

# **TIPS – STEP 2 & 3**

## **INTRODUCTION**

### **ENTREPRENEURSHIP WRITTEN EVENT**

#### **Introduction**

- Explain the **type of business** you are starting, such as fast-food restaurant.
- Explain what types of **products and services** your company provides. Include a detailed chart for your products and services.
- Identify specific **Store location**- city, shopping center, anchor stores nearby and explain the area.
- **Interviews and research sources**- Explain how you will find your information to complete the project. Internet? Websites? Spoke with store managers in proposed field? If so, explain.

#### **Information about your teacher & Deca Advisor- Mr. Greg Kennedy**

- \* Currently a 25 Year Marketing Teacher and Deca Advisor
- \* He is Nationally Board Certified Teacher- **NBCT**
- \* He has taught at Monarch HS for the past 9-years.
- \* He will advise me on all aspects of my Entrepreneurship Written manual and I will refer to the guidelines in the manual.
- \* Monarch High is an active Deca chapter whose students compete in Community Service, Learn & Earn, and Entrepreneurship Chapter Projects. Our Deca chapter annually attends local, State and ICDC competitions every year.

#### **3. Analysis of the Business Situation**

- A. **Self-Analysis**- Write about yourself, (and any additional team members in your group). Include names, grade levels, after-school job, volunteer experience, GPA (if over 3.0%). You may also include a short paragraph explaining that after school you would like to become an entrepreneur and open your own company in the career field you have chosen.

(TIP- See Ch. 33- *Entrepreneurship in your Marketing Essentials* book.)

- **Characteristics of Successful entrepreneurs (701)** – write about those 10 qualities and explain how you possess many of these qualities.  
**Ex:** “ I currently possess strong organizational skills by my current duties as cashier at my after school job at Bagel Bagel Café. My responsibilities include sandwich and smoothie maker, delivery person and taking phone orders for the company”.
- **Take the Self-Evaluation Test** on page 702. Next, explain how your answers proved you have the qualities and perseverance to be an entrepreneur. Ex: “I am not afraid to take risks in order to be successful”.

#### **B. Trading area analysis**

Explain whether or not this company is a growing business which is popular among customers in our area and explain why. Example- “I feel my Mexican restaurant will be successful in the Coral Springs area because the area is growing

with little competition in the area. Also include location of your business- city, street address, major intersection where company located.

**1. General Data: geographic, demographic, economic**

**Geographics-** where you will draw your customers from? Example- “ My customers will come from coral springs, and Tamarac generally since the company is located between both cities.

**Demographics-** Must include detailed information gathered from the internet and researched from the Chamber of commerce website about your chosen city. Include information such as average income, age, ethnic background and average price of a home/condo in the area.

**Economic Analysis of the trading area-** Is the area in a commercial, warehouse, or residential area. Explain the area in detail.

**2. Competitive data:** list and explain who are your main competitors. Next, identify the advantages and disadvantages of the proposed business compared with your competitors. Ex: “My location of Wiles and Lyons road will be an advantage over my competitors since the new shopping center will create excitement and store traffic in the Coconut Creek area”.

## Entrepreneurship Written Manual- Tips for Step 4

### Step 4: Planned Operation of the Proposed Business

#### A. Proposed organization

- **Type of ownership** and rationale- See Forms of Business Ownership in marketing textbook pgs. 706-711. Give several reasons (advantages) for your selection of business type.
- **Start-up steps** to form the business- Examples include- finding storefront location, equipment, furniture and supplies to set-up.
- **Planned personnel-** Explain in paragraph form specific responsibilities for each of the following (managerial, financial, marketing, legal, production (if applicable))
- **Organizational chart** with specific job descriptions- (Tip- speak to your store manager for specific job duties.

Employee Job Titles	Specific Job Duties
(1) Store Manager	<ul style="list-style-type: none"> <li>- Oversees all aspects of running the business.</li> <li>- Handles payroll for employees.</li> <li>- Assigns responsibilities to store managers.</li> </ul>
(3) store managers	Manager #1- Oversees advertising and Financial budgets. Manager #2- Handles day-to-day employee scheduling Manager #3- Day-to-day operations and ordering supplies.

(6) Sales Associates	- provide excellent customer service. - stock handling and merchandising skills. - speak to customers about current promotions and sales. - must have excellent product knowledge.
(1) secretary	Use of Professional Telephone etiquette. Use of Microsoft office, excel, PageMaker Pro, Web Design.
(1) Web Host Master	Keep company website updated and user friendly to customers.
(2) custodians	Keep store clean and inviting to customers.

**B. Proposed product/service**

- Details of products/services to be offered- Include a chart with all of your product offerings and a column with proposed pricing policy.
- Costs, mark-up, markdowns, explain your prices compared to your competitors.
- Potential suppliers- Where are you purchasing your products from?

**C. Proposed marketing strategies**

\* **Personal promotion-** (See handout with list of several examples). I would suggest using a minimum of 2 personal promotions for your business- Are they realistic? Ask me if unsure!

\* **Non-Personal Promotion-** Suggest using 4 forms of advertising to inform people about your business. Be specific when naming your advertising. Example- Sun Sentinel newspaper, Y-100 radio station.

You will need to refer to the marketing book to page 400-408 on Advertising Media for selecting tips on your advertising. Make sure you include 1 advantage or reason for why you selected each form of advertising.

Example One-Year Promotional Plan

<b>Advertising Media</b>	<b>Months</b>	<b>Budget</b>
Sun-Sentinel Newspaper	January, February, March, April	\$3,800
Y-100 FM Radio Station	May, June, July, August	\$3,200
Direct-Mail	September and October	\$1,200
Bench advertising	November and December	\$1,800
Total Advertising Budget		\$10,000

Tip- See my helpful tips on calculating advertising costs posted on my website.

## **TIPS FOR WRITING- STEP 5- PROPOSED FINANCIAL PLAN (A & B) ENTREPRENEURSHIP WRITTEN**

1. Turn-in a minimum 3 typed pages double-spaced.
2. label and bold each section you complete.

**Step A- Projected income/cash flow statement.** Include detailed description of all of your income and expenses for the 1<sup>st</sup> year of business. See handout tip sheet which includes examples of start-up costs and continuing costs. Show your salary expenses breakdown for your employees. Make sure you include- rent, electric, advertising, phone, supplies.

**1. Projected income statement by month** for the first year's operation.

**2. Projected cash flow by month.**(January thru December)..

- Make sure you total your income and total your expenses to determine Net income or loss.

**5. Projected 3-year plan.** You always want to show that your business will grow over the years, as your customer base grows.

**Tip-** Add each of your four quarterly expenses for Year 1 and multiply by 10% to determine your total expenses for Year 2; next add an additional 5% for total expense from Year 2 to Year 3. Estimate **Gross Profit** growth of 20% for Year 2 and 10% growth for Year 3.

**6.** A brief narrative description of ht planned growth of the proposed business.

**Capital and Repayment Plan.** For this section you will need to explain how much of your own money was invested in this business venture. Estimate that you will invest between 25% to 50% of your own money used as your own capital investment and the remaining money needed (list actual dollar amount) you are requesting financing from a bank.

**To determine what interest rate you will pay look at the current prime rate on loans-** this is the best rate for those individuals with excellent credit! Go online to calculate your interest rate for a loan between 5 to 10 years maximum.

### **Step 7- Bibliography**

\* Include all sources of information- textbooks, newspapers, internet, and personal interviews. Must explain purpose for each source in your bibliography. I would suggest 8-12 sources.

Example:

1. Marketing Essentials textbook- Ch. 33 (forms of business ownership)
2. Marketing Essentials textbook- Ch. 36 ( How to Prepare an Income Statement)
3. Met with store manager at Best Buy for tips on my marketing plan. (Oct. 21, 2008)
4. Bestbuy.com website to research current products/services.

## Calculating a Financial Plan for a Business Entrepreneurship Written Manual

If you ever dreamed of one owning your own business it is necessary to know how to calculate a Financial Plan as part of your Business Plan. No bank would ever give you a loan without this important information. This activity will show you how to complete a Financial Plan.

**Step A-** You will calculate each of the expense listed below and fill-in the columns appropriately.

Print Student Names \_\_\_\_\_ & \_\_\_\_\_

Print the Company Name here: \_\_\_\_\_

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
<b>Gross Income</b>												
<b>Start-up Costs</b>												
<b>Rent or mortgage</b>												
<b>Employee Payroll</b>												
<b>Owners Draw</b>												
<b>Utilities (phone/electric)</b>												
<b>Advertising</b>												
<b>Insurance</b>												
<b>Working capital</b>												
<b>Legal/accounting fees</b>												
<b>Licenses &amp; Permits</b>												
<b>supplies</b>												
<b>Total Expenses</b>												
<b>Net Income or Loss</b>												

Using a separate sheet of paper you must show all your work for each of the steps and staple to this financial Plan to receive full-credit. Your calculations will be checked for accuracy!

Tips for calculating each of the above expenses include:

1. **Calculating the Business' Gross Income-** Simply calculate how much \$ each day you anticipate the business will earn each day; then multiply by 7-days. Next multiply by 4-weeks. This will determine your Monthly Gross Income.

2. **Start-up Costs-** This includes furniture, supplies, & equipment. Simply itemize a minimum of 5 Start-up costs and estimate how much \$ you think it costs to purchase for your business.

3. **Rent or Mortgage-** Here you will need to estimate how much it costs to rent the building space for your company. It's generally based upon the square footage needed. Ask Mr. Kennedy if you are unsure.

4. **Calculating Employees Payroll-** You will need to ask yourself the following questions:

\* How many employees will the business need to operate effectively?

\* How much \$ will I pay them hourly?

\* Will my employees work on average of 30-40 hours per week?

Next, calculate your amount by 4-weeks to determine monthly payroll.

**5. Owners Draw-** It is necessary for the owner/manager to take a small salary (draw) out of the business to help with living expenses. As a rule of thumb, take a minimum of \$500-\$700 weekly; then calculate by 4 weeks to determine monthly Draw.

**6. Utilities-** This includes electricity and phone. Try to estimate how much electricity it will cost to run the company. For example a restaurant uses lots of electricity for kitchen refrigeration and A/C and gas for ovens. Electric could run anywhere from \$600- \$1,200 monthly depending on size of restaurant. Next add \$100 monthly for phone service.

**7. Advertising-** For this section you will need to calculate a 12-month advertising budget for any 3-forms of Advertising Media. Use the Advertising Costs sheet from my teacher website. (list each Ad Media and show calculations)

**8. Insurance-** Depending on the type of business you have this amount will fluctuate. See Mr. Kennedy for help if unsure. Ex: Jet Ski business is risky therefore high insurance.

**9. Working Capital-** Estimate 10% of your Gross Income for cash on hand.

**10. Legal/ Accounting fees-** On average estimate \$100-\$200 each month.

**11. Licenses & Permits-** You only pay this once per year. Estimate \$100 per quarter.

**12. Supplies-** Identify a minimum of 5 supplies needed and calculate a total for month.

**13. Franchises-** If you selected a franchise business you will also need to calculate the Yearly “Franchise Fee” and monthly “Royalties” and add 2 columns to this spreadsheet.

Step 2-

Next, you will need to calculate **Capital and a Repayment Plan**. For this section, you will need to explain how much of your own money was invested in the business venture and the remaining money need (list actual dollar amount) you are requesting to finance from the bank. Ex:

**Personal Investment (capital)** – You need to show a personal investment in this business of 25% of your own money as your capital investment. For instance if you need to borrow \$400,00 then you need to invest \$100,000(ideas include- gift from parents, grand parents, personal bank account, you liquidated “sold for cash” personal property you sold.

**How much money will you need to start this business?** For this activity simply multiply your combined expenses for the first two years of operation.

**Next, go online to Bankrate.com to determine your monthly loan repayment amount.** Base your business loan on the current loan prime rate of 7.5%.Go online to calculate your monthly interest rate loan for 10-years to pay off.

See Mr. Kennedy if you need help calculating your monthly Loan Repayment schedule.

My business partner and I will jointly **invest Personal Capital** in the amount of \_\_\_\_\_

**We will need a bank loan to borrow (state \$ amount )** \_\_\_\_\_

**The monthly Business Loan Re-payment will be** \_\_\_\_\_

# CALCULATING EMPLOYEE PAYROLL FOR A BUSINESS

Worth 30 points/ Team of two students

Note- you must get calculations correct and show all work to receive any points!

Ask yourself the following questions:

1. How many employees will the business need to operate effectively?
2. How much \$ do I pay my staff per hour?
3. How many hours will my employees work each week? Month?
4. Owners draw- How much \$ will I pay myself (owner) out of the business to help with living expenses?

To assist you in your calculations you must use the following information below;

## **Employee Salary breakdown**

8 sales associates @ \$9.00 per hour

2 assistant managers @ \$15.00 per hour

1 Store Manager @ \$22.00 per hour

3 warehouse workers @ \$8.50 per hour

Owner's weekly draw will be \$400

## **Weekly Hours breakdown:**

Sales associates will work 30 hours per week

Asst. Managers will work 40 hours per week

Store Manager will work 50 hour week

**Step 1**- Calculate employees' Hourly salary; next determine their weekly salary; Next, multiply by 4 weeks to determine their monthly salary.

**Step 2**- Add up all 15 workers to determine a total Employee payroll budget for the month.