

# XYZ Paint & Flooring



2002 Business Plan

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## **1.0 Executive Summary**

By focusing on its strengths, its key customers, and the underlying values they need, XYZ Paint & Flooring will increase sales to more than \$541 thousand in three years, while also improving the gross margin on sales and cash management and working capital.

This business plan leads the way. It renews our vision and strategic focus: adding value to our target market segments, the paint contractor and home owner, in our local market. It also provides the step-by-step plan for improving our sales, gross margin, and profitability.

This plan includes this summary, and chapters on the company, products and services, market focus, action plans and forecasts, management team, and financial plan.

### **1.1 Objectives**

1. Sales increasing to more than \$541 thousand by the third year.
2. Continue gross margin at a minimum of 35%, and maintain that level.
3. Improve inventory turnover to 6 turns next year, 7 in 2003, and 8 in 2004.

### **1.2 Mission**

XYZ Paint & Flooring is built on the assumption that the management of floor and wall information for contractors and homeowners is like legal advice, accounting, graphic arts, and other bodies of knowledge, in that it is not inherently a do-it-yourself prospect. Smart business people need to find quality vendors of reliable paint, sundries, carpet, and equipment. They need to use these quality vendors as they use their other professional service suppliers, as trusted allies.

XYZ Paint & Flooring is such a vendor. It serves its clients as a trusted ally, providing them with the loyalty of a business partner and the economics of an outside vendor. We make sure that our clients have what they need to run their businesses as well as possible, with maximum efficiency and reliability. Many of our products are mission critical, so we give our clients the assurance that we will be there when they need us.

### **1.3 Keys to Success**

1. Differentiate from box-pushing, price-oriented businesses by offering and delivering service and support -- and charging for it.
2. Increase gross margin to more than 40%.
3. Increase our carpet sales and expand our current customer base.

## **2.0 Company Summary**

XYZ is a floor and wall reseller based in the Long Beach area. It was founded as a paint and sundries VAR, became a reseller to fill the market need for carpet supplies, and is emphasizing service and support to differentiate itself from more price oriented national chains.

### **2.1 Company Ownership**

XYZ will be a privately-held business owned and operated by A and B..

### **2.2 Company History**

XYZ has been caught in the vise grip of margin squeezes that have affected coating supply resellers in the Southern California market.

All of these concerns are part of the general trend affecting coating resellers. The margin squeeze is happening throughout the paint industry Southern California market.

## 2.3 Company Locations and Facilities

We have one location--a 3,800 square foot store in a semi commercial area located conveniently close to the 91 and 605 freeways. These freeways connect the three main Southern California counties, Los Angeles, Riverside and Orange County giving us a large geographic reach. It includes a showroom, paint mixing area, office and a separate carpet department.

## 3.0 Products

XYZ provides floor and wall coating products and expert advice to offer a complete service package to the end user.

### 3.1 Product Description

In coatings, we support three main lines:

The *Moorcraft®/Super Spec®* line of paint coatings are our least expensive line, initially positioned by its manufacturer as a professional coating. We sell it mainly as an inexpensive alternative to our premium line. Formulated for use by the professional painter, Moorcraft® is easy to apply, spatter proof and low odor. For use on a wide variety of surfaces, including new or previously painted wallboard, plaster, masonry, and primed or previously painted wood or metal.

The *Regal* line is our main up-scale line. It is our best system for high-end home and commercial painters, because of its quality ingredients. The Regal® lines of paints are premium quality proprietary latex enamels with unique properties. Regal® products are easy-to-use, spatter resistant, fast drying and have no unpleasant odor during application.

The Industrial Maintenance line is an industrial system, used to fill the gap in the positioning. Benjamin Moore & Co. offers a complete line of industrial coatings for long term protection and aesthetic appeal. These coatings offer solutions for the most demanding applications including: general maintenance, commercial facilities, food processing, water & waste treatment facilities, manufacturing, and pulp & paper.

In sundries, accessories and other hardware, we carry a complete line of necessary items from brushes to work wear to spray equipment.

In service and support, we offer a range of walk-in or depot service, reference lists, specification writing and product guarantees.

In flooring, we sell a complete line of flooring products from carpet to tile materials, and offer our customers a large range of installing contractors to choose from.

In training, we will offer in store training sessions on application and design.

### 3.2 Competitive Comparison

We compete effectively with the Depot chains by offering a real alliance.

The benefits we sell include many intangibles: confidence, reliability, knowing that somebody will be there to answer questions and help at the important times.

These are complex products; products that require serious knowledge and experience to use, and our competitors sell only the products themselves.

Unfortunately, we cannot sell the products at a higher price just because we offer services; the market has shown that it will not support that concept.

The Paint Stores Segment is the marketer and seller of Benjamin Moore & Co's branded architectural coatings, industrial maintenance products, product finishes, and related items produced.

Paint, wall coverings, floor coverings, spray equipment and other associated products are marketed by store personnel and direct sales representatives to the do-it-yourself customer, architect, professional painter, contractor, industrial and commercial

maintenance customer, property manager and manufacturer of products requiring a factory finish.

Competitors are other paint and wall paper stores, mass merchandisers, home centers, independent hardware stores, hardware chains and manufacturer- operated direct outlets. Product quality, service and price determine the competitive advantage in the highly fragmented paint and coatings markets.

### **3.3 Sales Literature**

Copies of our advertisements are attached as appendices. Of course, one of our first tasks will be to change the message of our literature to make sure we are selling the company as a compliment to the product.

### **3.4 Sourcing**

Our costs are part of the margin squeeze. As competition on price increases, the squeeze between manufacturers' price into channels and end-users' ultimate buying price continues.

In order to hold costs down as much as possible, we concentrate our purchasing with BM, which offers 30-day net terms and overnight pickup from the warehouse in Commerce, CA. We need to concentrate on making sure our volume gives us negotiating strength.

In accessories and add-ons we can still get decent margins, 35% to 50%.

For carpet and flooring products, margins are 30% to 40%.

### **3.5 Technology**

Utilizing the Benjamin Moore Computer Color Matching System, the tinters at XYZ can match about any color.

### **3.6 Service and Support**

Our strategy hinges on providing excellent service and support. This is critical. We need to differentiate on service and support, and to therefore deliver as well.

1. Training: We will hold periodic seminars on painting and flooring applications. Our sales representatives will be on call to visit commercial work sites as needed to consult on projects and offer expert advice on applications.
2. Upgrade offers: Specifications will be written for large projects with offers for premium lines in place of commercial grade systems at a special offer.
3. Our own internal training: Our staff will be educated on our mission and all product specifications. Ongoing training will be provided as needed.

### **3.7 Future Products**

We must educate ourselves on the new products being developed, because this is our bread and butter. For paint coatings, we need to provide better knowledge of cross platform applications. Also, we are under pressure to improve our understanding of industrial coatings. Finally, although we have a good command of paint applications and flooring installations, we are concerned about getting better educated on automobile, furniture, manufacturer used coatings and chemical dyes and stains for use in product design.

## 4.0 Market Analysis Summary

XYZ focuses on local markets, commercial and home coating contractors and industrial coating applicators, with special focus on new home constructions, project developments and industrial maintenance.

### 4.1 Market Segmentation

Our target customer will have a wide range of paint and flooring application skills, but our most important target customers are relatively sophisticated at coating applications. We will be able to serve this customer well not only by offering them coatings at an affordable price, but also by giving them advice that ensures they get the task done correctly, therefore improving their success on the job.

### 4.2 Target Market Segment Strategy

We are part of the coating supply reselling business, which includes two kinds of businesses:

1. Paint supply: storefront coating resellers, usually less than 5,000 square feet, often focused on a few main brands of coatings, usually offering only a minimum of brands, and variable amounts of service and support. These are usually old-fashioned (1980s-style) paint stores and they usually offer relatively few reasons for buyers to shop with them. Their service and support is not usually very good and their prices are usually higher than the larger stores.
2. Chain stores and home improvement superstores: these include major chains such as Home Depot, Lowe's, Orchard Supply, Ace Hardware, etc. They are almost always more than 50,000 square feet of space, usually offer decent walk-in service, and are often warehouse-like locations where people go to find products in boxes with very aggressive pricing, and little support.

#### 4.2.1 Market Needs

Since our target market is the service seeker, the most important market needs are support, service, training, and follow-up, in that order. One of the key points of our strategy is the focus on target segments that know and understand these needs and are willing to pay to have them filled.

#### 4.2.2 Market Trends

The most obvious and important trend in the market is declining prices. This has been true for years, but the trend seems to be accelerating. We see the major brand-name manufacturers cutting back on quality to compete as the low price leader. The major chain shops are selling brand-name coatings at a much lower margin and selling in high volumes to make up the difference.

#### 4.2.3 Market Growth

As prices fall, unit sales increase. The published market research on sales of paint coatings is astounding, as the United States market alone is spending more than 18 billion dollars per year, and sales are growing.

1. The paint industry is comprised of manufacturers, raw materials suppliers and distributors whose annual sales were approximately \$16.6 billion in 1998, an increase of 1.2 percent from the 1997 level of \$16.4 billion.
2. Architectural coatings accounted for approximately \$6.3 billion, or 38 percent of sales, in 1998
3. OEM product coatings/industrial coatings accounted for \$6.8 billion, or 41 percent, in 1998

The 1999 Paint & Coatings 2000: Review and Forecast (Third Edition) study identified 14 important manufacturing industries that depend on OEM coatings for their production. Some of these industries include: automotive; metal containers, coil sheet and strip; wood furniture and fixtures; machinery and equipment; metal furniture and fixtures; and electrical and electronic, among others. Without coatings, these manufacturers would not be able to produce vehicles, appliances, equipment and furniture as appealing, enduring or marketable as they can today.

## 4.3 Industry Analysis

**Architectural coatings** reach consumers, painters, contractors, builders and the government via retail or wholesale distribution channels and outlets. Most architectural coatings today are water-based. Water-based paints first became popular in the 1950s. They were nonflammable and easy to clean off of brushes, rollers and the painters themselves -- especially compared to organic solvent-based (oil) paints. But cleaner air emerged as a more compelling reason to use water-based paint in the environment-conscious 1970s. As paint dries, the liquid portion evaporates. If the liquid is an organic solvent, the result is the emission of volatile organic compounds (VOCs), which react with sunlight to form smog. Increasingly stringent clean-air regulations have resulted in improvements in water-borne technology and ever-increasing use of water as the liquid medium in paints and coatings.

**Industrial coatings** are coatings that are factory-applied to manufactured goods as part of the production process. They are also known as OEM coatings (for Original Equipment Manufacture). Industrial coatings decorate and protect virtually all of our manufactured goods. A good example of OEM coatings is the U.S. auto, truck and bus industry. This automotive industry is a \$300 billion business each year. The cost of paint on an average automobile is about one percent of the showroom price. Without that low-cost protection of paints and coatings, a car body would rust out after less than one winter's driving in most parts of the country. Another good example of OEM coatings is evident every time you reach for a cold can soda. Nearly 87 billion beverage cans are shipped each year in the United States -- and every one of them requires a coating inside, to form a barrier to prevent the contents from reacting with the metal of the can. Industrial coatings also provide sealants against leakage on food and beverage cans.

**Special purpose** coatings include marine paints, high performance maintenance coatings, automotive refinish paints, traffic and highway markings, and aerosol paints.

### 4.3.1 Industry Participants

1. The national chains are a growing presence; Home Depot, Lowe's, Ace Hardware, Orchard Supply, Wal-Mart, Target, Kmart and others. They benefit from national advertising, economies of scale, volume buying, and a general trend toward name-brand loyalty for buying in the channels as well as for products.
2. Local coating supply stores are threatened. These tend to be small businesses, owned by people who started them because they liked paint and floor coverings. They are under-capitalized and under-managed. Margins are squeezed as they compete against the chains, in a competition based on price more than on service and support.

### 4.3.2 Distribution Patterns

Floor & wall coating contractors are accustomed to buying from vendors who visit their offices. They expect the copy machine vendors, office products vendors, and office furniture vendors, as well as the local graphic artists, freelance writers, or whomever, to visit their office to make their sales.

There is usually a lot of leakage in ad-hoc purchasing through local chain stores. Often the administrators try to discourage this, but are only partially successful.

Unfortunately our Floor & Wall target buyers may not expect to buy from us. Many of them turn immediately to the superstores to look for the best price, without realizing that there is a better option for them.

### 4.3.3 Competition and Buying Patterns

The floor & wall coating contractors understand the concept of service and support, and are much more likely to pay for it when the offering is clearly stated.

Our focus group sessions indicated that our target customers think about price but would buy based on quality service if the offering were properly presented. They think about price because that's all they ever see. We have very good indications that many would rather pay 10-20% more for a relationship with a long-term vendor providing back-up and quality service and support; they end up in the big chain stores because they aren't aware of the alternatives.

Availability is also very important. The floor & wall coating contractor and home owner tend to want immediate, local solutions to problems.

## 4.3.4 Main Competitors

Chain stores:

If our strategy works, we will have differentiated ourselves sufficiently to not have to compete against these stores.

Strengths: national image, high volume, aggressive pricing, economies of scale.

Weaknesses: lack of product, service and support knowledge, lack of personal attention.

## 5.0 Strategy and Implementation Summary

The floor & wall coating contractor in Southern California is an important growing market segment. Nationally, there are approximately 37 million coating contractor establishments, and the number is growing at 10% per year. Our estimate in this plan for the floor & wall coating contractor in our market service area is based on an analysis published in a 1997 census report.

Floor & wall coating contractors within our market includes virtually any business that uses paint, carpet and flooring materials on a regular basis in their business.

### 5.1 Strategy Pyramids

For placing emphasis on service and support, our main tactics are application expertise, excellent training, and developing a template specification for every possible application in our local area. Specific programs for developing sales include direct mail marketing, and working with VARs.

Our second strategy is emphasizing relationships. The tactics are marketing the company, more regular contacts with the customer, and increasing sales per customer. Programs for marketing the company include new sales literature, revised ad strategy, and direct mail. Programs for more regular contacts include call-backs after sales, direct mail, and sales management. Programs for increasing sales per customer include sales mailings and sales training.

### 5.2 Value Proposition

Our value proposition has to be different from the big retail chains. We offer our target customer, who is service seeking and not self reliant, a vendor who acts as a strategic ally, at a premium price that reflects the value of reassurance that our coating systems will work.

### 5.3 Competitive Edge

Our competitive edge is our positioning as strategic ally with our clients, who are clients more than customers. By building a business based on long-standing relationships with satisfied clients, we simultaneously build defenses against competition. The longer the relationship stands, the more we help our clients understand what we offer them and why they need it.

### 5.4 Marketing Strategy

The marketing strategy is the core of the main strategy:

1. Emphasize service and support.
2. Build a relationship business.
3. Focus on floor & wall contractors and home owners as key target markets.

#### 5.4.1 Positioning Statement

For end users who want to be sure their floor & wall coating projects are always working reliably, XYZ is a vendor and trusted strategic ally who make sure their coating systems work, their people are trained, and their down time is minimal. Unlike the big chain retail stores, it knows the customer and goes to his or her site when needed, and offers proactive support, service, and training.



## 5.4.2 Pricing Strategy

We must charge appropriately for the high-end, high-quality service and support we offer. Our revenue structure has to match our cost structure, so the salaries we pay to assure good service and support must be balanced by the revenue we charge.

We cannot build the service and support revenue into the price of products. The market can't bear the higher prices and the buyer feels ill-used when they see the same product priced lower at the chains. Despite the logic behind this, the market doesn't support this concept.

Therefore, we must make sure that we deliver and charge for service and support. Training, service, support--all of this must be readily available and priced to sell and deliver revenue.

## 5.4.3 Promotion Strategy

We depend on direct mail and newspaper advertising as our main way to reach new buyers. As we change strategies, however, we need to change the way we promote ourselves:

### Advertising

We'll be developing our core positioning message: to differentiate our service from the competition. We will be using Yellow Pages, local newspaper advertising, radio, and direct mail to launch the initial campaign.

### Sales Brochure

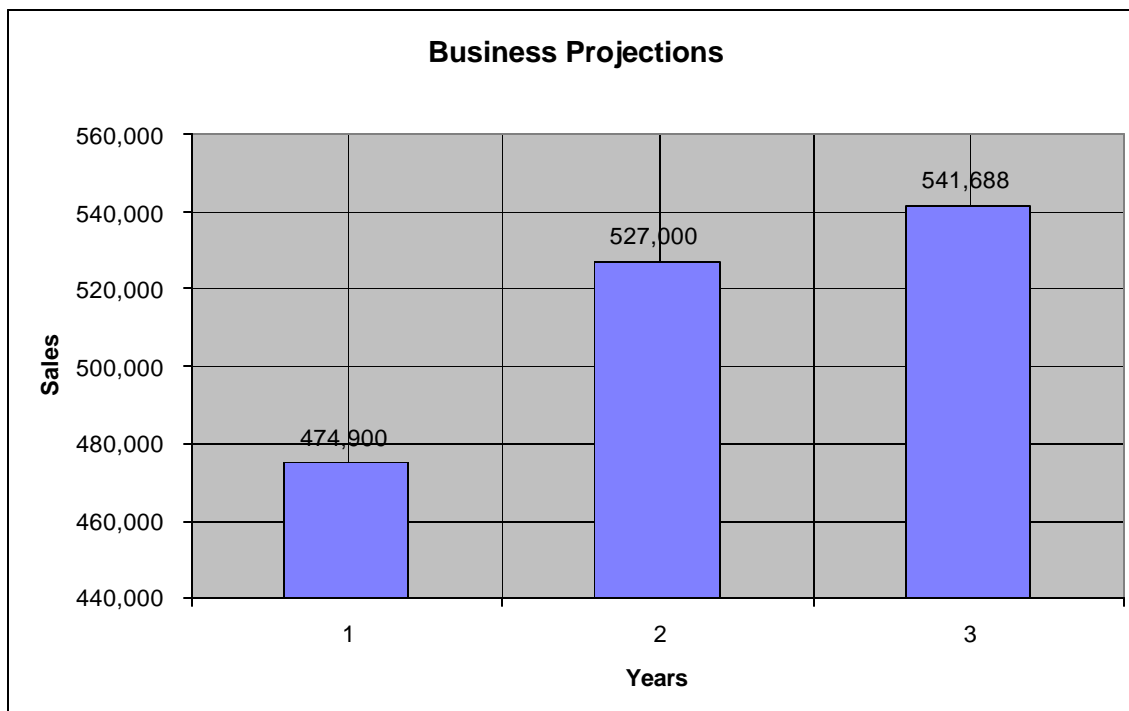
Our collaterals have to sell the store, and visiting the store, not the specific book or discount pricing.

### Direct Mail

We must radically improve our direct mail efforts, reaching our established customers with support services, better products, and training.

## 5.5 Sales Strategy

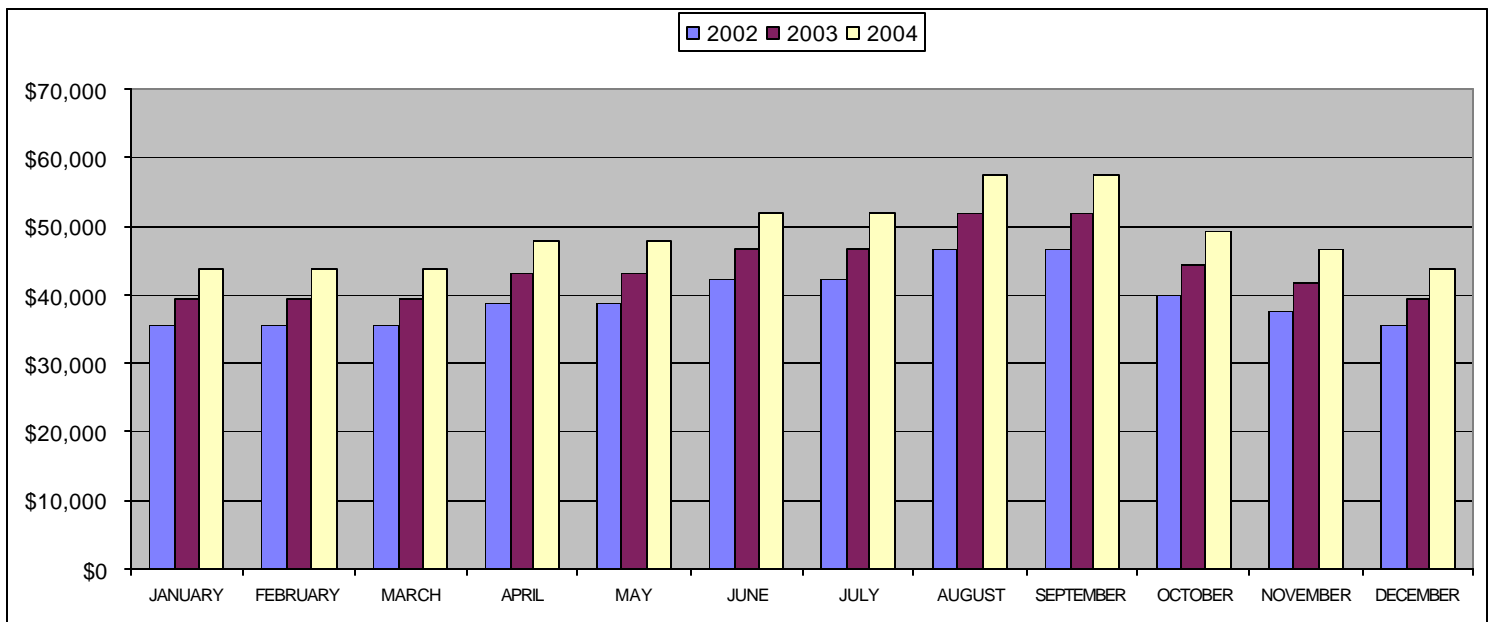
1. We have to sell our service and support. The products are like the razor, and the support, service, and training, are the razor blades. We need to serve our customers with what they really need.
2. The Yearly Total Sales chart summarizes our ambitious sales forecast.



## 5.5.1 Sales Forecast

The important elements of the sales forecast are shown in the Total Sales by Month in Year 1 table.

<b>PROJECTED BUDGET</b>			
<b>MONTHLY SALES SUMMARY - TOTAL</b>			
	<b>TENTATIVE</b>	<b>TENTATIVE</b>	<b>TENTATIVE</b>
	<b>2002</b>	<b>2003</b>	<b>2004</b>
<b>MONTH/YEAR TO DATE</b>			
JANUARY	\$35,500	\$39,400	\$43,700.00
FEBRUARY	\$35,500	\$39,400	\$43,700.00
MARCH	\$35,500	\$39,400	\$43,700.00
APRIL	\$38,800	\$43,100	\$47,900.00
MAY	\$38,800	\$43,100	\$47,900.00
JUNE	\$42,200	\$46,800	\$52,000.00
JULY	\$42,200	\$46,800	\$52,000.00
AUGUST	\$46,600	\$51,700	\$57,444.00
SEPTEMBER	\$46,600	\$51,700	\$57,444.00
OCTOBER	\$40,000	\$44,400	\$49,300.00
NOVEMBER	\$37,700	\$41,800	\$46,500.00
DECEMBER	\$35,500	\$39,400	\$43,800.00
<b>12 MONTH TOTAL</b>	<b>\$474,900</b>	<b>\$527,000</b>	<b>\$541,688</b>
<b>PAINT - \$</b>	<b>\$332,430</b>	<b>\$368,900</b>	<b>\$379,182</b>
<b>%</b>	<b>70.0%</b>	<b>70.0%</b>	<b>70.0%</b>
<b>flooring - \$</b>	<b>\$47,490</b>	<b>\$52,700</b>	<b>\$54,169</b>
<b>%</b>	<b>10.0%</b>	<b>10.0%</b>	<b>10.0%</b>
<b>SUNDRY - \$</b>	<b>\$71,235</b>	<b>\$79,050</b>	<b>\$81,253</b>
<b>%</b>	<b>15.0%</b>	<b>15.0%</b>	<b>15.0%</b>
<b>SPRAY EQ. - \$</b>	<b>\$23,745</b>	<b>\$26,350</b>	<b>\$27,084</b>
<b>%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
	<b>\$474,900</b>	<b>\$527,000</b>	<b>\$541,688</b>



## 6.0 Management Summary

Our management philosophy is based on responsibility and mutual respect. People who work at XYZ want to work at XYZ because we have an environment that encourages creativity and achievement.

## 6.2 Management Team

David Ortiz, 33, President, has 15 years of experience in the coating supply business. He managed Community Paint Center, a Benjamin Moore Company store, and was instrumental in the development of XYZ. David's superb customer relations and sales abilities are accented by his reputation as one of the area's top eye matcher's of paint's & lacquers.

Blair Hunter, 57, V.P. marketing, has a 30 year history of sales from high ticket items to over the counter retail. He has owned & operated several businesses and has a strong background in advertising, marketing, procurement & sales.

## 6.3 Management Team Gaps

At present we believe we have a good team for covering the main points of the business plan. The addition of new sales representatives will be an important way to cement our fundamental re-positioning and re-engineering.

## 7.0 Financial Plan

The most important element in the financial plan is the critical need for improving several of the key factors that impact cash flow:

1. We must at any cost stop the slide in inventory turnover and develop better inventory management.
2. We must also maintain the gross margin at a minimum of 30%. This too is related to improving the mix between paint/floor and sundry revenues.

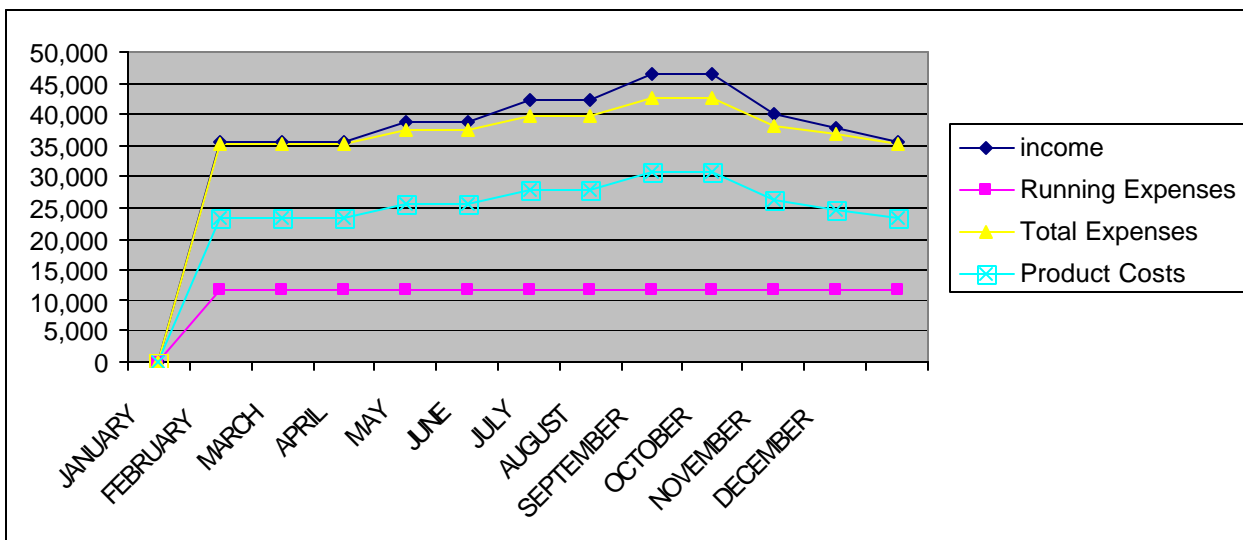
## 7.1 Important Assumptions

The financial plan depends on important assumptions. The key underlying assumptions are:

1. We assume a slow-growth economy, without major recession.
2. We assume there are no unforeseen changes in technology to make products immediately obsolete.

## 7.3 Break-even Analysis – Cost of Goods

For our break-even analysis, we assume running product costs of approximately \$21,454 per month. The chart shows that we need to sell approximately \$35,000 per month to break even, according to these assumptions.



## 7.4 Projected Profit and Loss

The most important assumption in the Projected Profit and Loss statement is the gross margin, which is supposed to increase. This is up from barely 29% in the last year. The increase in gross margin is based on changing our sales mix, and it is critical.

Month-by-month assumptions for profit and loss are included in the appendices.

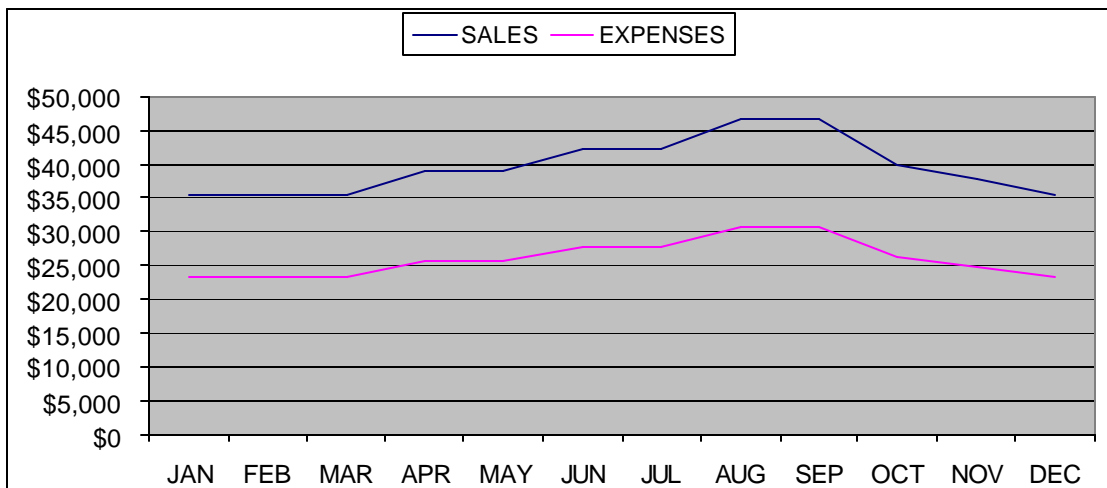
### PROFIT & LOSS STATEMENT TENTATIVE BUDGET PROJECTION

		TENTATIVE		TENTATIVE		TENTATIVE	
	%	2002	%	2003	%	2004	
<b>SALES</b>	<b>100.0%</b>	<b>474,900</b>	<b>100.0%</b>	<b>527,000</b>	<b>100.0%</b>	<b>541,688</b>	
<b>COST OF SALES</b>	<b>24.2%</b>	<b>115,080</b>	<b>24.8%</b>	<b>130,535</b>	<b>24.9%</b>	<b>134,904</b>	
<b>GROSS PROFIT</b>	<b>75.8%</b>	<b>359,820</b>	<b>75.2%</b>	<b>396,465</b>	<b>75.1%</b>	<b>406,784</b>	
<u>OPERATING EXPENSES</u>							
<b>SALARIES</b>	<b>16.2%</b>	<b>\$76,800</b>	<b>15.0%</b>	<b>\$79,175</b>	<b>15.1%</b>	<b>\$81,624</b>	
<b>OTHER SALARIES</b>	<b>0.0%</b>	<b>\$0</b>	<b>2.9%</b>	<b>\$15,360</b>	<b>3.2%</b>	<b>\$17,280</b>	
<b>PAYROLL TAXES</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>		<b>0.0%</b>		
<b>GROUP BENEFITS</b>	<b>0.0%</b>	<b>\$0</b>	<b>0.0%</b>		<b>0.0%</b>		
<b>RENT</b>	<b>3.5%</b>	<b>\$16,800</b>	<b>3.2%</b>	<b>\$16,800</b>	<b>3.1%</b>	<b>\$16,800</b>	
<b>UTILITIES</b>	<b>0.7%</b>	<b>\$3,120</b>	<b>0.6%</b>	<b>\$3,120</b>	<b>0.6%</b>	<b>\$3,120</b>	
<b>TAXES GENERAL</b>	<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>		
<b>INSURANCE GENERAL</b>	<b>0.5%</b>	<b>\$2,280</b>	<b>0.0%</b>		<b>0.0%</b>		
<b>DEPRECIATION &amp; AMORTIZATION</b>	<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>		
<b>ADVERTISING</b>	<b>0.8%</b>	<b>\$3,600</b>	<b>0.7%</b>	<b>\$3,600</b>	<b>0.7%</b>	<b>\$3,600</b>	
<b>SAMPLE BOOKS</b>	<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>		
<b>VEHICLE AND DELIVERY EXPENSE</b>	<b>1.8%</b>	<b>\$8,400</b>	<b>1.6%</b>	<b>\$8,400</b>	<b>1.6%</b>	<b>\$8,400</b>	
<b>PROFESSIONAL FEES</b>	<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>		
<b>POS SYSTEM EXPENSE</b>	<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>		
<b>OFFICE SUPPLIES &amp; POSTAGE</b>	<b>0.1%</b>	<b>\$480</b>	<b>0.1%</b>	<b>\$480</b>	<b>0.1%</b>	<b>\$480</b>	
<b>TELEPHONE</b>	<b>0.7%</b>	<b>\$3,360</b>	<b>0.6%</b>	<b>\$3,360</b>	<b>0.6%</b>	<b>\$3,360</b>	
<b>STORE SUPPLIES</b>	<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>		
<b>REPAIRS</b>	<b>0.1%</b>	<b>\$240</b>	<b>0.0%</b>	<b>\$240</b>	<b>0.0%</b>	<b>\$240</b>	
<b>EXECUTIVE EXPENSES</b>	<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>		
<b>SUNDRY SELLING EXPENSE</b>	<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>		
<b>SUNDRY GENERAL EXPENSE</b>	<b>0.0%</b>		<b>0.0%</b>		<b>0.0%</b>		
<b>TOTAL EXPENSES</b>	<b>24.2%</b>	<b>115,080</b>	<b>24.8%</b>	<b>130,535</b>	<b>24.9%</b>	<b>134,904</b>	

## 7.5 Projected Cash Flow

The cash flow depends on assumptions for inventory turnover, payment days, and accounts receivable management. Our projected 45-day collection day is critical, and it is also reasonable.

SALES	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
COST OF SALES ANALYSIS	\$23,341	\$23,341	\$23,341	\$25,511	\$25,511	\$27,747	\$27,747	\$30,640	\$30,640	\$26,300	\$24,788	\$23,341	\$312,247
TOTAL SALES	\$35,500	\$35,500	\$35,500	\$38,800	\$38,800	\$42,200	\$42,200	\$46,600	\$46,600	\$40,000	\$37,700	\$35,500	\$474,900
<b>PAINT DEPARTMENT</b>													
SALES 70%	\$24,850	\$24,850	\$24,850	\$27,160	\$27,160	\$29,540	\$29,540	\$32,620	\$32,620	\$28,000	\$26,390	\$24,850	\$332,430
COST OF SALES 65%	\$16,153	\$16,153	\$16,153	\$17,654	\$17,654	\$19,201	\$19,201	\$21,203	\$21,203	\$18,200	\$17,154	\$16,153	\$216,080
<b>FLOORING DEPARTMENT</b>													
SALES 10%	\$3,550	\$3,550	\$3,550	\$3,880	\$3,880	\$4,220	\$4,220	\$4,660	\$4,660	\$4,000	\$3,770	\$3,550	\$47,490
COST OF SALES 70%	\$2,485	\$2,485	\$2,485	\$2,716	\$2,716	\$2,954	\$2,954	\$3,262	\$3,262	\$2,800	\$2,639	\$2,485	\$33,243
<b>SUNDRY DEPARTMENT</b>													
SALES 15%	\$5,325	\$5,325	\$5,325	\$5,820	\$5,820	\$6,330	\$6,330	\$6,990	\$6,990	\$6,000	\$5,655	\$5,325	\$71,235
COST OF SALES 65%	\$3,461	\$3,461	\$3,461	\$3,783	\$3,783	\$4,115	\$4,115	\$4,544	\$4,544	\$3,900	\$3,676	\$3,461	\$46,303
<b>SPRAY EQUIP. DEPART.</b>													
SALES 5%	\$1,775	\$1,775	\$1,775	\$1,940	\$1,940	\$2,110	\$2,110	\$2,330	\$2,330	\$2,000	\$1,885	\$1,775	\$23,745
COST OF SALES 70%	\$1,243	\$1,243	\$1,243	\$1,358	\$1,358	\$1,477	\$1,477	\$1,631	\$1,631	\$1,400	\$1,320	\$1,243	\$16,622
TOTAL SALES	\$35,500	\$35,500	\$35,500	\$38,800	\$38,800	\$42,200	\$42,200	\$46,600	\$46,600	\$40,000	\$37,700	\$35,500	\$474,900
TOTAL COST	\$23,341	\$23,341	\$23,341	\$25,511	\$25,511	\$27,747	\$27,747	\$30,640	\$30,640	\$26,300	\$24,788	\$23,341	\$312,247
PERCENT	65.75%	65.75%	65.75%	65.75%	65.75%	65.75%	65.75%	65.75%	65.75%	65.75%	65.75%	65.75%	65.75%
PROFITS	\$12,159	\$12,159	\$12,159	\$13,289	\$13,289	\$14,454	\$14,454	\$15,961	\$15,961	\$13,700	\$12,912	\$12,159	\$162,653



## 7.6 Projected Balance Sheet

The Projected Balance Sheet is quite solid. We do not project any real trouble meeting our debt obligations--as long as we can achieve our specific objectives.

**PROJECTED BUDGET  
MONTHLY SALES SUMMARY - TOTAL**

	TENTATIVE 2002	TENTATIVE 2003	TENTATIVE 2004
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MONTH/YEAR TO DATE	TENTATIVE 2002	TENTATIVE 2003	TENTATIVE 2004
JANUARY	\$35,500	\$39,400	\$43,700.00
FEBRUARY	\$35,500	\$39,400	\$43,700.00
MARCH	\$35,500	\$39,400	\$43,700.00
APRIL	\$38,800	\$43,100	\$47,900.00
MAY	\$38,800	\$43,100	\$47,900.00
JUNE	\$42,200	\$46,800	\$52,000.00
JULY	\$42,200	\$46,800	\$52,000.00
AUGUST	\$46,600	\$51,700	\$57,444.00
SEPTEMBER	\$46,600	\$51,700	\$57,444.00
OCTOBER	\$40,000	\$44,400	\$49,300.00
NOVEMBER	\$37,700	\$41,800	\$46,500.00
DECEMBER	\$35,500	\$39,400	\$43,800.00
<b>12 MONTH TOTAL</b>	<b>\$474,900</b>	<b>\$527,000</b>	<b>\$541,688</b>

PAINT - \$	\$332,430	\$368,900	\$379,182
%	70.0%	70.0%	70.0%
flooring - \$	\$47,490	\$52,700	\$54,169
%	10.0%	10.0%	10.0%
SUNDRY - \$	\$71,235	\$79,050	\$81,253
%	15.0%	15.0%	15.0%
SPRAY EQ. - \$	\$23,745	\$26,350	\$27,084
%	5.0%	5.0%	5.0%

