Expanding Your Business

Name

Institutional Affiliation

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**Financial Plan**

The primary aspect of the financial plan is to start, maintain and improve elements that will establish, stabilize and grow our cash flow:

1. We must strive to establish visibility to generate customer flow.
2. We must construct a dependable and pleasant group of employees to control turnover.
3. Establish fast turnaround of the shops products; ensure that inventory levels are maintained at viable conditions.
4. Ask for tables of financial projections from the Leasing Representative.

Fundamental assumptions

The main essential assumption that our financial plan will be founded on are:

1. We assume that we will access equity capital and required financing to fuel our financial plan.
2. We assume that the progress of our financial plan will be founded on realistic to minimum sales against exorbitant expenditures.
3. We assume that there will be no incidences of market crash which have a possibility of hindering the access of target market to luxury finds.

General assumptions

|  |  |  |  |
| --- | --- | --- | --- |
|  | Year 1 | Year 2 | Year 3 |
| Plan Month | 1 | 1 | 1 |
| Current Interest Rate | 10.00% | 10.00% | 10.00% |
| Long –Term rates | 8.50% | 8.50% | 8.50% |
| Tax Rate | 30.00% | 30.00% | 30.00% |

Financial Indicators

The primary financial indicators for ATL Clippers Barber Shop will be an average of seven clients a day for barbers and specialists averaging three clients.

Break-even Analysis

The main assumption in the analysis of our break even analysis is operational expenditures. These expenses will comprise of utilities, daily running costs, rent and payroll. Considerations for employee draw fund are excluded from this assumption. The payroll is estimated to amount to $1, 200 a month.

|  |  |
| --- | --- |
| Break-even Analysis | |
| Monthly Revenue Break-even | $36,989 |
| Assumptions: |  |
| Average Percent Variable Cost | 45% |
| Estimated Monthly Fixed Cost | $20,275 |

Such an analysis would prove that the revenue in a month should be generated as shown below for the business to break even. The total is estimated to be less than the monthly gross. This estimation excludes revenue derived from other sources. It is also based on a client average in the barber shop of $25. Any miscellaneous services that will be offered in the barber shop will average $40. The annual average for a client is approximated at $38. Taking into consideration the business’ minimal assumptions, the complete average of client per month is 1,063. We therefore have a strong belief that the break-even figures can be maintained with ease.

Profit and Loss

There are two fundamental assumptions with the statements of projected profit and loss that have been made:

1. The revenue generated by our business is based on approximations on minimum averages against expectations of high expenses.
2. The primary expenses of utilities and rent are fixed.

The balance sheet shows that provided revenue projections are achieved and maintained, there will not be any difficulty dealing with debt obligations.

On the projected cash flow, a barber shop is a luxury business that is based on retail. Clients tend to make payments mainly using credit cards.

**Guerrilla Marketing Strategy**

The relationship between a barber and his or her client is a trusting moment. In entrepreneurship, one of the aspects that cultivate trust is branding. There is no guide book for branding a business to entice a client. It is safe to say that it takes more that slogans. At the very least, job performance tops the list. Having a commendatory public opinion and marketing online are other factors. Branding measures both the trust and affinity that customers have in you (Scali-Sheahan, & Milady Publishing Company, 2011). Branding will give the shop a distinct identity. ATL Clippers will do this by offering favorable prices. Additionally, the shop opens seven days a week. Most of the shops in the industry are closed on Mondays, ATL Clippers will be an exception.

The mission of the ATL Clippers will be to make the experience fun. A lot of promotional punch can come from offering drinks to anyone who gets a cut in the afternoon. The drink can range from a can of beer to a bottle of water with an origin from Atlanta. This will help giving the establishment an identity. The shop will not pay for the drinks except promote the brands and at the same time entertain customers.

The advent of the internet has made guerrilla marketing easier. ATL Clippers will depend on social media for feedback. The business will use social media to speak to customers openly. It is important to note that social media effectiveness can be achieved if we know when to lay low. The business will part of a larger conversation. Notably, we will not say anything unless we have to.

Some of the specific strategies that the business can employ are:

1. Guest blogging- this will mean that we utilize the services of freelance writers and bloggers we know. We will guest blog on websites that will open people’s eyes to the business.
2. Business cards. This is one of the most despised forms of marketing. One of the things you can do with business cards is hand them out. Another strategy will include putting them in books in libraries. Preferably in sections that are related to this industry. This is a form of targeted marketing. It is less costly and even less time consuming.
3. Anything Else? These are powerful words that can be said before money is exchanged between clients and representatives. This is meant to make the clients think. It could provide opportunities for a bigger pay day.
4. Underground Music. There is a genre of music associated with the target market for the business. Playing this music in the business will keep customers coming just to listen to music. This will resultantly translate to a pay day.
5. Word of mouth. A lot of talk happens in barber shops and salons. ATL Clippers will strive to be a business that is talked about. Word of mouth is a good strategy. Someone will bring their nephews. These nephews will bring their friends. It is good marketing.
6. Letting people talk the business up. This is a strategy that is not thought of often. Enlist friends and families to talk to other people about the business (Mullins & Komisar, 2009). Additionally, random people will take little money to talk to other people about a business. These conversations in clubs, bars and movies will talk the business up. Any publicity by word of mouth is a good thing.

**Second Store**

The future of ATL Clipper lies in the streaming of loyal customers. Other crucial factors include having the capacity to accommodate competent employees. Additionally, the strategies and business structure have a role to plan. One of the major objectives of ATL Clippers Barber Shop is building a business capable of surviving off its cash flow. It is crucial that the shop does not need to inject finances from other sources as soon as business picks up. One of the ways of keeping loyal customers is offering the best services. Additionally, services offered can range cheaper than other prices obtainable in competitor business. A second shop will need to be prepared to survive on reduced profit margins for a certain period.

Opening a second store will mean that the foundation, structure and processes from the first shop are implemented in the second. Some of the staff in the ‘old’ shop will move to the new shop to maintain standards. The culture of the business is a workforce that delivers excellence in services.

The best location for opening a second store will be in a high-traffic area. As much as word of mouth helps, a location serves a great deal of exposure. 76 upper Alabama St SW. Atlanta, GA 30303. This location offers great exposure to students. To attract customers, rates can be lowered. Students can also be offered discounts on specified days. Most of the students keep unfriendly schedules. The schedule can be pushed ahead to accommodate this customer base. Considering the location is in downtown Atlanta, Georgia, the two businesses are spaced enough.

Debt Financing

This entails receiving a loan that the business will repay. After the initial business corporation and licensing, another important is financing. Typically, I will make an estimate of $100,000 from research into the field. I realize that barber shops generate high gross margins. This means that investors, banks and lenders place money in such businesses frequently. The best option would be applying for capital from a bank. Such an approach would exempt the business from dividends. Additionally, exclusive rights of control will still remain with me. I will need to come up with a business plan. I need to place 10% ($10,000) of the total capital needed. The business plan will focus on the security of barber shops. Additionally, I will emphasize on the ability of barber shops to generate revenues irrespective of the economic climate. I will come up with a list of the tangible assets that the business will own. It is crucial that I have a significant amount of collateral (tangible). I might need to pledge my personal assets (Scarborough, Wilson & Zimmerer, 2009).

|  |  |
| --- | --- |
| Financing |  |
| Equity | $ 25,000 |
| Total Equity | $25,000 |
| Banks and Lending | $100,000 |
| Total Debt Financing | $ 100,000 |
| Total Financing | $125,000 |

To make a strong case for a loan from a bank or lending institution, I will need to include some of the following:

1. A strong credit score
2. Focus on tangible assets that will be acquired with funds from the loan.
3. How the business intends to pay its obligations.
4. Anticipated features of credit facility I.e. rate of interest, total amount and term of credit.
5. A profit and loss statements and analysis of cash flow to allow the institutions to understand how the loan obligations will be met.
6. A loan amortization schedule.

The new store will dictate that cash flow operations are monitored closely. I will need a working capital credit. For the first crucial months of the business, I will need appropriate cash flow to run the business. The bank will couple the business loan with a working capital credit line.

References

Mullins, J. W., & Komisar, R. (2009). *Getting to plan B: Breaking through to a better business model*.

Scali-Sheahan, M. T., & Milady Publishing Company. (2011). *Milady's standard professional barbering*. Clifton Park, N.Y: Cengage Learning.

Scarborough, N. M., Wilson, D., & Zimmerer, T. (2009). *Effective small business management: An entrepreneurial approach*. Upper Saddle River, N.J: Pearson Prentice Hall.