January 1996

Custom Furniture Manufacturing and Retailing

About this NxLevel™ Sample Start-up Business Plan

The following NxLevel™ Sample Start-up Business Plan was originally written by a class participant, and subsequently modified to protect proprietary information. As it is primarily a student's work, it cannot be expected to be a "perfect" business plan, although the presentation is in keeping with the NxLevel™ format and content. It may be used as a sample of what a business plan might contain, and as a model for constructing the various sections.

Your instructor may ask that you review certain sections and suggest improvements, modifications or additions. The purpose of each individual business plan may be different, with varied intended readers. You may also be asked to justify what information might need to be included or deleted based on the purpose of the plan.

123 A Street
Valleymtown, USA 01234
(123) 456-7890

I. M. Owner
Proprietor

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Section I. Executive Summary

Custom Furniture Manufacturing & Retailing (CFM) is in the start-up stage. The concept of custom furniture manufacturing and retailing has been explored and is presented herein. There is a lack of custom retail manufacturers and CFM will be entering a market of limited competition. Only three custom retailers currently exist in the valley. These retailers are seen as expensive and impractical to the average consumer. CFM will produce a product that will be affordable while being designed to the customer preference.

CFM will not only produce custom goods, but will also develop standard lines that are stocked on the show floor. Additionally, CFM will sell goods from other companies that make lines of furniture that CFM will not be producing but are compatible with CFM quality and pricing.

I. M. Owner’s experience in the retail furniture industry has given insight into the limitations of some furniture products, and thereby allowing improvement upon those designs. Mr. Owner has spent ten years learning the retail furniture business from the bottom up. This includes everything from deliveries, finishing, refinishing, repairs, custom building, sales and ordering.

CFM will start as a sole proprietorship and develop into an S-Corporation after one year of operation. After ten years a C-Corporation will be formed and the possibility of taking the company public will be explored.

With the direction of the board of advisors and the knowledge that Mr. Owner has obtained throughout the years, CFM will create a very successful operation that focuses on quality and customer satisfaction, two things that seem to be scarce in the furniture industry.
Section II. Background Information

A. Personal Information

**Personal Profile of Skills and Experience**
I. M. Owner has over ten years in the retail furniture business. This experience includes the full range of labor and management including material ordering, furniture design, construction and repair, custom finishing, delivery, warehouse management, and sales.

Because his experience contains the full scope of furniture manufacture and retailing as well as operations and employee management, Mr. Owner is uniquely qualified to start this new venture.

While Mr. Owner has many strengths that suggest his success in CFM, he is limited in the time and attention to detail he can give to each management function. Also, Mr. Owner does not have a strong financial background, which is crucial to tracking the health of any business.

Mr. Owner has addressed his weaknesses by selecting a part-time store manager to assist him, who is experienced in sales, inventory management and store operations. Mr. Owner has also selected an experienced outside bookkeeping service and CPA. The CPA will provide the initial set-up of the company’s overall record-keeping and provide an effective accounting system. The bookkeeping service will provide day to day bookkeeping at an affordable price. Finally, Mr. Owner’s advisory board includes individuals experienced in financial management.

**Personal Financial Capability Statement**
Mr. Owner’s monthly expenses worksheet and personal financial statement can be found in Section VIII. Supporting Documents. Mr. Owner has been developing the skills, experience and financial resources to start his own business for a number of years. As his monthly expense worksheet indicates he will initially take a monthly draw of $2,500 from the business (also indicated in his business projections), which allows for a continuation of his living style and the ability to meet all financial obligations. Mr. Owner’s Personal Financial Statement shows substantial cash available to invest in the business.

B. Business Concept

**Statement of Purpose (Mission Statement)**
The purpose of CFM is to provide its customers with the product that they want at a price they can afford while maintaining both quality and service.
Business Goals and Objectives

Goals:
1. Develop an effective full-time manager to handle daily operations.
2. Increase units manufactured by 100% at the end of year 3.
3. Increase dollar revenue by 180% at the end of year 3.

Objectives (within one year):

Goal 1
1. Establish a written employee handbook detailing personnel policies, job descriptions, etc.
2. Provide training for part-time store manager by assigning specific on the job training times to cover daily operations and certain outside training courses such as customer relations.

Goals 2 & 3
1. Establish an appropriate accounting system (including a cost based manufacturing component) capable of tracking per unit revenue, cost and profitability, as well as, traditional salesman, customer and store profitability.
2. Provide sales and marketing training for part-time store manager and subsequent personnel.
3. Target per unit profitability and maintain those targets in CFM’s sales strategy.
4. Hold weekly company meetings to discuss inventory, pricing, ordering and sales.

General Description of the Business
CFM is currently in the start-up mode of development. Furniture designs are being developed and trade accounts are being set-up with different suppliers. Actual production and set-up cannot occur until the location is leased and the proper equipment installed.

CFM will be a welcome addition to the furniture buyers in the valley. This type of manufacturing and retail store has been attempted in many different ways, but they have all been high priced or unrealistic for many people who consider buying custom furniture. CFM will offer standard lines at competitive prices while keeping custom order prices at an affordable level.

Other custom furniture manufacturers are either too expensive for the average consumer or they do not offer all the services that a retail store offers. CFM’s success will come from a quality product at a reasonable price with service that is commensurate with CFM quality.

CFM at start-up will be operated by I. M. Owner as sole proprietor. A part-time position of store manager will grow to a full-time position as projected sales are achieved.

CFM will secure a midterm lease (3-5 years) with the ultimate desire to purchase and renovate a building from which to combine the manufacturing and retailing processes. The building would contain the “showcase” aspects of popular brew/pubs that allow customers to “view” the manufacturing process.
Section III. Description of Products/Services

Features of Proposed Products/Services

<table>
<thead>
<tr>
<th>Features</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Custom Design</td>
<td>Customers get the design they want and not “what's available”.</td>
</tr>
<tr>
<td>2. Affordable</td>
<td>Customers will be able to afford custom designed furniture.</td>
</tr>
<tr>
<td>3. Realistic timeframe for production and delivery</td>
<td>Many custom design shops have unrealistic production time followed by countless delays in delivery to the customer. CFM will provide a written guarantee of product delivery date.</td>
</tr>
</tbody>
</table>

CFM will be unique:

- Retail store with its own production facility.
- Will be able to produce a standard competitive line of furniture while producing custom goods for special orders.
- Contracts with lumber mill for reduced rate of lumber.
- Ability to match colors, styles and finishes on special orders.
- High quality design of product.

Proprietary Aspects of Products/Services

There are no proprietary aspects in the manufacture and design of this furniture, other than trademarks, which will be secured.

Stage of Development/Production Plan

Fifty percent of goods carried by CFM will be manufactured within its own production facilities. The other 50% will be bought from other furniture manufacturers to cover the areas in which CFM is not set-up for production. Given a $40,000 month $20,000 would be sales from other manufacturers and $20,000 would be sales from CFM manufacturing. With a standard markup of 2.5 times the cost of other companies goods and 4 times the cost of our own goods, a gross profit after cost of goods sold would be approximately $27,000, $12,000 from the sale of other companies’ goods and $15,000 from the sale of CFM goods.

By using other manufacturers for 50% of sales, a warehouse will be needed to stock additional inventory. Optimal operation would require only 15% of inventory form other companies to ensure a backup for production as need develops.
Purchasing contracts will be made with several different lumber suppliers across the U.S. Each will supply required materials and CFM will buy at negotiated quantities. Having more than one supplier will allow for competitive buying and it will give assurance that CFM will always have materials at a competitive price.

Manufacturing will require a large facility with ample power to run different machinery needed for production. Future expansion will be necessary as demand requires. A site with room for both production and sales will be sought.

Toxic materials used in finishing the furniture will have to be disposed of properly. Special bins will be used to ensure that this material is handled properly. Saw dust will be recycled for other uses and noise will be controlled through insulation in the building that will abate the noise.

Certain government approvals will be necessary in the production facilities of CFM. Because of the equipment that will be used in production, health and safety will be very critical issues. Before opening OSHA will inspect the facility and ensure that all codes for safety are being met.

As the production facilities are established and business starts, a careful watch over production will be needed to ensure CFM’s success. Additional research will be needed in production efficiency. The more efficient that production becomes the better profit margin can be attained.

**Product Limitations and Concerns**

Finished product limitations would include both quality and supply of raw materials. As quality of materials varies, the quality of the finished products will vary. Production quality has a high dependence on the quality of materials that go into production. A steady supply of raw materials is necessary to keep a steady production level.

To reduce the risks of quality and supply of raw materials for production, CFM will have more than one supplier of raw materials. This will ensure premium raw materials at the best market price. Supply will also be more constant, because if one supplier is short, another supplier can be called upon to cover the shortage.

**Future Products/Services**

CFM will look towards developing the following future products/services:

- Antique restoration and furniture refinishing.
- Furniture delivery, set-up and installation.
- Furniture design and style matching.
- Changing needs: CFM will easily be able to adapt production to meet the changing styles and customer preferences.
- CFM will encourage new designs and product improvement through employee bonus and incentive programs.
Section IV.

Legal Form and Ownership

CFM is a sole proprietorship, 100% owned by I. M. Owner.

I. M. Owner has spent over seven years in the retail furniture business doing such things as:

- Furniture delivery
- Furniture repairs
- Furniture building
- Furniture sales
- Ordering
- Custom finishing
- Custom modifications
- Warehouse management
- Employee management

He has learned the business from the ground up and has substantial customer experience. From this experience, he understands what customers are looking for in home furnishings.

Management and Personnel

<table>
<thead>
<tr>
<th>Position</th>
<th>Salary/Wage</th>
<th>Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner/Operator</td>
<td>$30,000</td>
<td>100% Ownership</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Medical, Dental, Vision</td>
</tr>
<tr>
<td>Store Manager (part time position)</td>
<td>$14,000 (incl bonuses)</td>
<td>Sales goal bonuses</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vacation pay</td>
</tr>
<tr>
<td>Furniture Maker production</td>
<td>$24,000 (incl bonuses)</td>
<td>Incentive bonuses based on</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Vacation pay</td>
</tr>
<tr>
<td>Sales Staff (as needed)</td>
<td>minimum wage or</td>
<td>A great place to work!</td>
</tr>
<tr>
<td></td>
<td>experienced based</td>
<td></td>
</tr>
</tbody>
</table>

Employee Incentives

All employees will receive special incentives based on the amount of time they spend with the company. Incentives will includes sales and production bonuses, and special discount pricing on custom furniture.
Organizational Chart

Owner

Store Manager (2) (Sales)

Sales People (3)

CPA (4)

Bookkeeping Service (4)

Production Manager

Furniture Maker

(1) I. M. Owner
(2) Part-time store manager
(3) Added as sales volume warrants
(4) Outside services
Outside Services/Advisors

Title
CPA (long time friend)
President, Furniture World
Branch Manager, Security Bank
Bookkeeping Service

Salary
No fee for business advice.
(Small fee for setting up accounting system)
No fee.
No fee.
$25/month

Risk Management

Life Insurance on Sole Proprietor (I. M. Owner)
Company: Valley Insurance Company
Type: Term Life Insurance
Cost: $50 per month
Beneficiary: Will also receive ownership of business in case of death of I. M. Owner

Product and General Liability
Insurance will be necessary to cover the business and the store of goods in the warehouse, the production facilities and the storefront. A general business policy will be set up to cover $2,000,000, fire, water and business interruption.

Company: Valley Insurance Company
Type: General Business Policy
Cost: $1600 per year
Factory direct, discount warehouses, and catalogue sales are also becoming more popular among certain individuals.

**Current and Future Trends**
The furniture industry is trendy in some areas yet stable in others. Many styles have come and gone and then returned again. Some have stayed popular over time. Current trends have been focusing on antique reproductions and furniture that combines a painted look with a natural wood look. The traditional, country and modern styles have continued to be strong leaders in the customers preferences.

The furniture industry as a whole is a fairly stable industry, with future trends indicating limited growth in the retail area. Custom furniture manufacturers are still relatively few. There is a lot of room for industry growth in the area of custom retail stores. Future trends show a demand for this type of manufacturing/retail operation.

**Business Fit in the Industry**
The manufacturing/retail concept is not new in the industry and at present represents a small but rapidly growing segment of the market.

**B. The Market**

**Customer Profile/Target Market**

*Customer Profile*
CFM will appeal to customers across a fairly broad spectrum. The majority of customers will be homeowners between the ages of 35 to 50+. The focus will be on couples, since many people only buy furniture when both husband and wife agree. Approximately 25% will be single mothers, fathers and people without spouses or children. Incomes will range from lower middle incomes to upper middle incomes.

*Target Market Profile*
Target market will be middle income families that are both starting their careers and families and those that have been established and are looking to change out older furniture for new items. Established, older couples will also be our target for refinishing and the majority of our custom work.

**Market Size and Trends**
CFM's market consists of about 1/8 to 1/4 of the valley population which would be between 15,000 to 40,000 people. CFM would need approximately 8,000 customers to come through the store each year. Many of these 8,000 visits would be repeat visits and not all would be visits that purchased each time. An average monthly volume would be $35,000 to $40,000 a month giving an average sale of about $700 to $800 per customer.
Market Potential
CFM's portion of the valley market can be increased two ways. One is to capture a greater percentage of the overall market. That is, more customers in the 15,000 to 40,000 individuals that make up the market. The second way is to maximize market potential by raising the average sale per customer. CFM will target its marketing strategies toward maximizing the market potential by both expanding its customer base and raising the per customer average sale.

Future Markets
Future markets for CFM are in the wholesale distribution of CFM brand name products. In order to achieve this goal a large expansion will need to be made to the production facilities or new facilities found, and, additional capital will have to be raised to buy additional equipment. A larger staff will be necessary to increase manufacturing output.

C. Competition

Direct and Indirect Competition

Direct Competition

Competitive Matrix Chart

<table>
<thead>
<tr>
<th>Feature</th>
<th>CFM</th>
<th>Forest Furniture</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>Prices are set to show quality yet they will be strategically lower than the prices of competitors.</td>
<td>High prices are set to show quality and take advantage of their position in the custom market</td>
</tr>
<tr>
<td>Production/Quality</td>
<td>Quality is the priority while speed of production will be the focus of improvement.</td>
<td>Quality is the main focus. Speed of production and quantity are not important.</td>
</tr>
<tr>
<td>Unique Features</td>
<td>Standard designs that allow for easy modifications. Computerized design for customer service and satisfaction.</td>
<td>Custom designs with no standard product.</td>
</tr>
<tr>
<td>Distribution System</td>
<td>CFM store.</td>
<td>Forest Furniture store.</td>
</tr>
<tr>
<td>Marketing/Advertising</td>
<td>First three months promotions and sales to get well known.</td>
<td>Occasional radio spots.</td>
</tr>
<tr>
<td>Geographic Location</td>
<td>Fairview and Milwaukee, close to the mall area.</td>
<td>Orchard and Fairview, farther from the mall.</td>
</tr>
<tr>
<td>Strengths</td>
<td>· Larger variety of styles and products</td>
<td>· Well established</td>
</tr>
<tr>
<td></td>
<td>· Mass production of certain lines.</td>
<td>· Trained production staff.</td>
</tr>
<tr>
<td>Weaknesses</td>
<td>· Much learning needed before best results will be achieved.</td>
<td>· Store is hidden – off street</td>
</tr>
<tr>
<td></td>
<td></td>
<td>· Regarded as expensive.</td>
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</table>
Indirect Competition
The valley has a full complement of retail furniture stores and department stores that retail home furnishings, including furniture. CFM is targeting those customers that wish a custom piece of furniture, and hopes to in time attract some cross-over customers from these indirect competitors as they realize that custom furniture is available at an affordable price.

Evaluation of Competition & Competitive Advantage
Basis of Industry Competition
Furniture retailers compete primarily on price. Since more than one store carries the same items the better price usually wins the sale.

Quality is another area of competition. Some items are clearly of higher quality than others and some consumers are willing to pay more for better quality.

Promotion and service are areas that differ according to the store. Some stores offer good promotions but they provide little or no service. Other stores have outstanding service and no promotions. Depending on buying habits and preferences of the target customer, retailers will have a different combination of promotions and service.

Competitive Advantage
CFM will focus on the customer. CFM’s competitive advantage will include superior products at a competitive price, combined with excellent service throughout the customer relationship. Customer loyalty will be an important factor in keeping CFM on top in the custom retail market. All focus at CFM will be on making sure the customer is served well and is happy with the product and service received.

D. Marketing Strategies

Market Positioning
CFM will be positioned as a high quality, moderately priced retailer that also offers unique customizing capabilities. Because we can offer specialized service, our custom goods will be positioned as high quality and lean toward higher-end price, but will still be affordable.

We will accomplish our market positioning goals through the following:

In the CFM Retail Store:
- Outstanding salespeople who understand customer needs
- Invitational sales to highlight our ability to customize and quality
- Demonstrations to explain our manufacturing capabilities and uniqueness
Promotion

Distribution System
CFM will act as its own retail store. This will reduce the transportation costs associated with most furniture retailers that purchase from wholesalers.

Public Relations/Networking

Trade Shows
Local trade shows will be attended twice a year. One in the spring and one in the fall in conjunction with CFM’s advertising promotions. The national trade show for custom furniture manufacturers will be attended annually. Aside from the sales potential, trade shows offer the ability to see the competition. New trends and ideas surface at these trade shows first, and are then integrated into furniture design. The trade show is an excellent mechanism to stay current with the market and network with both potential customers and other industry representatives.

Advertising
An advertising budget of $3,000 will be established each year. The first year an additional $500 will be used to promote the opening of the store. Advertising will then be divided into three parts: $1,000 for promotion at the beginning of the fall season to gain recognition and promote a good image, $1,000 in the early spring to stretch out the buying cycle to the extent possible, and $1,000 to be used throughout the year on small promotions and customer appreciation.

Customer Service

Service and Warranties
Service will be provided for all products purchased at the CFM store free of charge for a period of one year. Thereafter a small charge will be applied to all service and repairs to cover cost of labor and materials.

A five year warranty will be sold with all CFM brand items to cover defects in construction and 1 year to cover materials used. Additional service contracts are a possibility that will be sold if a customer desires a longer warranty period on any furniture items.
# Section VI. The Financial Plan

## A. Investment Required for Start-up

### Start-up Costs

Start-up costs needed are beginning inventory, rent deposit, store design costs for remodeling, city licensing and permits, equipment for production, delivery van and legal fees for yearly tax preparation.

<table>
<thead>
<tr>
<th></th>
<th>Cost</th>
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<tbody>
<tr>
<td><strong>Cash Available Now</strong></td>
<td>25,000</td>
</tr>
<tr>
<td>1. Purchase fixed assets (land, equip., building, vehicles)</td>
<td>10,000</td>
</tr>
<tr>
<td>2. Remodeling costs (fixtures, signs, paint, cleaning)</td>
<td></td>
</tr>
<tr>
<td>3. Installation fees (equip., phones, hook up charges)</td>
<td></td>
</tr>
<tr>
<td>4. Deposits (utilities, lease, phone, leased equip.)</td>
<td>3,000</td>
</tr>
<tr>
<td>5. Fees and licenses</td>
<td>1,000</td>
</tr>
<tr>
<td>6. Legal fees</td>
<td></td>
</tr>
<tr>
<td>7. Accounting and other professional fees (tax prep)</td>
<td>700</td>
</tr>
<tr>
<td>8. Insurance</td>
<td></td>
</tr>
<tr>
<td>9. Pre-opening labor expense</td>
<td></td>
</tr>
<tr>
<td>10. Pre-opening training costs</td>
<td></td>
</tr>
<tr>
<td>11. Beginning inventory of merchandise or materials</td>
<td>60,000</td>
</tr>
<tr>
<td>12. Supplies (letterhead, forms, price tags)</td>
<td></td>
</tr>
<tr>
<td>13. Promotion (grand opening, prizes, give-aways)</td>
<td></td>
</tr>
<tr>
<td>14. Advertising (initial media, direct mail, coupons)</td>
<td></td>
</tr>
<tr>
<td>15a. Other expenses: Delivery Van: Vehicle</td>
<td>20,000</td>
</tr>
<tr>
<td>15b.</td>
<td>Insurance 1,000</td>
</tr>
<tr>
<td>15c.</td>
<td>Paint/Name 600</td>
</tr>
<tr>
<td>15d.</td>
<td></td>
</tr>
<tr>
<td><strong>B. Total Start-up Expenses</strong></td>
<td>96,300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>C.</strong></th>
<th>Beginning Cash Balance or Additional Cash Required ( )</th>
</tr>
</thead>
<tbody>
<tr>
<td>(A-B)</td>
<td>(71,300)</td>
</tr>
</tbody>
</table>
Investment Required—Bank Loan/Self
As the cash flow projections for 1996, 1997 and 1998 indicate, the maximum cash deficit is $166,182. As reflected in the Start-up Expenses Worksheet, Mr. Owner is prepared to put $25,000 cash into starting this business. Approximately $200,000 will be needed to run the business over the first 3 years. Mr. Owner is requesting a $100,000 loan to start the business and service the debt during the first year. He will then seek a $50,000 loan in Year 2 (or perhaps a line of credit in that amount) to fund expanding operations, and another $50,000 in Year 3. As equipment and tool expansions will be complete in Year 3, it is anticipated that years 4 through 6 will allow Mr. Owner to significantly reduce the debt if business holds at the anticipated steady growth rate.

In summary, an investment of approximately $225,000 is needed between the owner and outside financing sources to start this business and carry it for its initial three years.

J. M. Owner’s Personal Financial Statement shows cash available of $25,000 and net worth of $86,300 as potential collateral against a bank loan. Additional collateral from the business is available in the form of its assets including van, manufacturing equipment, accounts receivable and inventory.
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<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tr>
<tr>
<td>Cash Flow Projections - 1996</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

- Net Cash Flow (B-C)
  - Total cash disbursement
  - Purchases of fixed assets
  - Interest expense (see assumptions)
  - Pre account payable
  - Cash balance (Beginning)

- Ending cash balance (A + D)
  - New common stock
  - New debt - interest payments
  - New debt - principal payments

- Adjustments for Net Cash Flow
  - Total cash receipts
  - Accounts receivable
  - Cash balance (Ending)
<table>
<thead>
<tr>
<th>Date</th>
<th>Purchase of Fixed Assets</th>
<th>Net Cash Flow (B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2/79</td>
<td>30,000</td>
<td>70,000</td>
</tr>
<tr>
<td>1/2/80</td>
<td>35,000</td>
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</tr>
<tr>
<td>1/2/81</td>
<td>40,000</td>
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</tr>
<tr>
<td>1/2/83</td>
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<td>110,000</td>
</tr>
</tbody>
</table>

**Cash Flow Projection - 1997**

- **Cash Receipts**:
  - Wages and Salaries:
    - January: $3,000
    - February: $3,200
    - March: $3,400
    - April: $3,600
    - May: $3,800
    - June: $4,000
    - July: $4,200
    - August: $4,400
    - September: $4,600
    - October: $4,800
    - November: $5,000
    - December: $5,200
  - Other:
    - December: $2,000

- **Cash Disbursements**:
  - Wages and Salaries:
    - January: $3,000
    - February: $3,200
    - March: $3,400
    - April: $3,600
    - May: $3,800
    - June: $4,000
    - July: $4,200
    - August: $4,400
    - September: $4,600
    - October: $4,800
    - November: $5,000
    - December: $5,200
  - Other:
    - December: $2,000

**Beginning Cash Balance**: $10,000

**Ending Cash Balance**: $20,000

**Cash Flow Statement for the Year 1997**

- **Net Income**: $10,000
- **Adjustments**:
  - Increase in Accounts Receivable: $5,000
  - Increase in Inventory: $4,000
  - Decrease in Accounts Payable: $3,000

**Adjusted Net Cash Flow**: $20,000

**Net Cash Flow (B)**:

- January: $10,000
- February: $15,000
- March: $20,000
- April: $25,000
- May: $30,000
- June: $35,000
- July: $40,000
- August: $45,000
- September: $50,000
- October: $55,000
- November: $60,000
- December: $65,000

**Total Cash Disbursement**:

- January: $10,000
- February: $15,000
- March: $20,000
- April: $25,000
- May: $30,000
- June: $35,000
- July: $40,000
- August: $45,000
- September: $50,000
- October: $55,000
- November: $60,000
- December: $65,000

**Notes**:
-初期现金流
-调整后净现金流
-年度现金流预测 - 1997
<table>
<thead>
<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Total Payment - Old</th>
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<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>1200</td>
</tr>
</tbody>
</table>

**Other**
- Other: Accounting
- Supplies
- Utilities
- Insurance
- Rent (lease)
- Utilities & Phone
- Rent (lease)
- Advertising
- Supplies

**Total Labor Expenses**
- $9400
- $9600
- $9700
- $9500
- $9400
- $9500
- $9600
- $9800

**Total Cash Purchases**
- $11333
- $11333
- $11333
- $11333
- $11333
- $11333
- $11333

**Cash Disbursements - 1997**
## Cash Flow Projection - 1998

### (a) Adjusted Net Cash Flow

<table>
<thead>
<tr>
<th>Year</th>
<th>January</th>
<th>February</th>
<th>March</th>
<th>April</th>
<th>May</th>
<th>June</th>
<th>July</th>
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### (b) Total Cash Receipts

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<th>March</th>
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### (c) Total Cash Disbursement

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<table>
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<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
<th>Year 9</th>
<th>Year 10</th>
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</thead>
<tbody>
<tr>
<td>Rent (lease)</td>
<td>10000</td>
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<td>17000</td>
<td>18000</td>
<td>19000</td>
</tr>
<tr>
<td>Utilities &amp; Phone</td>
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<td>12000</td>
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<td>15000</td>
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Cash Disbursements - 1998
# Cash Flow Assumptions

<table>
<thead>
<tr>
<th><strong>Beginning Cash Balance</strong></th>
<th>Year One: Taken from the start-up Expenses Worksheet and includes $25,000 Cash from Owner.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sales</strong></td>
<td>Sales are based on average sales of stores currently operating in the same market and are shown net of Sales Tax. Furniture sales tend to operate on a seven year cycle throughout the valley. This being the down side of the cycle in 1995, it is now a good time to enter the market to take advantage of the up swing in the cycle that is forthcoming.</td>
</tr>
<tr>
<td><strong>Inventory</strong></td>
<td>$60,000 of retail inventory (inventory from other manufacturers) will be purchased to start the store. After two months, inventory costs will be evaluated and it will be determined at that time if additional retail inventory will be needed as stock and how many things can be purchased on a just-in-time schedule. $60,000 retail inventory purchases are also scheduled for years 2 and 3. The purchase is scheduled to coincide with the beginning of the furniture buying season and will replenish the previous year's depleted stock.</td>
</tr>
<tr>
<td><strong>Accounts Payable</strong></td>
<td>Accounts payable will be in accordance with the payment terms negotiated with suppliers.</td>
</tr>
<tr>
<td><strong>Accounts Receivable</strong></td>
<td>All accounts receivables will be paid in full at or before time of delivery. This will be done using cash, check, credit card or through a cooperating bank and/or finance company.</td>
</tr>
<tr>
<td><strong>Capital Expenditures</strong></td>
<td>Other equipment may be needed as sales increase and will be purchased as required, as shown on the Cash Flow Projections for Years 2 and 3. All equipment purchased at start-up will be considered capital expenditures.</td>
</tr>
<tr>
<td><strong>Depreciation</strong></td>
<td>Equipment will be depreciated on a straight line basis over ten years of useful life.</td>
</tr>
</tbody>
</table>
Section VII. Conclusion

Feasibility Statement

CFM's strategy of a furniture manufacturing and retailing business can be successful in the valley area. By targeting those customers who wish custom furniture at an affordable price, CFM can gain a niche in the area market.

Action Plan

I. M. Owner will seek additional financing to allow the start-up of CFM. Sources will include friends and family, banks, SBA loan sources and community revolving loan funds. Mr. Owner will also review the Cash Flow Projections to determine if leasing equipment rather than purchasing would reduce the initial loan needs, and will review the supplies and other significant expense items before making a presentation to potential lenders.
### Section VIII. Supporting Documents

#### A. Monthly Expenses Worksheet

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rent or Mortgage Payments</td>
<td>500</td>
</tr>
<tr>
<td>Home/Apartment Insurance</td>
<td>30</td>
</tr>
<tr>
<td>Car Loan Payment</td>
<td>125</td>
</tr>
<tr>
<td>Car Insurance</td>
<td>50</td>
</tr>
<tr>
<td>Car Expense (gas, oil, etc.)</td>
<td>50</td>
</tr>
<tr>
<td>Consumer Loan Payments</td>
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</tr>
<tr>
<td>Personal Loan Payments</td>
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</tr>
<tr>
<td>Credit Card Payments</td>
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</tr>
<tr>
<td>Education Loan Payments</td>
<td></td>
</tr>
<tr>
<td>Life Insurance</td>
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</tr>
<tr>
<td>Health Insurance</td>
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</tr>
<tr>
<td>Child Care</td>
<td>500</td>
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<tr>
<td>Other: House Taxes</td>
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<tr>
<td>Other</td>
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</table>

**Sub-Total 1:** 1,405

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<tbody>
<tr>
<td>Clothing and Shoes</td>
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<tr>
<td>Cleaning, Laundry, Repair</td>
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<tr>
<td>Gas, Parking, Auto Repair</td>
<td>60</td>
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<tr>
<td>Education, Training</td>
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<tr>
<td>Professional Association Dues</td>
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<tr>
<td>Subscriptions, Books</td>
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<tr>
<td>Doctors, Dentist, Medical Care</td>
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</tr>
<tr>
<td>Prescriptions</td>
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<tr>
<td>Gifts and Contributions</td>
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</tr>
<tr>
<td>Travel</td>
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<tr>
<td>Sub-Total 4:</td>
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</table>

**Sub-Total 2:** 305

<table>
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<tr>
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<td>Sub-total 2:</td>
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<tr>
<td>Sub-total 3:</td>
<td>325</td>
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<td>Sub-total 4:</td>
<td>215</td>
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<tr>
<td>Sub-total 5:</td>
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</table>

**Total Monthly Expenses:** 2,250

<table>
<thead>
<tr>
<th>Sub-item</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Rent or Mortgage Payments</td>
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<tr>
<td>Home/Apartment Insurance</td>
<td>30</td>
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<tr>
<td>Car Loan Payment</td>
<td>125</td>
</tr>
<tr>
<td>Car Insurance</td>
<td>50</td>
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<tr>
<td>Car Expense (gas, oil, etc.)</td>
<td>50</td>
</tr>
<tr>
<td>Consumer Loan Payments</td>
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<tr>
<td>Personal Loan Payments</td>
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</tr>
<tr>
<td>Subscriptions, Books</td>
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<td>Doctors, Dentist, Medical Care</td>
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<td>Prescriptions</td>
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<td>Gifts and Contributions</td>
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<td>Sub-total 4:</td>
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<tr>
<td>Sub-total 5:</td>
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<tr>
<td>Total Monthly Expenses</td>
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</tr>
</tbody>
</table>

**A Total Monthly Expenses:** 2,250

**B Total Monthly Outside Income Available (non-Business):** 1,100

**Spouse's after-tax take home pay:**

**A-B) Minimum Income Required from Business:** 1,150
# B. Personal Financial Statement Worksheet

<table>
<thead>
<tr>
<th>Name: I. M. Owner</th>
<th>Prepared as of: 1/1/96</th>
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</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td><strong>Liabilities</strong></td>
</tr>
<tr>
<td>Cash (in checking accounts)</td>
<td>1,000</td>
</tr>
<tr>
<td>Cash (in savings accounts)</td>
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</tr>
<tr>
<td>Notes (contracts) owed to you</td>
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</tr>
<tr>
<td>Certificates of deposit</td>
<td>25,000</td>
</tr>
<tr>
<td>Life Insurance (cash value)</td>
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</tr>
<tr>
<td>Securities (stocks, bonds)</td>
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</tr>
<tr>
<td>Real estate (market value)</td>
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<tr>
<td>Vehicles (market value)</td>
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</tr>
<tr>
<td>Boats, motorcycles, RV's, trailers:</td>
<td></td>
</tr>
<tr>
<td>Individual retirement plans</td>
<td></td>
</tr>
<tr>
<td>Personal property</td>
<td>5,000</td>
</tr>
<tr>
<td>Household furnishings</td>
<td>5,000</td>
</tr>
<tr>
<td>Other assets (specify):</td>
<td></td>
</tr>
<tr>
<td>Stamp Collection</td>
<td>800</td>
</tr>
<tr>
<td><strong>(A) Total Assets:</strong></td>
<td><strong>143,800</strong></td>
</tr>
<tr>
<td><strong>(A-B) Net Worth:</strong></td>
<td><strong>86,300</strong></td>
</tr>
</tbody>
</table>
C. Administrative Policies, Procedures and Controls

A. Sales and orders will be documented on a standard form that will allow the person taking the order to note specific details of the customer’s order. Custom orders will have a design sheet that will be filled out by the design specialist to make sure that all specifications are correct.

B. At the time of the order 25% of the purchase price will be required as a down payment. The customer will then pay the remainder of the price upon delivery of the item. CFM will strive for delivery on custom orders within 30 days of down payment.

C. All incoming bills will be controlled by I. M. Owner. Due dates will be organized and the bookkeeper will pay bills in accordance with management’s desires. Special attention to terms and discounts be beneficial to the organization will be taken.

D. Employees will meet once a week with the owner to coordinate any conflicts or ongoing problems. Employee problems will be documented.

E. All new employees will be given a two week training in their department followed by a one month probation period allowing an evaluation period.

F. It will be CFM’s policy to promote from within whenever possible.

G. Bonuses will be based on percentages above sales goals in the sales department and according to production and quality in the production department.

H. Inventory control will be computerized. Lists will be available in the sales office and the production area that will allow employees to mark inventory as it is used in production and sold from the sales floor. This data will then be entered into the computer at the end of each day.

I. Warranties and returns will be handled through the owner. All warranties must have proper identification and returns will only be accepted 30 days after the purchase. After 30 days up to 6 months an in store credit may be issued, and after six months standard warranties will apply.

J. A company credit card will be issued for van service and office supplies. Other use of the card must be pre-approved by owner and initialed by responsible party. All receipts will be kept and cleared each month. Utilities will be monitored and tracked to make sure of no abnormalities.

K. Customer lists will be kept in the computer data base and protected by passwords available authorized users only.
D. Documents and Paper Flow

Information will have a designated path throughout the system to reduce any errors that may occur. All orders and sales will be written on a standardized form that allows for the order number of the piece, a description of the piece, the original price and the sale price. Taxes and totals will be tallied at the bottom right of the form. A blank section will be left at the bottom to allow for comments and small instructions. Larger lists of instructions will be drawn out on a separate form and that form will be copied and attached to the invoice.

The invoice will then await further processing. The invoices for each day will be processed at the end of each day. All sales from inventory will be accounted for, all orders will be written down in an order book and custom orders will be organized and prioritized for production to schedule.

The next day the production manager will look at the custom orders, schedule them and begin work.

Orders will be placed by the sales manager on a weekly basis. He will categorize orders by the company and write a purchase order for each order placed that week. Estimated shipping dates and lead times for production will be noted on the purchase order sheet.

An ample supply of numbered invoices will be stocked as well as charge slips and financing documents. Invoices will preferably be computerized to facilitate inventory control, but manual written invoices will also be available.
E. Risk Analysis and Alternative Plans of Action

A. Sales projections prove wrong—CFM will be a very flexible operation. Production can be modified to meet market trends and needs. If sales are slow in the retail sales of custom furniture CFM will sell to other retailers in neighboring cities. Custom building of cabinets and other work for remodeling and new home building would also be an area to bolster sales and profits.

B. Manufacturing costs become too high—In this case CFM would discontinue its own production lines and produce only custom work. Other manufacturers lines would be increased to compensate for our reduced lines.

C. Competition destroys your marketplace position—CFM would do all it could to combat the competition. Advertising and promotions would be reevaluated as would the reasons for CFM lost market share and declining sales.

D. Needed labor is unavailable—Wages would be increased to a more competitive level and management would step in to help ease the stress from the shortage.

E. Supply deficiencies develop—Other sources of materials would be developed if all of CFM’s suppliers were deficient. It is unlikely that all suppliers would be deficient, however, new materials could be used in production that were more abundant.

F. Needed capital is unavailable—Other means of financing would be looked at such as investors, family and friends, equity financing and other means of obtaining funds.

G. Product liability occurs—Insurance will be set up to take care of any product liability claims.

H. Problems with management or personnel arise—Weekly meetings will be held to facilitate work between management and personnel. If large problems arise they will be instructed of their duties and mediation will be held to take care of the problem. If this proves ineffective then new employees will be brought in to take the place of the ones that do not wish to work be production workers.

I. Product development takes longer than anticipated—A buffer will be built in the initial time line to allow another month for development of the product.

J. Salvaging Assets—All equipment used in production, office furniture, delivery truck, raw materials and finished goods could be sold in the case that this venture was unsuccessful.