they would have to continue earning incomes from standard employment until they had a better handle on their personal finances if they were going to be able to receive a loan for this business in the future.

Sean and Michelle notified the franchisor that they would be unable to purchase a *Just Dogs! Gourmet* franchise at this time. The franchisor did not immediately respond, but several months later the Director of Sales and Marketing contacted Sean and Michelle to let them know about the franchisor's new financing and leasing programs. While this may be an option for Sean and Michelle in the future, they have decided that it would still be best to focus on resolving their personal finances first.

Conclusions

While the experience of pursuing a personal business and writing a business plan did not end in the result Sean and Michelle had hoped for, there were still many rewards gained from participating in the process. Not only was there a great deal learned from working on the business plan itself, but also in working with people in various roles across an industry that Sean and Michelle would not normally have encountered. Also, Sean and Michelle can certainly apply what they've learned to both their personal and professional lives.

Working on a business plan is a lengthy and enduring process, so by having completed one Sean has gained much insight into a world he previously had little exposure to. There are many publications and organizations available to assist in the research required for a business plan, but there is still a large amount of work required by the individual. The amount of information gathered for a business plan forces the writer to consider many aspects of business ownership that may otherwise be overlooked. And the time invested in compiling and transcribing that information has made Sean appreciate and respect anyone who has taken on the task.

Suggestions for Further Research

While Sean conducted a thorough assessment of his proposed business venture in completing the business plan, his work was by no means exhaustive. Both during and after his work on the business plan, there were topics that arose that may have benefited from additional research.

For example, more research could have been done in comparing potential store locations. Sean could have gone to each location and counted the number of shoppers passing by each store during different times of day and days of the week. A longer study could reveal any seasonal effects. This would have given a better sense of what kind of traffic to expect at each location.

Sean could have also done more research comparing and contrasting indoor versus outdoor shops. Many dog owners could make impulse purchases while out walking their dog, so an outdoor shop would benefit. But outdoor shops could be hurt by inclement weather. Studies may already exist that present this data, but the information would be valuable to include in the business plan.

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Appendix I

Profit Analyzer Worksheet provided by Just Dogs! Barkery, Inc. (Franchisor)

Category >>>	Merchandise		Gourmet Treats		Market Treats		Confections						
Cost Assumption >>>	35%		25%		27%		17%						
Percentage by Group>>>	40.0%		25.0%		20.0%		15.0%						
Sales Budget Items	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Sums
Projected Sales	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	20,000.00	18,000.00	18,000.00	25,000.00	60,000.00	253,000.00
Projected Income From Merchandise	6,400.00	6,400.00	6,400.00	6,400.00	6,400.00	6,400.00	6,400.00	8,000.00	7,200.00	7,200.00	10,000.00	24,000.00	101,200.00
Projected Income From Gourmet Treats	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	4,000.00	5,000.00	4,500.00	4,500.00	6,250.00	15,000.00	63,250.00
Projected Income From Market Treats	3,200.00	3,200.00	3,200.00	3,200.00	3,200.00	3,200.00	3,200.00	4,000.00	3,600.00	3,600.00	5,000.00	12,000.00	50,600.00
Projected Income From Confection Treats	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	2,400.00	3,000.00	2,700.00	2,700.00	3,750.00	9,000.00	37,950.00
Projected Gross Income	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	16,000.00	20,000.00	18,000.00	18,000.00	25,000.00	60,000.00	253,000.00
Cost of Merchandise	2,240.00	2,240.00	2,240.00	2,240.00	2,240.00	2,240.00	2,240.00	2,800.00	2,520.00	2,520.00	3,500.00	8,400.00	35,420.00
Cost of Gourmet Treats	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,250.00	1,125.00	1,125.00	1,562.50	3,750.00	15,812.50
Cost of Market Treats	864.00	864.00	864.00	864.00	864.00	864.00	864.00	1,080.00	972.00	972.00	1,350.00	3,240.00	13,662.00
Cost of Confection Treats	408.00	408.00	408.00	408.00	408.00	408.00	408.00	510.00	459.00	459.00	637.50	1,530.00	6,451.50
Projected Cost of Sales	4,512.00	4,512.00	4,512.00	4,512.00	4,512.00	4,512.00	4,512.00	5,640.00	5,076.00	5,076.00	7,050.00	16,920.00	71,346.00
G & A Budget Items	Month1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Sums
Store Base Rent	5,416.67	5,416.67	5,416.67	5,416.67	5,416.67	5,416.67	5,416.67	5,416.67	5,416.67	5,416.67	5,416.67	5,416.67	65,000.00
Phone Cost	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	99.00	1,188.00
ISP Cost	19.95	19.95	19.95	19.95	19.95	19.95	19.95	19.95	19.95	19.95	19.95	19.95	239.40
Insurance	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	31.00	372.00
Misc Expenses	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	200.00	400.00	500.00	2,900.00
Bags estimated at \$7/Customer and \$0.15	342.86	342.86	342.86	342.86	342.86	342.86	342.86	428.57	385.71	385.71	535.71	1,285.71	5,421.43
Shrinkage Risk @ 2% of Cost of Goods	90.24	90.24	90.24	90.24	90.24	90.24	90.24	112.80	101.52	101.52	141.00	338.40	1,426.92
168 Hours @ \$9.00	1,512.00	1,512.00	1,512.00	1,512.00	1,512.00	1,512.00	1,512.00	1,512.00	1,512.00	1,512.00	2,268.00	2,700.00	20,088.00
Monthly Royalty Fee	640.00	640.00	640.00	640.00	640.00	640.00	640.00	800.00	720.00	720.00	1,000.00	2,400.00	10,120.00
G & A Expense Total	8,351.71	8,351.71	8,351.71	8,351.71	8,351.71	8,351.71	8,351.71	8,619.99	8,485.85	8,485.85	9,911.33	12,790.73	106,755.75
Income Before Wholesale Activity	3,136.29	3,136.29	3,136.29	3,136.29	3,136.29	3,136.29	3,136.29	5,740.01	4,438.15	4,438.15	8,038.67	30,289.27	74,898.25
Cumulative Income Before Wholesale Activity	3,136.29	6,272.57	9,408.86	12,545.14	15,681.43	18,817.72	21,954.00	27,694.02	32,132.16	36,570.31	44,608.98	74,898.25	
Projected Gross Income From Wholesale Activity	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	3,000.00	36,000.00
Projected Cost of Sales Including Royalty	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	1,620.00	19,440.00
Wholesale Income Goals	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	1,380.00	16,560.00
Monthly Gross Profit/(Loss) Before Tax	4,516.29	4,516.29	4,516.29	4,516.29	4,516.29	4,516.29	4,516.29	7,120.01	5,818.15	5,818.15	9,418.67	31,669.27	91,458.25
Running Gross Profit/(Loss) Before Tax	4,516.29	9,032.57	13,548.86	18,065.14	22,581.43	27,097.72	31,614.00	38,734.02	44,552.16	50,370.31	59,788.98	91,458.25	

Appendix II

Business Plan



The World's Tastiest Gourmet Dog Treats®

BUSINESS PLAN

Prepared By

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& Sean J. Ryland, President
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Executive Summary

Venture Description

Just Dogs! Gourmet offers hand-cut, all-natural dog treats, baked fresh from the finest human-grade ingredients, available in a variety of shapes, sizes and flavors. Our franchise also offers unique merchandise for the dog lover. By providing the “World’s Tastiest Gourmet Dog Treats” and our other upscale and healthy products for dogs, we feel that we have found our niche and are perfectly positioned to capture a large share of the multi-billion dollar pet industry.

Management and Organization Plan

KC Dog, Inc., will be established as a corporation in July 2008. The corporate form was chosen for its limitation of liability and the ability to transfer the owners’ existing retirement accounts. Michelle Ryland will serve as Chief Executive Officer, with her husband Sean as President. KC Dog will purchase a Just Dogs! Gourmet franchise to be managed by Michelle and Sean. They both have experience in the retail industry, as well as a strong background in project management and the supervision of others. KC Dog has an advisory board consisting of a CPA, a financial advisor and a local business owner, and has retained the professional services of an attorney.

Marketing Plan

According to statistics from the American Pet Products Manufacturers Association (APPMA), Americans will spend \$43.4 billion on their pets this year; 63% of U.S. households, or 71.1 million homes, have a pet and there are 74.8 million pet dogs in the

United States. Researchers estimate that the industry will grow to more than \$50 billion by 2010. Americans pamper their pets with health products, grooming services and nutritious foods and snacks, leading to pet food sales of \$16.9 billion this year, with natural pet food sales alone projected to reach \$1.1 billion in 2009.

The site for our Just Dogs! Gourmet franchise is the most important factor in the success of the business. We plan to be located in Park Place, an upscale development in Leawood, KS, that encourages foot traffic through the inclusion of lofts, pedestrian- and dog-friendly parks, and community-focused activities and events. It's positioned in an affluent part of the metropolitan area where customers are willing to pay top retail prices. According to the 2007 *Community Sourcebook of ZIP Code Demographics*, Leawood has a Spending Potential Index of 240 in the category of Pets & Supplies. (An index of 100 is average.)

Financial Plan

The overall cost for the start-up of this business is \$212,050. This includes the franchise fee, store build-out, initial inventory and other general start-up expenses. Michelle and Sean will invest \$46,480 and KC Dog will borrow the additional \$165,570. Projected sales for the first year are \$277,500, with an increase of 20% the following years. At the end of our third full year of business we project income before taxes of \$105,219.

Michelle and Sean's exit strategy is either to leave the business to their heirs or sell it when they are ready to retire.

Management and Organization Plan

Legal Form of Business

KC Dog, Inc., will be formed as a corporation doing business in Kansas. The corporate form was chosen for its limitation of liability and the ability to transfer the owners' existing retirement accounts into company stock.

Management Team

As majority owner, Michelle Ryland will serve as Chief Executive Officer of KC Dog, Inc., with her husband Sean as President. KC Dog will purchase a Just Dogs! Gourmet franchise to be managed by Michelle and Sean. They both have experience in the retail industry, as well as a strong background in project management and the supervision of others. With a degree in advertising and marketing, Michelle will also manage the marketing, advertising and promotions of this business. Sean will handle the daily operational responsibilities, including sales, customer service and hiring, along with the finance and accounting responsibilities. After year one, an assistant manager will be hired to help manage the business and give Sean more time to explore growth opportunities.

Board of Directors / Advisory Board

The board of directors for KC Dog, Inc., consists of Michelle Ryland as chairperson, CEO and treasurer, and Sean Ryland as president and secretary. KC Dog will consult with an unpaid advisory board of subject matter experts: Nathan Mull, a professional accountant, Jason Armstrong, a bank manager, and Sonny Baccam, a local business

owner, have all agreed to be available for ongoing feedback. There is also a network of other franchisees who can assist with any business-specific challenges.

Franchise Background

Just Dogs! Gourmet is offered as a franchise opportunity by Just Dogs! Barkery, Inc. Just Dogs! Gourmet is a retail and wholesale business offering all-natural, human-grade gourmet dog treats, as well as dog-related merchandise such as leashes, collars, beds, bathing products and natural dog food. Just Dogs! Barkery, Inc., DBA Just Dogs! Gourmet, has a principal business location of Washington Mall/Oak Spring Shopping Center, 301 Oak Spring Road, Washington, PA 15301. Some other notable facts include:

- Just Dogs! Gourmet opened their first location in December 2001;
- Just Dogs! Barkery has never offered franchises in any other line of business;
- Just Dogs! Barkery authorizes franchisees the use of all registered trademarks; and
- Just Dogs! Barkery sold its first Just Dogs! Gourmet franchise in August 2003

Franchise Training Program

With more than 25 years of sales and marketing experience, the Just Dogs! Gourmet team is comprised of experts in the key aspects of franchising, media, marketing, bakery and chain retail operations. Their training program is comprised of the following:

Home Office Business Training

- Conducted at the Just Dogs! Gourmet national training facility in Washington, PA
- Fundamentals of the Just Dogs! Gourmet business and general business success skills

Bakery and Treat Decoration Training

- Conducted at the Home Office and Bakery in Washington, PA
- Learn to master the skills that have made our treats the very best looking treats in the industry

Store Operations Training

- Just Dogs! Gourmet field staff will visit our location during store construction, set-up and our Grand Opening
- Ensure our staff is fully trained to do it the Just Dogs! Gourmet way

Just Dogs! Administration System

- Web-based administration system offers streaming video instruction and other various resources to help operate our business
- Ability to order products, track Frequent Barkers Club™ members, track store statistics, and communicate with the home office

Point of Sale (POS) Systems Training

- On-site, in-store training from technology consultants at Grand Opening
- Available on a scheduled basis over the Internet to maximize knowledge of POS
- System is custom-configured for our store and provides a wide variety of reports essential to the overall management of the business, including inventory cost control

Regional support and training is also provided on an as-needed basis.

Recruitment and Selection of Employees

During year one, the primary management and operation of the company will be Sean's responsibility. Two to three part-time staff will be hired for peak hours and holiday seasons. These dog-loving employees will be recruited through advertising and local events. After the first year, a full-time employee will be hired to help manage the store.

Compensation and Ownership

As manager, Sean will receive an annual salary of \$48,000. Part-time employees will be paid \$7.50 per hour. Initially, medical insurance will not be offered to employees. As majority stockholder, Michelle will be the majority owner, but will not receive a salary.

Employee Reward and Incentive Plan

Sean and Michelle strongly believe that keeping employees happy leads to happy customers. Upon their hiring, employees will be treated as family to provide them with a feeling of ownership in the success of the business. Part-time employees will get together with management to establish a work schedule that meets the demands of the business but still allows the flexibility to maintain their personal lifestyle. Rewards and incentives will be based on the individual employees' interests, with an emphasis on recognition and bonuses.

Communication

Each employee will go through a short orientation program upon hiring to learn the Just Dog! Gourmet philosophy, business values, expectations, and policies. Training will be

on the job. Informal communication and feedback will take place continually. The owners feel it is the obligation of management to lead by example in representing the behaviors desired from employees.

Infrastructure

KC Dog, Inc., will retain the services of Richard Gier, P.A., for all initial legal documentation and contract review, plus any future legal issues. In addition to the advisory board, other individuals will play a role in assisting with the strategies, execution and marketing of the business. Gary Lezak, chief meteorologist for a local television station and a friend of Sean's, is a key figure in the metropolitan dog community. He can help identify valuable strategic alliances and marketing opportunities, in addition to the alliances we plan to develop with local groomers, spas and veterinarians. Executives in the Just Dogs! Gourmet corporate office and other franchisees in locations around the country may also offer valuable insight and ideas.

Product/Service Plan

Purpose of Product/Service

Our gourmet dog treats give customers the personal satisfaction of pampering dogs while still providing the comfort of knowing our high-quality, hand-cut, fresh-baked treats are an all-natural alternative to standard store-bought treats loaded with unhealthy fillers and preservatives. We currently feature four lines of exclusive treats:

- **Deluxe Gourmet Treats:** All of these treats are hand decorated and come in different shapes and sizes depending on the season. Some of the varieties that we offer are peanut butter, shortbread, oatmeal, molasses, apple cinnamon, and even donuts that come in flavors like cherry, blueberry, coconut, hazelnut and Bavarian cream. These treats are sold from our custom bakery cases;
- **Gourmet Market Treats:** This line consists of a variety of 12 different treats. These treats are sold in bulk and feature such favorites as Cheddar Cheese Pretzels and Bacon Pups;
- **Canine Confections:** This line is hand-made locally, ensuring the freshest and best quality confections in the industry. Two of our best-selling items are our peanut butter cups and our truffles which come in a variety of flavors like our top seller, raspberry; and
- **Health Line:** This line features multiple flavors of low-fat vitamin-enriched and wheat-free treats. The vitamin-enriched treats come in bacon cheddar, apple cinnamon, and carrot cake. Each are enriched with 38 different vitamins and minerals for muscle, joint, skin, coat and performance.

In addition to our exclusive treats we offer:

- Our Just Dogs! Gourmet daily vitamin supplement which can be sprinkled on food; and
- Our own line of SPA products for dogs including shampoos and spritzes in three scents: “His,” “Hers” and “Puppy.” This line also features our "Sensitive Dog" shampoo for dogs that are prone to allergies and our "Wash and Wag" laundry detergent. All of these products are 100% natural and chemical-free and contain only the finest essential oils.

Features and Benefits

Our treats will be colorfully decorated with various themes based on the seasons and holidays, and will also be available in gift packages. Specially designed birthday treats will be available throughout the year. In addition, our store will carry unique merchandise for both dogs and dog lovers. Plus, customers will have the opportunity to enroll in a Frequent Barker’s Club, where members can receive newsletters, coupons and a birthday card mailing for their special dog.

Stage of Development

Just Dogs! Gourmet opened its first store in 2001 and has since grown to over 40 locations across the country. Within five years KC Dog will begin exploring the potential of opening a second store in this area.

Product/Service Limitations

Because the treats we sell are all-natural and freshly baked, they are perishable, yet have a shelf life of approximately six months.

Product/Service Liability

Our treats are hand-decorated with a colored yogurt that may sometimes stain carpets and other fabrics. In addition to verbally notifying each customer, we will include this information in writing with their purchase.

Production

Treats are baked at facilities in Pennsylvania and shipped directly to our store where they are hand-decorated and set on trays for display and sale. Other merchandise is ordered and shipped directly from corporate-approved third-party vendors.

Facilities

Just Dogs! Gourmet will be located in Park Place shopping center in Leawood, KS (see Appendix B – Article on Park Place development). Our retail store will occupy approximately 1200 total square feet, with 950 square feet dedicated to the store space and 250 square feet used as office, storage and treat decorating area.

Suppliers

Treats are baked at facilities in Pennsylvania and shipped directly to our store where they are hand-decorated and set on trays for display and sale. Other merchandise is ordered and shipped directly from corporate-approved third-party vendors.

Related Products/Services and Spin-Offs

In addition to treats, unique merchandise will be offered, giving dog owners additional opportunities to pamper their pets and exhibit their love of dogs. We also have the right to establish our own wholesale program by offering our gourmet treats to industry-related outlets, such as local groomers, spas, veterinarians and other potential clients. We plan to develop community partner-based fundraising strategies and sponsorships with charitable organizations. During the holidays of year two, we will begin operating kiosks or carts in shopping malls to maximize seasonal revenue.

Trademarks, Patents, Copyrights, Licenses, Royalties

As part of the Franchise Agreement, a franchise owner normally has the exclusive right to operate a Just Dogs! Gourmet outlet within a five-mile radius. The actual size of the protected territory can vary depending on the density of the population and commercial development. The initial term of the agreement is ten years, but it may be renewed for additional ten-year periods for a fee of \$2,500. Franchise royalties, which are four percent of all sales, will be paid monthly to Just Dogs! Barkery, Inc. A retail operating license and Tax ID will be acquired through our attorney.

Governmental Approvals

Approval will be obtained from the City of Leawood for the design and layout of the store, along with a business license and a sales tax permit. (Zoning is in place.)

Marketing Plan

Industry Profile

Current Size

According to the American Pet Products Manufacturers Association (APPMA), a nonprofit trade group based in Greenwich, CT, Americans will spend \$43.4 billion on their pets this year, which is up more than 5% from last year. APPMA estimates \$16.9 billion will be spent on pet food this year, up from \$16.2 billion in 2007, remaining the top pet-related expense. (See Appendix A – “Pet Profits; No matter how tough the times, businesses catering to our furry friends are still seeing steady increases in spending.”)

APPMA adds that 63% of U.S. households own a pet, which equates to 71.1 million homes. Of those, 44.8 million households own a dog, at a total of 74.8 million dogs. *The Lifestyle Market Analyst 2008* identifies Kansas City as having 387,602 homes with a dog, ranking dog ownership as the number one or two lifestyle category in the area for the past several years.

According to *Market Share Reporter 2008* (which identifies its source as *Functional Foods and Nutraceuticals*, July 2006), natural and organic sales represent 3% of pet food industry sales.

Growth Potential

According to APPMA, U.S. pet owners are forecasted to spend more than \$50 billion in 2010. The \$50 billion would be 30 percent more than the \$38.5 billion that pet owners spent in 2006, representing an annual growth rate of 7 percent.

According to *Market Share Reporter 2008* (which identifies its source as *Functional Foods and Nutraceuticals*, July 2006), natural pet food sales are projected to reach \$1.1 billion in 2009, growing from \$728 million in 2006.

Industry Trends

More than ever, pet owners are seeking healthy, all-natural food and treat alternatives due to extensive FDA pet food recalls. Many owners pay better attention to the ingredients in their dog's food than their own.

Some of the top pet trends this year were identified by APPMA:

- More and more companies traditionally known for human products are going to the dogs. Big name companies including Paul Mitchell, Omaha Steaks, Origins, Harley Davidson and Old Navy are now offering lines of pet products ranging from dog shampoo, pet attire and name-brand toys to gourmet treats and food.
- High-end items to spoil companion animals are must-haves for pet owners that spare no expense to please their furry best friends. Items include faux mink coats for cold weather outings, feathered French daybeds for afternoon naps, botanical fragrances and, to top it all off, a rhinestone tiara!

- Pet owners take grooming one step beyond a haircut, a quick bath and a nail trim. Mouthwash and an electric toothbrush for canines are common tools in a beauty session for some pooches. Pet-owning homes stay cleaner with cleaning cloths for muddy paws that mimic traditional baby wipes, and scented gel air fresheners to keep rooms free of pet odors.
- Today's pet foods include complete and balanced diets that tantalize our pets' taste buds and satisfy their tummies. Formulas for puppies and diets for senior pets ensure a long and healthy life for our beloved companions.
- From monogrammed sweaters and personalized food and water bowls to digitized collar tags and hand-made treats, owners embrace their pets as true members of the American family celebrating their fluffy companions with their very own belongings.

Other Characteristics

The holiday season represents approximately 40% of annual sales. APPMA estimates that more than half of dog owners purchased gifts for their pet this past year. And since many owners consider their pet a member of the family, the owner's family and friends often feel compelled to purchase a gift for the pet as well.

Distribution Channels

Treats are baked at facilities in Pennsylvania and shipped directly to our store where they are hand-decorated and set on trays for display and sale. Other merchandise is ordered and shipped directly from corporate-approved third-party vendors:

- Just Dogs! Barkery, Inc., in Washington, PA, operates a 6,600-sq. ft. dog treat bakery with 10,000 square feet of warehouse space. Currently 700 pounds of dog treats are produced each day, with more production capacity available to support current and future Just Dogs! Gourmet franchisees.
- PetEdge, a family-run business founded in 1956, offers over 12,000 pet care products and accessories. In 2003, PetEdge opened a second distribution center offering faster service and reduced shipping costs. PetEdge has developed exclusive brands that are priced to be sold at competitive prices. They provide top quality products that cannot be found at Petco, PetSmart or Wal-Mart.
- Porcelain by Rosalinde, Inc. has been a respected member of the pet-related gift industry since 1980 thanks to a combination of unsurpassed quality and customer service. They offer the largest selection of breed-specific gift items in the industry.

Competitive Analysis

Direct Competition

The main competition to our business in the Kansas City metropolitan area is Three Dog Bakery, located at the Country Club Plaza shopping center in Kansas City, MO. Three Dog Bakery sells gourmet dog treats and dog-related merchandise, catering to the same market as our business.

Direct competition closer to our desired location includes Land Of Paws, “an upscale dog and cat store offering the most exclusive pet supplies, toys, treats, pet apparel and boutique items for a pet owner and their pets.” Their stores also include animal sales and

grooming services. They have stores in Prairie Village (approximately 5 miles from Park Place) and Overland Park (approximately 3.5 miles from Park Place).

Natural Pet Food and Supply, also in Leawood (approximately 3 miles from Park Place), offers “canine and feline diets, leashes, collars, toys, bathing supplies and more.”

Indirect Competition

Other retailers that offer general pet-related food and merchandise in our area include PetsMart, Wal-Mart and Target. These larger stores carry mass-market supplies not tailored to our market.

Future Competition

As the demand for healthy, high-quality food and treats for dogs increases, there will likely be other stores in the metropolitan area that will open for business.

Market Analysis

Target Market Profile

Using data from the 2007 *Community Sourcebook of ZIP Code Demographics*, the following is a comparison of the markets served by the existing Three Dog Bakery store in Kansas City, MO, (our current direct competition) and the Park Place location of Just Dogs! Gourmet in Leawood, KS:

Location (ZIP)	Population (2007)	Median Household Income (2007)	Median Home Value (2007)	Spending Potential Index: Pets & Supplies*
Leawood, KS (66211)	4,132	\$115,507	\$506,897	240
Kansas City, MO (64112)	8,165	\$48,239	\$214,544	95

*Spending Potential data measure the likely expenditure for a product or service; an index of 100 is average

The median household income for Leawood is in the 98th percentile nationally and 99th percentile in the state, while Kansas City places 60th and 79th, respectively.

According to the 2007 *Complete Economic and Demographic Data Source (CEDDS)*, Johnson County, in which Leawood is situated, has a population of 529,670, with 210,690 households, and a mean household income of \$125,319. Jackson County, in which Kansas City is situated, has a population of 665,650, with 277,690 households, and a mean household income of \$85,282.

Customer Profile

Our primary customer would of course be a dog owner, but more specifically a dog lover. Since a large portion of our sales relies on impulse buying, we're focused on customers who are spending time out of the house, shopping with discretionary income. This translates to females in the range of 25 to 65 years of age. Positioning ourselves in an established shopping area in Leawood takes advantage of women dining and shopping with their friends, spending the higher incomes represented in that part of town.

Future Markets

With Forbes magazine recently labeling Johnson County, KS, as one of the top three places to raise a family, the market is expected to grow. And, of course, in this area families usually include dogs. The city of Olathe, rapidly expanding in southern Johnson County, is evidence of this growth.

Pricing

Pricing Strategy

Initially, prices will be set based on the cost and mark-up estimates provided by the franchisor, while also comparing them to our competitors' prices for similar products.

The following data was provided by the franchisor:

	Merchandise	Gourmet Treats	Market Treats	Confections
Cost (as percentage of sale price)	35%	25%	27%	17%
Percentage of Total Sales	40%	25%	20%	15%

As business progresses, prices will be adjusted based on actual sales.

Pricing Policies

Most of our treats are priced individually, but many will be available bundled in gift packages at discounted prices. For example, a current popular package in Just Dogs! Gourmet stores is called a "Yappy Meal," which includes a hamburger-shaped treat, French fry-shaped treats, and a small toy. Other items will also be available as part of such pricing schemes as "2 for \$3" or "3 for \$5." Some treats are sold by the pound.

Market Penetration

Company Image

Colleen Starnadori, President, CEO and Chairman of Just Dogs! Barkery, Inc., instituted a motto when she opened her store that has remained in effect over the years:

“Friendship, loyalty and unconditional love deserve only the best.” Our business will support that philosophy by not only providing quality products for our “client-tail,” but also by establishing a presence in the community that identifies our business as an unwavering proponent of the humane treatment of all animals.

Customer Service

Since we can't wag our tail, all customers will be greeted with a friendly smile and treated with respect. Naturally, dogs will be invited into the store, so all animals will be greeted first. Just as important as exhibiting a welcoming atmosphere, we also don't want to annoy our customers by coming across as too overbearing in trying to make a sale. In support of our claims that the treats we sell are made of all-natural, human-quality ingredients, item display labels will clearly identify the ingredients of each product.

All sales of treats will be considered final. Merchandise can be returned within 30 days of purchase. If the customer has their receipt, a full refund will be offered in the same currency as the original purchase was made. If the customer does not have a receipt, and the item is merchandise we carry and in re-sellable condition, store credit will be offered.

Location

Just Dogs! Gourmet will be located in Park Place shopping center in Leawood, KS.

Positioning ourselves in this established shopping area in Leawood takes advantage of women dining and shopping with their friends, spending the higher incomes represented in that part of town.

Direct Sales Force

During year one, the primary management and operation of the company will be Sean's responsibility. Two to three part-time staff will be hired for peak hours and holiday seasons. After the first year, a full-time employee will be hired to help manage the store.

Licensing or Distributors

We have the right to establish our own wholesale program by offering our gourmet treats to industry-related outlets, such as local groomers, spas, veterinarians and other potential clients.

Advertising and Promotion

We don't have plans to do standard advertising, since most of our sales will depend on impulse buying (foot traffic), a repeat customer base and word-of-mouth advertising.

Customers will have the opportunity to enroll in a Frequent Barker's Club, where members can receive newsletters, coupons and a birthday card mailing for their special dog.

Publicity

Initially, we will issue a press release to the media in our market announcing our business, as well as utilize an acquaintance that is the anchor of a local news station to be featured on their “Business In Action” series. Going forward, our main channel for reaching the public will be through the development of community partner-based fundraising strategies, sponsorships with charitable organizations and participation in industry-related events.

Telemarketing/Direct Mail

We may distribute postcards with promotional offers or coupons to residences in Leawood, using the local library resources to obtain a mailing list.

Internet

Just Dogs! Barkery, Inc., maintains a presence on the Internet at justdogsgourmet.com, including product information and tools to find the closest store. Michelle and Sean will also send an e-mail announcement to family, friends and our network of acquaintances to announce our store’s opening.

Financial Plan

Start-Up Costs

The overall cost for the start-up of this business is \$212,050. This includes a franchise fee of \$25,000, store build-out estimated at \$125,000, initial inventory of \$25,000, and other general start-up expenses of \$37,050, broken down as follows:

Rent Deposit.....	\$3,000
Utilities Deposit	\$200
Computer Equipment (provided by franchisor)....	\$5,000
Backroom Equipment	\$1,500
Accounting Fees.....	\$1,500
Legal Fees	\$1,200
Internet, Telephone, Cable (for 3 months).....	\$500
Salaries & Wages (for 3 months).....	\$15,000
Printing (cards, stationery, brochures).....	\$150
Rent (for 3 months).....	\$9,000
Total	\$37,050

Sales Projections

Projected sales for the first year are \$277,500, with an increase of 20% the following years. These projections are based on data provided by Just Dogs! Barkery, the franchisor, including estimated cost percentages. Actual sales data from other franchisees were compared to franchisor-provided average estimates and adjusted for this area, based on income and population statistics from our target market's demographics.

Income Projections

At the end of our third full year of business, we project income before taxes of \$105,219.

To arrive at these estimates, we used the Ewing Marion Kauffman Foundation's FastTrac® Financial Template, which allows the user to enter financial data specific to the business, including start-up expenses and sales projections, and produces projected financial statements.

Cash Requirements

Based on the initial start-up costs and sales projections, here are the projected monthly cash balances:

Yr.	Oct.	Nov.	Dec.	Jan.	Feb.	March
1	8,658	18,710	51,263	42,302	41,377	40,452
2	43,933	54,333	83,505	75,150	76,438	77,727
3	93,333	108,212	138,454	130,826	134,771	138,715
Yr.	Apr.	May	June	July	Aug.	Sep.
1	39,527	38,603	37,678	36,753	39,837	40,070
2	78,021	79,309	79,569	80,858	86,956	86,299
3	138,345	142,290	141,883	145,828	155,544	154,040

Sources of Financing

Michelle and Sean will invest \$46,480, from existing retirement accounts, and KC Dog, Inc., will borrow the additional \$165,570 as a business loan. We've built this loan into our financial projections with an interest rate of 8.3% over a term of 96 months. The interest over this period totals \$61,153.47.

Exit Strategy

Beginning with the holidays of year two, we will begin operating kiosks or carts in shopping malls to maximize seasonal revenue. We also have the right to establish our own wholesale program by offering our gourmet treats to industry-related outlets, such as local groomers, spas, veterinarians and other potential clients. Throughout the year, we'll continually seek other opportunities of sales, including booths at community events and industry trade shows. Within five years we'll begin exploring the potential of opening a second store in this area. Michelle and Sean's exit strategy is either to leave the business to their heirs or sell it when they are ready to retire.

Projected Financial Statements

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Monthly Cash Flow Report – Year One

Year One	Pre Start-Up	OCT 08	NOV 08	DEC 08	JAN 09	FEB 09	MAR 09	APR 09	MAY 09	JUN 09	JUL 09	AUG 09	SEP 09	TOTAL
Cash In														
Cash Sales		20,000	27,500	65,000	17,500	17,500	17,500	17,500	17,500	17,500	17,500	22,500	20,000	277,500
Equity Received	46,480	-	-	-	-	-	-	-	-	-	-	-	-	46,480
Loans Received	165,570	-	-	-	-	-	-	-	-	-	-	-	-	165,570
Total Cash In	212,050	20,000	27,500	65,000	17,500	17,500	17,500	17,500	17,500	17,500	17,500	22,500	20,000	489,550
Total Cash Available	212,050	20,000	36,158	83,710	68,763	59,802	58,877	57,952	57,027	56,103	55,178	59,253	59,837	489,550
Cash Out														
Inventory/Raw Material (Cash)	25,000	-	3,102	7,332	1,974	1,974	1,974	1,974	1,974	1,974	1,974	2,538	2,256	54,046
Inventory/Raw Material (Paid on Account)	-	-	-	4,653	10,998	2,961	2,961	2,961	2,961	2,961	2,961	2,961	3,807	40,185
Bank Charges	-	800	1,100	2,600	700	700	700	700	700	700	700	900	800	11,100
Insurance	-	30	30	30	30	30	30	30	30	30	30	30	30	360
Licenses & Fees	-	800	1,100	2,600	700	700	700	700	700	700	700	900	800	11,100
Marketing & Promotion	50	-	-	-	-	-	-	-	-	-	-	-	-	50
Office Expense	300	100	100	100	100	100	100	100	100	100	100	100	100	1,500
Outside Services	-	60	60	60	60	60	60	60	60	60	60	60	60	720
Salaries & Wages	15,000	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	83,400
Payroll Taxes	-	340	340	340	340	340	340	340	340	340	340	340	340	4,080
Professional Fees	1,400	-	-	-	-	-	-	-	-	-	-	-	-	1,400
Rent	9,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	45,000
Utilities	-	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Bags & Gift Boxes	-	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Shrinkage @ 2% of COGS	-	112	154	364	98	98	98	98	98	98	98	126	112	1,554
Other	1,600	-	-	-	-	-	-	-	-	-	-	-	-	1,600
Capital Purchases	156,500	-	-	-	-	-	-	-	-	-	-	-	-	156,500
Estimated Income Tax Payments	-	-	-	2,906	-	-	-	-	-	-	-	-	-	2,906
Interest Payments	-	-	1,138	1,130	1,121	1,113	1,104	1,096	1,087	1,078	1,069	1,060	1,052	12,049
Loan Principal Payments	-	-	1,223	1,232	1,240	1,249	1,257	1,266	1,275	1,284	1,292	1,301	1,310	13,930
Other Cash Out	3,200	-	-	-	-	-	-	-	-	-	-	-	-	3,200
Total Cash Out	212,050	11,342	17,448	32,447	26,462	18,425	18,425	18,425	18,425	18,425	18,425	19,417	19,767	449,480
Monthly Cash Flow (Cash In - Cash Out)	-	8,658	10,052	32,553	(8,962)	(925)	(925)	(925)	(925)	(925)	(925)	3,083	233	40,070
Beginning Cash Balance	-	-	8,658	18,710	51,263	42,302	41,377	40,452	39,527	38,603	37,678	36,753	39,837	-
Ending Cash Balance	-	8,658	18,710	51,263	42,302	41,377	40,452	39,527	38,603	37,678	36,753	39,837	40,070	40,070

Monthly Cash Flow Report – Year Two

Year Two	OCT 09	NOV 09	DEC 09	JAN 10	FEB 10	MAR 10	APR 10	MAY 10	JUN 10	JUL 10	AUG 10	SEP 10	TOTAL
Cash In													
Cash Sales	24,000	33,000	78,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	27,000	24,000	333,000
Total Cash In	24,000	33,000	78,000	21,000	21,000	21,000	21,000	21,000	21,000	21,000	27,000	24,000	333,000
Total Cash Available	64,070	76,933	132,333	104,505	96,150	97,438	98,727	99,021	100,309	100,569	107,858	110,956	373,070
Cash Out													
Inventory/Raw Material (Cash)	2,707	3,722	8,798	2,369	2,369	2,369	2,369	2,369	2,369	2,369	3,046	2,707	37,562
Inventory/Raw Material (Paid on Account)	3,384	4,061	5,584	13,198	3,553	3,553	3,553	3,553	3,553	3,553	3,553	4,568	55,667
Bank Charges	960	1,320	3,120	840	840	840	840	840	840	840	1,080	960	13,320
Insurance	30	30	30	30	30	30	30	30	30	30	30	30	360
Licenses & Fees	960	1,320	3,120	840	840	840	840	840	840	840	1,080	960	13,320
Office Expense	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Outside Services	60	60	60	60	60	60	60	60	60	60	60	60	720
Salaries & Wages	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	68,400
Payroll Taxes	340	340	340	340	340	340	340	340	340	340	340	340	4,080
Rent	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Utilities	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Bags & Gift Boxes	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Shrinkage @ 2% of COGS	134	185	437	118	118	118	118	118	118	118	151	134	1,865
Estimated Income Tax Payments	-	-	15,777	-	-	-	995	-	1,029	-	-	3,335	21,136
Interest Payments	1,043	1,033	1,024	1,015	1,006	997	987	978	968	959	949	939	11,898
Loan Principal Payments	1,319	1,328	1,337	1,347	1,356	1,365	1,375	1,384	1,394	1,403	1,413	1,422	16,443
Total Cash Out	20,137	22,600	48,828	29,356	19,711	19,711	20,706	19,711	20,740	19,711	20,902	24,657	286,771
Monthly Cash Flow (Cash In - Cash Out)	3,863	10,400	29,172	(8,356)	1,289	1,289	294	1,289	260	1,289	6,098	(657)	46,229
Beginning Cash Balance	40,070	43,933	54,333	83,505	75,150	76,438	77,727	78,021	79,309	79,569	80,858	86,956	40,070
Ending Cash Balance	43,933	54,333	83,505	75,150	76,438	77,727	78,021	79,309	79,569	80,858	86,956	86,299	86,299

Monthly Cash Flow Report – Year Three

Year Three	OCT 10	NOV 10	DEC 10	JAN 11	FEB 11	MAR 11	APR 11	MAY 11	JUN 11	JUL 11	AUG 11	SEP 11	TOTAL
Cash In													
Cash Sales	28,800	39,600	93,600	25,200	25,200	25,200	25,200	25,200	25,200	25,200	32,400	28,800	399,600
Total Cash In	28,800	39,600	93,600	25,200	25,200	25,200	25,200	25,200	25,200	25,200	32,400	28,800	399,600
Total Cash Available	115,099	132,933	201,812	163,654	156,026	159,971	163,915	163,545	167,490	167,083	178,228	184,344	485,899
Cash Out													
Inventory/Raw Material (Cash)	3,249	4,467	10,558	2,843	2,843	2,843	2,843	2,843	2,843	2,843	3,655	3,249	45,075
Inventory/Raw Material (Paid on Account)	4,061	4,873	6,700	15,837	4,264	4,264	4,264	4,264	4,264	4,264	4,264	5,482	66,800
Bank Charges	1,152	1,584	3,744	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,296	1,152	15,984
Insurance	30	30	30	30	30	30	30	30	30	30	30	30	360
Licenses & Fees	1,152	1,584	3,744	1,008	1,008	1,008	1,008	1,008	1,008	1,008	1,296	1,152	15,984
Office Expense	100	100	100	100	100	100	100	100	100	100	100	100	1,200
Outside Services	60	60	60	60	60	60	60	60	60	60	60	60	720
Salaries & Wages	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	5,700	68,400
Payroll Taxes	340	340	340	340	340	340	340	340	340	340	340	340	4,080
Rent	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000
Utilities	150	150	150	150	150	150	150	150	150	150	150	150	1,800
Bags & Gift Boxes	250	250	250	250	250	250	250	250	250	250	250	250	3,000
Shrinkage @ 2% of COGS	161	222	524	141	141	141	141	141	141	141	181	161	2,238
Estimated Income Tax Payments	-	-	26,095	-	-	-	4,315	-	4,352	-	-	7,116	41,878
Interest Payments	929	920	910	900	890	880	869	859	849	838	828	817	10,489
Loan Principal Payments	1,432	1,442	1,452	1,462	1,472	1,482	1,492	1,503	1,513	1,523	1,534	1,544	17,852
Total Cash Out	21,766	24,721	63,357	32,829	21,255	21,255	25,570	21,255	25,607	21,255	22,684	30,304	331,859
Monthly Cash Flow (Cash In - Cash Out)	7,034	14,879	30,243	(7,629)	3,945	3,945	(370)	3,945	(407)	3,945	9,716	(1,504)	67,741
Beginning Cash Balance	86,299	93,333	108,212	138,454	130,826	134,771	138,715	138,345	142,290	141,883	145,828	155,544	86,299
Ending Cash Balance	93,333	108,212	138,454	130,826	134,771	138,715	138,345	142,290	141,883	145,828	155,544	154,040	154,040

Year-End Income Statement

	Year One		Year Two		Year Three	
Net Sales (less returns & allowances)	277,500	100.0%	333,000	100.0%	399,600	100.0%
Cost of Goods Sold	77,700	28.0%	93,240	28.0%	111,888	28.0%
Gross Margin	\$ 199,800	72.0%	\$ 239,760	72.0%	\$ 287,712	72.0%
Operating Expenses						
Advertising	-	0.0%	-	0.0%	-	0.0%
Bad Debt Expense	-	0.0%	-	0.0%	-	0.0%
Bank Charges	11,100	4.0%	13,320	4.0%	15,984	4.0%
Depreciation & Amortization	22,238	8.0%	22,238	6.7%	22,238	5.6%
Dues & Subscriptions	-	0.0%	-	0.0%	-	0.0%
Insurance	360	0.1%	360	0.1%	360	0.1%
Licenses & Fees	11,100	4.0%	13,320	4.0%	15,984	4.0%
Marketing & Promotion	50	0.0%	-	0.0%	-	0.0%
Meals & Entertainment	-	0.0%	-	0.0%	-	0.0%
Miscellaneous	-	0.0%	-	0.0%	-	0.0%
Office Expense	1,500	0.5%	1,200	0.4%	1,200	0.3%
Office Supplies	-	0.0%	-	0.0%	-	0.0%
Outside Services	720	0.3%	720	0.2%	720	0.2%
Payroll Expenses	-	0.0%	-	0.0%	-	0.0%
Salaries & Wages	83,400	30.1%	68,400	20.5%	68,400	17.1%
Payroll Taxes	4,080	1.5%	4,080	1.2%	4,080	1.0%
Benefits	-	0.0%	-	0.0%	-	0.0%
Professional Fees	1,400	0.5%	-	0.0%	-	0.0%
Property Taxes	-	0.0%	-	0.0%	-	0.0%
Rent	45,000	16.2%	36,000	10.8%	36,000	9.0%
Repairs & Maintenance	-	0.0%	-	0.0%	-	0.0%
Shipping & Delivery	-	0.0%	-	0.0%	-	0.0%
Telephone	-	0.0%	-	0.0%	-	0.0%
Training & Development	-	0.0%	-	0.0%	-	0.0%
Travel	-	0.0%	-	0.0%	-	0.0%
Utilities	1,800	0.6%	1,800	0.5%	1,800	0.5%
Vehicle	-	0.0%	-	0.0%	-	0.0%
Bags & Gift Boxes	3,000	1.1%	3,000	0.9%	3,000	0.8%
Shrinkage @ 2% of COGS	1,554	0.6%	1,865	0.6%	2,238	0.6%
Other	1,600	0.6%	-	0.0%	-	0.0%
Total Operating Expenses	\$ 188,902	68.1%	\$ 166,303	49.9%	\$ 172,004	43.0%
Operating Income	\$ 10,898	3.9%	\$ 73,457	22.1%	\$ 115,708	29.0%
Interest Expense	12,049	4.3%	11,898	3.6%	10,489	2.6%
Income Before Taxes	\$ (1,151)	-0.4%	\$ 61,559	18.5%	\$ 105,219	26.3%
Income Taxes	-	0.0%	21,136	6.3%	41,877	10.5%
Net Income	\$ (1,151)	-0.4%	\$ 40,423	12.1%	\$ 63,342	15.9%

Appendix

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Appendix A

PET PROFITS; No matter how tough the times, businesses catering to our furry friends are still seeing steady increases in spending.

From Crain's Cleveland Business, 29.19 (May 12, 2008).

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Byline: SCOT ALLYN

Recession or not, it appears most pet owners are still spending money - and more of it than ever - on their nearest and dearest.

This year alone, it is estimated that Americans will spend \$43.4 billion on their pets, which is up more than 5% from last year, according to the American Pet Products Manufacturers Association, a nonprofit trade group based in Greenwich, Conn.

Indeed, Northeast Ohio small business owners looking to make a few bones off the pet industry say they have noted increased sales in recent years.

One of those pet-friendly entrepreneurs is Adam Proctor, whose bright yellow Adam the Groomer mobile-grooming trucks serve eight counties in Northeast Ohio.

Mr. Proctor, 42, said he thinks people always have considered their pets as members of the family, "but when I was a kid, there wasn't an industry to support their pets. People want to take better care of them now."

Bob Vetere, president of the pet trade association, said Americans - especially baby boomers - have tended to increasingly humanize their pets in the last decade. Young professionals focusing on building a career instead of a family also lavish more attention on their animal companions.

According to the American Pet Products Manufacturers Association, the top three pet-related expenses in 2007 were food at \$16.2 billion; veterinarian care, \$10.1 billion; and supplies/over-the-counter medicine, \$9.8 billion.

"The people can be poor, but the animal adds a lot to their lives," said Mr. Proctor, who started his grooming service four years ago with a portable tub and table in the back of a GMC sport-utility vehicle. "It's easier to live alone if they have a pet. People want to spend money on the things that are important to them."

Gone to the dogs

At Cleveland-based North Coast Dogs, pet owners can find dog-training classes, home delivery of pet foods and professional portrait photography for their four-legged loved ones. Ed Dickson has owned the company, which currently has six employees, since 2004.

Mr. Dickson said sales of high-end pet food have doubled since last year's pet food scare, which is believed to have caused hundreds of dog and cat deaths in the United States. Pet food across the United States had to be recalled in a food contamination that was linked to wheat gluten made in China.

"People are willing to spend the money to be safe," he said. "We sell the higher-end products, the better-quality foods made in the United States."

Mr. Dickson also said pet photography at North Coast Dogs gets a boost at Christmas, increasing from two or three sessions a month to three or more a week during the holiday season.

"Some people want the dog alone, some with their families," he said. "We have shot rabbits and cats as well. Our most unique job was a ball python and a pug. I don't know how you monitor affection in snakes, but it was right on the dog."

Next door to North Coast Dogs at 10237 Berea Road, Inn the Doghouse offers day care, boarding and grooming for dogs and cats in an old warehouse space.

Owner Whitney Callahan started the company in October 2003. She said revenue doubled in each of the company's first two years, was up 40% to 50% in its third year and is still growing.

The facility, with seven employees, now offers 22 kennel runs, where boarded dogs spend the night. During the day, the dogs play in a day care area while Inn the Doghouse employees supervise and work on potty training as needed.

"I think people no longer view their animals as pets, they see them as children," Ms. Callahan said. "The majority of my customers are empty nesters or young professionals without children. Their dogs no longer sleep in dog houses, they sleep in their bedrooms."

Industry's nine lives

Sheila Blecman, owner of Coventry Cats in the hip Coventry Road neighborhood of Cleveland Heights, said she has seen many changes in the pet scene in the 20 years since she opened her feline emporium.

"When I first dove in, there was virtually no competition anywhere," said Ms. Blecman, who expanded in 1995 to include dog products. "The big box stores didn't exist then."

At first, Ms. Blecman focused on items for the people who loved cats, rather than the cats themselves.

"When I started, I didn't know what would sell," she said. "Mostly it was kitschy stuff for humans. That did well for a while, and then I brought in more cat beds, scratching posts and cat toys. The majority of sales now are products for the pets themselves. Clothing for dogs is selling well right now. Most of my customers want practical things, jackets that really keep the dog warm, not just look cute."

Coventry Cats also offers food deliveries and can have orders ready for pickup if customers call ahead, she said.

While Ms. Blecman has seen the industry change over the years, on-the-go groomer Mr. Proctor said he knew he was on to something from the start.

"The day my first ad went into a community paper in Broadview Heights, I got three calls," he said. "After my first year I hired another groomer in a second truck. We worked five days a week. Now I have four groomers working 10 hours a day, seven days a week in our two trucks."

The company has a total of eight full-time employees and plans to acquire a third truck by the end of the year, said Mr. Proctor, whose services are not limited to dogs and cats.

"I have groomed a donkey, although not in the truck," he said. "We also trim rabbits' nails and once gave a bath to a guinea pig. If it's got fur, and it's not a human or a spider, I'll try to groom it."

Final farewells

And when it's time to say their final good-byes to the companion they loved, pet owners in Greater Cleveland can choose from a number of pet cemeteries, including the Paws Awhile Pet Memorial Park in Richfield.

Owner Joe Pavone said about 3,000 cremations are performed a year, and 500 to 600 animals are buried on the 10-acre cemetery, which has room to expand to 23 acres. He founded the memorial park in 1984.

The cemetery, which includes sections for stand-up monuments and other areas for flat stones, was designed by one of the landscape architects of Arlington National Cemetery, Mr. Pavone said.

Cremations include a wooden urn with a brass plate engraved with the pet's name, given to the owner in a velvet bag embroidered with the words "In Loving Memory."

Burials have increased about 20% over the last 10 years, Mr. Pavone said. Animals buried there include alpacas, horses, sheep, cockatiels, pigs, cats and dogs.

The memorial park also has a viewing room where final farewells can be said.

And in the final acknowledgement that pets have become the same as family, some pet owners have chosen to be buried next to their beloved companions, according to Mr. Pavone.

About six people are buried there, and another six have expressed interest in joining dogs already buried there, he said.

* * *

Appendix B

Article on Park Place development

Jeffrey Alpert and Melanie Mann, partners with Park Place Partners LLC, are proposing a 1.2 million-square-foot mixed-use development on the 34-acre triangular site next to Town Center Plaza. The development calls for 22 buildings reaching heights as tall as 100 feet.

"Our goal for Park Place is to provide a mix of activities with a great deal of attention to the environment, the experience, and the enjoyment of shopping, dining, working and living," Alpert said. "We provide wide-open spaces where you can play Frisbee with your children and intimate plazas where you can read a book in the shade or people watch. We provide a pedestrian-friendly, walkable setting that fosters a strong sense of community and belonging - a place that connects to the community and surrounding neighbors and can give a town its spirit."

The \$225 million project includes four areas:

- * A village center with 240,000 square feet of retail space;
- * A commercial neighborhood with a 353,000-square-foot office building and a 75,000-square-foot hotel;
- * A village green neighborhood with three condominium buildings stepping up to eight stories in height and two rows of townhomes or lofts; and
- * Another residential neighborhood with four five-story condominium buildings.

The project includes 350 condominium units totaling 560,000 square feet. Parking will be provided in three parking garages - two have seven levels and the third has eight levels. An underground parking garage will be provided below the residential development.

The developers tout the project as "a place to stroll," with 20-foot sidewalks, large trees and open-air dining.

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