

Magic

Beauty 

November 28, 2018

Ashley Davis

Towne Bank

7500 Granby Street

Norfolk, VA 23505

Dear Ms. Davis:

Per our previous meeting on November 1, I am sending the business plan in support of the loan request for \$120,000 for start-up capital for Magic Beauty.

I would also like to request an additional line of credit for \$15,000 to help with inventory costs and other start-up expenses.

Thank you for your consideration and I am looking forward to meeting with you again and building a long-standing relationship with your bank.

Sincerely,

Lauren Robinson

Magic Beauty, LLC

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Norfolk, VA 23508

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Magic Beauty, LLC

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Date Prepared:

November 26, 2018

Contents

Executive Summary.....	1
Management Plan.....	3
Merchandising Plan.....	7
Location Plan.....	10
Web Plan Summary.....	12
Marketing Plan.....	16
Financial Plan.....	23
Retail Operations Plan.....	34
References.....	39
Appendices.....	40

Executive Summary

Magic Beauty is owned and operated by Lauren Robinson under limited liability corporation status. Magic Beauty is a retail store offering popular and small brands that are not otherwise available in close proximity to Old Dominion. The product offering will include virgin hair, hair products, beauty products, and hair tools. Prices will range from \$4 for small cosmetics to \$329 for bundle deals.

The store will be located at 4106 Monarch Way in Norfolk, VA. It will be located on a heavily travelled corridor in between food shops. This location offers the luxury of close proximity to campus as opposed to other beauty supply stores in the area. This location benefits Magic Beauty as it offers heavy foot traffic as the majority of our customers are expected to be pedestrians.

Magic Beauty will be managed by its owner Lauren Robinson. The owner has over 6 years of experience in customer service, retail, and management. Magic Beauty will employ one full-time assistant manager and a part-time shift leader as well as five to seven part-time sales associates.

We will carry smaller brands that are hard to locate in the local marketplace as well as current favorites in the beauty industry. The market for the beauty industry has experienced tremendous growth, especially with online beauty supply stores recently. The immediate Old Dominion area also lacks a store that covers a wide range of beauty needs.

Due to the location, pricing must be fair and affordable especially because the target customer is a college student. The key to Magic Beauty's success is to stay up-to-date with

current trends and making efficient use of social media to remain positioned in the consumers mind.

Locating good merchandise to buy will be fairly easy especially when the correct amount of research is completed. The owner can figure out what is popular on the market from YouTube influencers, social posts, and beauty trade shows. Through these methods and more, Magic Beauty can remain keep up with the market trends and make the business more profitable. The mission of Magic Beauty is to create an avenue for all customers to have access to their needs regardless of their location.

Magic Beauty is requesting a loan in the amount of \$120,000 along with a credit line of \$15,000. The funds will be used to fund start-up expenses, purchase opening inventory, and cover any shorts that may occur. The owner will inject \$10,000 in equity and offer personal assets as collateral for the loan.

Management Plan

Mission Statement: Our goal is to connect customers near and far to the tools they need to achieve their desired beauty standard.

Business Structure

Magic Beauty is a beauty supply store that will offer specialty beauty products to students and local customers in the Old Dominion and Lambert's Point area. We are expecting to begin operation by the first week of January so that we will be able to attract the students returning to the area after winter break.

Magic Beauty will organize as a limited liability corporation because it allows the owner to take control over day-to-day business. A limited liability corporation also allows for flexibility in terms of management structure. There are less formalities associated with a limited liability corporation as well so this allows the owner a good amount of flexibility with meetings and other operational tasks.

Management Team

Owner and Store Manager: Lauren Robinson

Owner's responsibilities will include branding and marketing decisions. The owner will be responsible for ordering stock and relationship building with suppliers. The owner will complete all payroll related tasks as well. The owner will complete all online orders and related tasks to keep the online and brick and mortar location running separately and smoothly.

Overseeing and assigning tasks to the assistant manager and shift leader will also be the store manager's responsibility.

Assistant Manager (Full-time)

The assistant manager will be responsible for scheduling and hiring employees that are trustworthy, competent, and able to complete everyday tasks at work. The assistant manager will report to the owner with stock reports each week to determine what needs to be re-ordered, marked down, or added to the order. The assistant manager needs to ensure that all items that arrive in shipments are accounted for and are processed and out on the floor before the next business day. The assistant manager also needs to make sure that all store displays are completed and correct.

Assistant manager must have at least 2 years of retail management experience. The applicant must have some college experience in a business or business related field.

Shift Leader (Part-time)

Shift leader is responsible for the sales associate(s) working on their shift. The shift leader must ensure that training and development is occurring for all employees. The shift leader is responsible for the store when the store manager and assistant manager are not present. The shift leader will also be responsible for boosting morale throughout the store in collaboration with the store manager.

Shift leader must have at least 1 year of retail experience. High school diploma or GED is required.

Owner/Management Compensation

The owner will be paid monthly on a draw basis of \$1500 after all other salaries and store expenses are satisfied. The store manager will start at \$15 per hour. The assistant manager will start at \$13 an hour and the shift leader will start at \$10 a hour with raises given with raises given on an annual basis depending on the store's performance. Benefits will not be offered to the assistant manager.

Personnel Compensation

Sales associates will start at \$8 an hour with raises given on an annual basis depending upon performance during each shift. Hours given will be based on performance on the job as well as productivity. To begin, we will rotate between 5-7 sales associates to determine the strengths of each employee. Employees will receive a set discount for each quarter as a benefit and the discount will be flexed depending on the employee's profitability and reliability.

Primary responsibilities will include supporting their manager or shift leader on their tasks. Ensuring that selling space remains clean, neat, and tidy. Sales associates must provide exceptional customer service to all customers to build good brand positioning and deter theft. Sales associates must be able to speak to the benefits of different products through the product knowledge they will receive on all new items as well as the staple items that we carry.

Key Advisors

Lawyer, Accountant, and Insurance

These advisors will be hired on an as needed basis; however, the costs for each are accounted for monthly and set aside for use when needed.

Communication

Communications will be sent through an employee group chat for business only. There will be a separate chat for solely managers as well. An employee manual will be given to each employee upon completion of their I-9 and they will be expected to answer questions from the manual to ensure that they have reviewed it and they are ready to work. Store meetings will be scheduled every quarter to discuss what has worked for the business and improvements that need to be made. This meeting will be an open panel for all employees to be heard. The store manager, assistant manager, and shift leader will have monthly meetings to discuss earnings, strengths, and concerns. The employee bulletin board as well as the group chat will share information regarding the meetings and share information about new products so that all employees are ready to sell the new items.

Government Approvals and Local Licenses and Permits

Magic Beauty requires a limited liability corporation approval from the Virginia Corporation Commission which requires Articles of Organization from the owner. A Norfolk City business license and Release of an Assumed/Fictitious Name Filing is required prior to opening as well.

Merchandising Plan

Merchandise Description

Our store will sell beauty merchandise that cannot be easily found in the local area. Natural hair and small upcoming brands are not easy to find in this area especially not near Old Dominion University area. Products will include: natural hair care, natural and organic hair and beauty products, virgin hair extensions and wigs, and value makeup brands.

Unique Characteristics

This assortment of merchandise is unique because it will include the products of other small businesses that you can only order online. This will give other small business owners the opportunity to reach a new market and allow our customers to find a new product, or products, the work for them. Many of these products can only be found at beauty supply stores that are too far from the area for students to access what they are looking for.

Proposed Lines

This store will carry one primary product line being the private label virgin hair and approximately 150-200 secondary lines from different vendors found through social media and market trips. Vendors will include: Aphogee, Cantu Beauty, Mielle Organics, Shea Moisture, Tresemme, Soul Sister, and many more.

Proprietary Aspects

This store will offer a private label virgin hair line. This product will be designed and manufactured through an outside company where we will order the hair wholesale and sell it as our very own private label of hair. We will receive shipments based on current trends in the virgin hair marketplace. We will promote our hair line with the rest of our products but promote the quality of the hair so that our customer will not have an issue with pricing. Visits and meetings with our vendor will help us to build a relationship as well as ensuring that we receive quality products.

Merchandise Assortment

Hair Products	45%	Shampoos, conditioners, styling products, and accessories
Beauty Products	30%	Makeup, Nair Polish, Skincare
Hair Tools	10%	Flat Irons, Curling Irons, accessories
Virgin Hair	15%	Straight, Deep Wave, Curly, Body Wave

Market Trips

Where	When	Objective
Bronner Bros. International Beauty Show (NOLA)	March/April	Buy stock for Summer/Fall
Texas International Hair and Trade Show Expo	June	Buy stock for Summer/Fall
New Orleans Natural Hair	July	Buy stock for natural hair

All products that perform well during the summer/fall will be carried continuously until performance declines.

Mark-Up and Markdown Policies

Markup for all items will start at 300% and decrease depending on customers' response to pricing. This will be done over the course of months to determine how much customers are willing to pay for certain products and if the set markup price will work for our business. Markup will stay set once a good percentage is determined.

Mark downs will occur at the end of every month and inventory is counted. Products that are not selling well will be marked down 20% every month until markup reaches 200%. The product will remain at 200% markup for six months. If the products is still not sold after six months then the products will be sold at 175% mark up.

Location Plan

Magic Beauty will be located at 4106 Monarch Way, Norfolk, VA. The store will be between Jimmy John's and the P.O.D. market. This location allows customers to shop for their must have beauty products right on campus without risking a long walk or drive off campus. Monarch Way offers heavy foot traffic especially being near Raising Cane's and on the way to The District apartments. The retail customer mix includes customers from Old Dominion University and residents in the Lambert's Point area. Parking is limited at this location, as it is metered; however, our expected customers will be mainly pedestrians.

Location Features

Magic Beauty will be visible from Monarch Way which is a major thruway at Old Dominion University. Magic Beauty will mostly rely on foot traffic which makes the Monarch Way location optimal as it is travelled by roughly 27,000 people. This location is 1,792 square feet and 300 feet will be allocated for storage, office, and receiving use. A receiving corridor is in the back of the store near the storage area. The lessor is requiring a deposit of \$3,500 with rent at \$3,130 per month. Based on historical data, utilities are \$300 monthly. This lease is a triple net lease, so taxes, insurance, and maintenance is covered by the lessee. The initial lease will be for a three year period with the option to extend the lease at every three year mark.

Target Market Considerations

The mission of Magic Beauty is to be the primary store for the beauty needs of all women especially those who may not have access to the products that they desire. This mission will be carried out through excellent customer service, extensive merchandise assortment, and keeping up with market trends. In the long term, Magic Beauty hopes to achieve profit gains, but also become the primary beauty supply store for college students, especially students in more rural areas.

Facility Description

The facility currently has a brick and window façade facing Monarch Way with metered parking along the front of the building. Carpeting will be added throughout the selling space and tile flooring will be used for the receiving, storage, and office space. Fixtures will be featured along the wall and two rows of shelving will be added to the sales floor. The cashiers' station will be created parallel to the entrance. The cashiers' station will feature the POS system, telephone, bagging equipment, and the credit card reader.

Leasehold Improvements

Leasehold improvements will include painting, floor covering, and construction of separating wall and elevated cashier's station, and fixtures. These improvements will cost \$10,000 with an additional \$20,000 spent on fixtures.

Other Location Costs

Signage will also be added over the entry as well. This signage will cost about \$2,750.

Web Plan

Launch Date: December 18, 2018

Overview

To further Magic Beauty, we will use the Internet to build our brand image and sell merchandise online. The Internet will allow us to have a broader reach and appeal to a larger customer base. Our website will offer beauty and style tips using a blog to help build brand image through giving our customer the knowledge they need to look and feel beautiful. We will also use our website to sell merchandise that we offer in store so that the merchandise is available to customers in all 50 states.

Internet Strategies

Blogging will allow us to reach customers who may not be looking for a specific item, or items; however, blogging will at least position Magic Beauty in our customers' list of potential beauty supply stores to shop at or recommend to their friends. Our blog will also show our customers that we keep up with industry trends and maintain stock of the newest and most popular items on the market.

Social media will give our brand the opportunity to develop a personality through postings and interactions with our customers. Our social profiles will allow us to personally interact with our customers and potential customers as well. Social media essentially offers free publicity especially when solving customer issues and answering questions that customers may have. Magic Beauty will utilize the following social media sites: Twitter, Facebook, and Instagram.

Email will be used for customers who have ordered online or signed up for our loyalty program in store. These customers will benefit by receiving exclusive coupons and deals via email. They will also be the first to know when we have a new products coming in stock.

Online Marketing Strategies

Online Giveaways will be coordinated across all social media sites. The customers with the most retweets or likes across Instagram, Twitter, and Facebook will win free hair each quarter. This will help build our potential customer reach because it will be shared across different profiles in many different states.

Following our customers online will give us an opportunity to remain aware of what is happening in different regions, especially with regard to homecomings, concerts, and other events. It will also give us the chance to hear our customers concerns and also determine their needs.

YouTube will help give Magic Beauty a competitive edge of other beauty supply stores because many customers watch reviews or tutorials before selecting and attempting a style. By sponsoring a video and sending out merchandise to a YouTuber that appeals to our demographic, we will be able to increase website traffic and website orders.

Magic Beauty will use search engine optimization in order to reach customers that may be searching for specific items or an online beauty supply store. Customers who go online and add a Google or Yelp review will be given a discount on their next purchase just for leaving a review. This will help when customers google our business to find reviews because it will set up a positive brand image for new customers.

Development and Hosting

- Hosting: godaddy.com
- Site development: godaddy.com (Smartphone Ready)
- Shopping Cart: godaddy.com (Abandoned Cart Recovery)
- Credit Card Processing Center: godaddy.com (Square, Paypal, and Apple Pay)
- Integration of Social Media: godaddy.com (Facebook Connection)
- Integration of Online and Store Inventory: godaddy.com (Continuously Tracks Inventory)
- Ability to Create Coupons, Send E-mail Blasts, and Blogging: godaddy.com (Coupon Codes)
- SEO: go daddy.com

Godaddy.com is essentially a one stop shop for our eCommerce site development and hosting.

Through them we will be able to set up the site for all eCommerce needs as well as digital marketing needs. They also offer 24/7 support for help and they guarantee no outages for a small site. They are currently offering the first month free which will save us one month of website costs.

Costs

Domain (.com): \$11.99

Email Marketing: \$9.99/mo

Hosting: \$29.99/mo

SEO: \$6.99/mo

Buying and Shipping Methods

One employee, preferably an associate except for in extenuating circumstances, will handle picking and packing merchandise to be shipped to our customers via FedEx daily.

Additional website and development costs are included in the costs already associated with the website.

Marketing Plan

Industry Profile

The beauty industry is always attracting new customers. According to the Global Cosmetic Industry magazine, the beauty industry was one of the fastest growing in 2017 (Jensen, 2018). Current trends in the industry encourage consumers to do their own hair, makeup, and skin care. With this, beauty supply stores need to be prepared and carry items that customer will need to complete their looks. According to Richard Kestenbaum of Forbes magazine, half of the beauty growth is online and the other half is in physical stores (Kestenbaum, 2018). Women are also exploring new products and finding new brands because younger consumers are rejecting large brands and seeking natural alternatives (Kestenbaum, 2018). With technology customers are able to do their research about a product online and they can also shop for cheaper pricing. With this, our store will have to do our own research and shop the market to ensure that our pricing competes with other physical locations as well as online retailers.

Market Economic Factors

The beauty retail market is currently a \$56 billion market (Danziger, 2018). There are about 75,750 beauty supply stores in the United States (ibisworld). During the recession, while not as strong, the beauty supply industry was still able to experience growth (ibisworld).

Market Analysis

The primary target market will be college students living in the immediate Old Dominion area. These students will be between 17 and 26 years old earning \$5,000 or more each year. Females are our target customer; however, we will still offer items that appeal to men. Most of our customers would work hourly paying jobs because of school and homework. Our customer will participate in school activities and be active in nightlife. These students will believe that their looks are a part of their impression on others. The store will be along Monarch Way so that the beauty supply will be accessible to students living on and off campus. Students will make up about 85% of the market because of the location in proximity to campus; however, the beauty supply store will still attract other people living in the Lambert's Point area.

There are no specialized beauty supply stores in close proximity to Old Dominion University, so students do not have easy access to their beauty needs. Having a beauty supply in the area will help students save travel time and be able to have access to products that are not easily located in this area. The mission of this store is to provide students to access to beauty products. Due to this mission, we would like to expand into markets where beauty specialty stores are out of reach for students, especially at colleges in rural areas.

Market Needs

Monarch Way does not have a retailer that specializes in all hair and skincare needs. However, CVS is nearby and their store does carry major brands in hair and skincare; however, they do not carry many small and natural brands that appeal to youth customers. The small brands that young customers are attracted to are not readily available in this area and the places that would carry such merchandise is, unfortunately, not in close proximity to Old Dominion.

Customer Profile

The current student population at Old Dominion University is made up of 55% women (Usnews). Within a one mile radius of the Magic Beauty location, there are about 20,000 people between the ages of 15 and 24 (Nusbaum). This equates to 48% of the total population. According to the demographic and income profile provided, the median income is \$41,000 where the majority of the population is college students.

Future Markets

The ultimate goal for Magic Beauty is to stay up-to-date with the current trends in the marketplace and hone in on what the customer's desires are. The flow of merchandise will be consistent with an excess amount of merchandise for peak periods only. As agreed upon in the lease, the store will remain at the Monarch Way location for three years and expand when possible even if it requires relocating to another location along Monarch Way. Future product lines that may be added include: women's accessories and full lace wigs.

Competitive Analysis

	High Fashion	G&S Beauty Supply	CVS
Quality	Medium to low with emphasis on medium.	Medium to low with emphasis on medium	High to medium with a significance on high quality and high priced items.
Price	Pricing ranges from mid- to low-prices. This maintains the affordable brand image.	Mostly mid- to low-prices to keep prices in an affordable range.	Mostly higher price points because products are organic.
Unique Merchandise	Large range of products to cover a multitude of consumer needs. Places emphasis on hair extensions.	Large range of products in anticipation of customers' needs. All brands are not well known which helps to keep prices low.	Carries product lines from established and emerging popular brands. Newer products usually come from smaller businesses which is the reason behind the higher prices.

Merchandise Distribution	Does not offer e-commerce sales. No special orders.	Does not offer e-commerce sales. No special orders.	Offers e-commerce sales for extended reach.
Marketing/ Advertising	Relies on word of mouth advertising. Utilizes Facebook to reach customers online.	Solely relies on word of mouth with no e-Commerce reach.	Weekly flyers are sent out to customers. Offers customers a loyalty program. Offers sales on some beauty brands.
Geographic Location (from Hampton Blvd)	<ul style="list-style-type: none"> • 2.2 miles • 8-9 minute drive • 22 minute transit • 35-36 minute walk 	<ul style="list-style-type: none"> • 1.5 miles • 7-9 minute drive • 14-22 minute transit • 22-25 minute walk 	<ul style="list-style-type: none"> • 0.7 miles • 4-5 minute drive • 11-14 minute transit • 15 minute walk

Competitive Advantage

The competitive advantage is that more small and natural product brands are offered in closer proximity to the campus which makes access to students' favorite products more accessible and safer to obtain. The smaller brands and natural products, themselves, are also a competitive advantage. Lots of the popular small brands can only be ordered online or are only sold in certain locations.

Pricing

Price List

Retail prices with range from \$3.99 for concealer tubes to \$329 for virgin hair bundle deals.

Pricing Strategies

Pricing cannot be too expensive because students do not have a large amount of discretionary income but the business still has to set pricing in order to generate a profit. Pricing will be completed at an introductory 300% markup and depend upon sales to determine if this is the correct mark-up percentage then it will remain at that set mark-up percentage and only decrease if the initial prices are deemed as unfair by our customers. Customers will only be able to make returns of unopened merchandise within 7 days and exchanges within 14 days. Exchange must meet or exceed the purchase price. Receipts must be present both returns and exchanges.

Market Penetration

Our customers use social media heavily, so this will be our main means of reaching our customers to build word-of-mouth around our business. We will also have our first publicity event being the grand opening and follow the grand opening with publicity events for our anniversary each year. We will also participate in on campus events to build word-of-mouth among students and ultimately increase our market share. Direct mail will be sent to all ODU Rent properties and to dormitories on campus. Included in direct mail will be coupons and the sales for the upcoming week. Billboards along Hampton Boulevard and Colley Avenue will also

be used to reach commuter students and residents who are passing through the area as well.

To evaluate these marketing efforts, we will count the coupons used based on the coupon code used and assign a different code to off campus residents, on campus residents, and use word of mouth for the billboard. We will also ask how the customer found out about us by encouraging them to complete a survey on their receipt for an additional discount on their next purchase.

Grand Opening Strategy

Prior to the grand opening on January 4th, Magic Beauty will hand out flyers during move in day and send direct mail to all customers within a 3 miles radius. We will also utilize social media to promote the grand opening with a countdown across all platforms and a giveaway to whichever one of our followers spreads our grand opening the most based on likes or shares. We will send out a mass email to all of our customers who have made purchases online encouraging them to come and visit us if they are in the area.

On the day of the grand opening, we will have local news and radio stations to do live broadcasts from the store and also sponsor on air giveaway and to promote the grand opening to have more customer come to visit.

Evaluating Marketing Efforts

To evaluate marketing efforts, we will assign coupon codes to each of the different coupons so that we will be able to track which form of promotion works best so that we will continue to use that specified method. We will also utilize receipts surveys to ask customers about how they heard about us, their experience in the store, whether they will return, and whether they will recommend us to a friend.

Financial Plan

Sales Forecast

February: \$ 21,055

August: \$ 31,513

March: \$19,445

September: \$31,560

April: \$33,745

October: \$36,539

May: \$36,205

November: \$ 22,470

June: \$20,205

December: \$ 17,993

July: \$14,545

January: \$15,050

Cash Requirements

Magic Beauty is requesting the loan amount of \$120,000 and a line of credit for \$15,000. The loan amount will be used to pay for opening inventory and start-up costs to open Magic Beauty.

Inventory

Magic Beauty will have a stock inventory of \$50,000 and maintain an average stock level of \$72,000 with an exception to higher traffic periods. Vendors will be paid cash on delivery for the start-up and until a business credit ratings is developed. Once a business credit rating is developed Magic Beauty will negotiate payment terms with vendors.

Taxes/Licenses

The business license and other legal filings have 150 set aside and 4.5% on property tax assets which is equivalent to \$1,031. Real estate taxes do not need to be included because the property is leased.

Cash on Hand

Principal will inject \$10,000 to be used toward start-up business loans and the line of credit.

Loan

A loan will be needed for start-up expenses. For the purpose of projection, the loan is calculated with an interest rate of 7% for 60 months. The loan will be used for these start-up costs:

Security Deposits:

Rent - \$3,500

Telephone - \$300

Utilities - \$600

Insurance - \$650

Other - \$500

Professional Fees:

Accounting - \$300

Consulting - \$200

Legal - \$500

Legal Filings - \$150

Marketing:

Advertising (Preopening) - \$5,000

PR and Promotions - \$7,500

Printing - \$500

Capital Expenditures:

Computer Equipment - \$1,500

Signage - \$ 2,750

Fixtures - \$20,000

Leasehold Improvements - \$10,000

Opening Stock Inventory:

Stock Inventory - \$50,000

Revolving Line of Credit

A revolving line of credit for \$15,000 has been requested to purchase inventory and cover any other costs that may occur when there is not cash on hand. For projection purposes, the interest rate is 3% and will be paid monthly.

Advertising

Advertising will be done regularly through social media, billboards, and other online mediums. Advertising will increase during August through October and April through May for students returning to school and graduation.

Accounting and Legal

Professional fees of \$170 per months will be set aside in an account to be used when needed. Legal services will be enlisted on an as needed basis.

Insurance

Insurance includes general liability and hazard and will cost \$250 per month or \$3,000 per year

Bank Charges

Bank charges are \$60 per month and based on a \$2,500 minimum daily balance and a maximum of 150 transactions at Towne Bank. Once \$150 transactions is exceeded, Magic Beauty will be charged \$0.50 per occurrence.

Break-Even Analysis

The break-even profit based on sales for Year 1, including start-up expenses, is \$270,627.

Financial Assumptions for Magic Beauty

Start-Up Cost Assumptions

The owners' equity injection is \$10,000. The funds will be transferred from the owner's savings and investment accounts.

A small business loan of \$120,000 will be amortized over 60 months with a maximum interest rate of 10-percent is being request to assist in start-up costs.

Security deposit includes: rent, \$3,500; telephone, \$300; utilities, \$600; and insurance deposits, \$650. \$500 will be set aside should any other deposits be necessary before opening.

Other start-up expenditures that will be expensed are: accounting fees, \$300; consulting fees, \$200; legal fees, \$500; and \$150 for legal filings. \$1,500 will be set aside for employee training expenses as well.

Marketing expenses totaling \$13,000 will be used for pre-opening advertising and promotions as well as printing costs.

Magic Beauty will purchase stock of \$50,000 to open the store and maintain an average stock level of \$72,000, not including peak periods such as: April, May, August, and October.

Capital Expenditures include: computer and point-of-sale equipment, \$1,500; signage, \$2,750; fixtures, \$20,000; and leasehold improvements, \$10,000.

Sales Assumptions

The business will track five profit areas: hair, hair care and styling, skin care, cosmetics, and hair tools.

Slow selling merchandise will be marked down on an as needed basis. Markdowns will only be on roughly 15-to-20 percent of merchandise in stock.

The merchandising calendar will run from February to July and August to January, which is standard in the retail industry.

A \$15,000 credit line will be needed to have as cash-on-hand and cover operating expenses when needed.

Operating Expense Assumptions

The business will spend varying amounts on advertising depending on peak and non-peak periods. Additional monies will be allocated on an as needed basis.

Towne Bank's Value Classic best meets our needs. A \$15 monthly maintenance fee is required for balances under \$2,500. While we expect to meet the balance requirement monthly, this account only allows for 150 transactions monthly and \$0.50 for each transaction after that so \$60 will be set aside for those instances.

Insurance includes casualty and liability insurance to protect the bank's assets in the event of fire, wind, water, and vandalism.

The marketing and promotion expense will be used to purchase print signs and flyers when needed.

Meals and entertainment will be set aside for the quarterly employee meetings.

Miscellaneous funds will be set aside and used only on an as needed basis for emergencies.

Wages are based on paying sales associates \$8 per hour, the shift leader \$10 per hour, the assistant manager a salary of \$24,960 yearly, and the store manager a salary of \$28,800 yearly.

Professional fees will be used on an as needed basis for legal and accounting fees.

Rent is \$3,136 per monthly under a triple-net lease for three years with the choice to renew and move if another space is available. The business is also responsible for maintenance costs, insurance, and property tax on the leased space.

The ring security system will cost \$15 monthly for monitoring costs.

Shipping and delivery costs include: packaging materials and pick-up costs.

The telephone includes two land lines and internet services.

Travel expenses will cover the owner's market trips in July and August.

Training and development costs are only used for the quarterly employee meetings.

Utilities include electric, water, and trash.

Projected Financial Statements

CASH FLOW STATEMENT - Projected														
Magic Beauty														
2019	Month													
	Pre-Start-Up	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Cash In														
Cash Sales		22,768	21,080	35,092	37,801	21,242	15,528	33,092	32,856	38,261	24,802	19,118	16,180	317,820
Equity Received	50,000	3,000	-	-	-	1,500	-	-	2,500	-	-	-	-	60,000
Loans Received	120,000	5,000	300	4,500	3,500	250	1,500	3,000	1,000	4,500	200	200	200	144,150
Other Cash In (receipts from other assets)														-
Other Cash In (interest, royalties, and so on)														-
Total Cash In	170,000	30,768	21,380	39,592	41,301	22,992	17,028	36,092	36,356	42,761	25,002	19,318	19,380	521,970
Total Cash Available	170,000	94,818	89,998	100,749	109,170	104,572	100,813	105,607	110,895	121,694	118,325	115,933	115,817	586,020
Cash Out														
Stock Expenditures	50,000	2,105	9,971	8,867	3,059	1,650	10,885	6,417	10,948	2,073	2,680	1,886	3,772	114,311
Stock/Merchandise (cash)														
Stock/Merchandise (paid on account)														
Operating Expenses														
Advertising	5,000	1,700	1,470	3,000	3,200	1,575	1,200	2,800	3,000	3,200	1,800	1,400	1,200	30,545
Bank Charges		60	60	60	60	60	60	60	60	60	60	60	60	720
Dues and Subscriptions		580	535	928	996	556	408	867	876	1,013	645	495	415	8,314
Fixtures and Visuals		150	150	200	200	150	120	200	200	200	150	130	100	1,950
Insurance		250	250	250	250	250	250	250	250	250	250	250	250	3,000
Licenses and Fees	150	-	-	-	-	-	-	-	-	-	-	-	150	300
Marketing and Promotion	8,000	50	50	50	50	50	200	50	50	50	50	50	200	8,900
Meals and Entertainment		50	50	50	50	50	200	50	50	50	50	50	200	900
Miscellaneous	-	200	200	200	200	200	200	200	200	200	200	200	200	2,400
Office Supplies	500	150	150	150	150	150	150	150	150	150	150	150	150	2,300
Payroll Expenses														
Selling Salaries and Wages	3,600	2,800	2,800	2,800	3,300	3,000	2,800	2,800	3,300	2,800	3,300	2,800	2,800	36,100
Nonselling Salaries and Wages	3,280	3,280	3,280	3,280	3,280	3,280	3,280	3,280	3,280	3,280	3,280	3,280	3,280	39,360
Payroll Taxes	688	608	608	608	658	628	608	608	658	608	658	608	608	7,546
Benefits		-	-	-	-	-	-	-	-	-	-	-	-	-
Professional Fees	1,000	170	170	170	170	170	170	170	170	170	170	170	170	3,040
Property Taxes		3,136	3,136	3,136	3,136	3,136	3,136	3,136	3,136	3,136	3,136	3,136	3,136	37,632
Rent		500	500	500	500	500	500	500	500	500	500	500	500	6,000
Repairs and Maintenance		15	15	15	15	15	15	15	15	15	15	15	15	180
Security System		300	300	300	300	300	300	300	300	300	300	300	300	3,600
Shipping and Delivery		80	80	80	80	80	80	80	80	80	80	80	80	960
Telephone		200	-	-	-	100	-	200	-	200	-	-	-	700
Training and Development	1,500	200	-	-	100	-	-	200	-	-	200	-	-	2,200
Travel		-	-	-	-	-	1,500	1,500	-	-	-	-	-	3,000
Utilities		300	300	300	300	300	300	300	300	300	300	300	300	3,600
Web Hosting/Maintenance		60	60	60	60	60	60	60	60	60	60	60	60	720
Property Tax		-	1,031	-	-	-	-	-	-	-	-	-	-	1,031
Other		-	-	-	-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-	-	-	-
Nonoperating Costs														
Capital Purchases	34,250													34,250
Estimated Income Tax Payments		700	690	680	670	661	651	640	633	620	610	600	589	7,745
Interest Payments		6,676.14	1,985.92	6,195.76	5,205.65	1,965.60	3,225.61	4,735.67	1,745.80	7,255.98	1,866.22	1,976.53	2,086.89	44,922
Loan Principal Payments		1,000	1,000	1,000	1,500	2,000	1,000	1,500	2,000	2,000	1,000	1,000	1,000	16,000
Owner's Draw														5,550
Other Cash Out	5,550													
Total Cash Out	105,950	26,200	28,842	32,880	27,590	20,786	31,298	31,069	31,962	28,371	21,710	19,496	21,622	427,776
Monthly Cash Flow (cash in - cash out)														
Beginning Cash Balance	64,050	4,568	(7,461)	6,713	13,711	2,205	(14,270)	5,023	4,395	14,390	3,292	(178)	(2,242)	94,195
Ending Cash Balance	64,050	68,618	61,157	67,869	81,580	83,785	69,516	74,538	78,933	93,323	96,615	96,437	94,195	94,195

INCOME STATEMENT - Year End Projected		
Magic Beauty		2012
	\$	Yr 1
Net Sales Less Merchandise Discounts and Returns		317,820
Cost of Goods Sold		69,519
Gross Income		248,302
		-
Operating Expenses		-
Advertising		30,545
Bank Charges		720
Depreciation		5,750
Dues and Subscriptions		8,314
Fixtures and Visuals		1,950
Insurance		3,000
Licenses and Fees		300
Marketing and Promotion		8,900
Meals and Entertainment		900
Miscellaneous		2,400
Office Supplies		2,300
Payroll Expenses		-
Selling Salaries and Wages		36,100
Nonselling Salaries and Wages		39,360
Payroll Taxes		7,546
Benefits		-
Professional Fees		3,040
Property Taxes		37,632
Rent		6,000
Repairs and Maintenance		180
Security System		3,600
Shipping and Delivery		960
Telephone		700
Travel		3,000
Utilities		3,600
Web Hosting/Maintenance		720
Property Tax		1,031
Other		-
Other		-
Other		-
Total Operating Expenses	\$	210,748
		-
Income from Operations	\$	37,554
		-
Interest Expense		7,745
Other Income (interest, royalties, and so on)		-
		-
Income before Taxes	\$	29,809
Income Taxes (C corporation)		-
Net Income	\$	29,809

BALANCE SHEET - Year End - Projected				
Magic Beauty			2019	
\$				
Assets				
	Current Assets			
		Cash and Equivalents		94,195
		Net Accounts Receivable		
		Stock/Inventory		11,864
		Security Deposits		5,550
		Other Short-Term Assets		
Total Current Assets				111,609
	Long-Term Assets			
		Capital Assets		34,250
		Less: Accumulated Depreciation		(5,750)
		Other Noncurrent Assets		
Total Noncurrent Assets				28,500
Total Assets				140,109
Liabilities				
	Current Liabilities			
		Accounts Payable		
		Line of Credit		-
		Other Current Liabilities		
Total Current Liabilities				-
	Long-Term Liabilities			
		Loans		99,228.24
		Mortgages		
		Other Noncurrent Liabilities		
Total Noncurrent Liabilities				99,228
Total Liabilities				99,228
Equity				
	Equity Investments			60,000
	Retained Earnings			29,809
	Less: Owner's and Investor's Draws			(16,000)
Total Equity				73,809
Total Liabilities and Equity				173,037

RATIO ANALYSIS					
Magic Beauty					2019
				1	
Profitability Ratios					
	Gross Margin	Gross Income		78%	
		Net Sales			
	Operating Margin	Operating Income		12%	
		Net Sales			
	Net Margin	Net Income		9%	
		Net Sales			
	Return on Assets (ROA)	Net Income		21%	
		Total Assets			
	Return on Equity (ROE)	Net Income		40%	
		Total Equity			
Liquidity Ratios					
	Current Ratio	Total Current Assets		#DIV/0!	
		Total Current Liabilities			
	Quick Ratio	Current Assets - Inventory		#DIV/0!	
		Current Liabilities			
Risk Ratios					
	Debt Ratio	Total Liabilities		0.71	
		Total Assets			
	Debt to Equity	Total Liabilities		1.34	
		Total Equity			
Efficiency Ratios					
	Inventory Turnover	Total Sales		5.22	
		Average Stock at Retail			
	Average Stock	Planned Sales for Period			
		Turnover Rate			
	Investment Turnover Ratio	Net Sales		2.27	
		Total Assets			
	Stock-to-Sales Ratio	Retail Stock at Given Time in the Period			
		Sales for the Period			
Break-Even Analysis				\$ 279,666	
		Fixed Cost			
		Gross Margin Percentage			
Gross Margin Percentage				0.781264327	
		(1 minus) Cost of Goods Sold			
		Net Sales			

Company Budgets

Budget meetings will be held with the accountant every quarter. The owner will oversee cash flow on a monthly basis. Budgetary issues will be discussed on a quarterly basis with the accountant.

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Retail Operations Plan

Reporting Policies

Sales **associates** will report to the manager on duty, who will report to the owner or store manager. Incidents that occur within the store should be recorded on a Store Incident Report Form which will be located in the store office. The Store Incident Report Form should be completed and turned in to the manager on duty before the end of the shift the incident occurred on.

Employee Training Program

During training, all team members will learn about their roles and the associated expectations. Sales associates will learn about how to provide excellent customer service and how to operate the point-of-sale system. In addition, sales associates will also learn how to handle high stress situations, such as shoplifting, robbery, or fire. All team members will also undergo shipping and receiving training which will include: best practices for processing, steps to processing an incoming shipment, and how to pick and package outgoing merchandise for eCommerce. The shift leader will learn about motivating employees, maintaining an exceptional store experience, and associate coaching techniques. The assistant manager will learn how to pull inventory reports in addition to the tasks associated with the shift leader's role.

Prior to opening, the managers will be trained first to set the tone for the team and to build a strong and working system to introduce to the new sales associates. The new sales associates will be trained during an employee training day where sales associates will be

trained in groups of 2 by each manager and come together to discuss what was learned during their breakout sessions as well as to get acquainted with their teammates.

Training will be completed on an as needed basis and as new employees are hired, they will be trained on the job on an individual basis with their manager on duty. New associates will preferably be trained on a day when there is two manager coverage, if availability permits this timeframe.

Employee Development

Magic Beauty will allow customers to complete a survey to rate the level of service that they received during their shopping trip. The results of the survey will allow the manager to train their associates on areas that were misses weekly. Unofficial meetings will be held weekly at the beginning of each associate's shift for that week. In these meetings managers will discuss the results of the prior weeks' surveys and behaviors that could improve the results for the next week of surveys. Sales training meetings will be held quarterly to discuss new products being added and their features. These meetings will provide the product knowledge needed to make sales while the weekly unofficial meetings will help to improve selling behaviors on a week-by-week basis. During the quarterly official meetings, light refreshments will be served, but this cost will be taken from the training budget.

Employee Philosophy

Magic Beauty operates under the philosophy that all employees are responsible for making the customer happy. However, Magic Beauty also believes that in order to make customers happy, management must make employees happy too. To establish a happy environment, management must provide an open and safe avenue for employees to communicate their grievances and satisfactions. Management must also create a time and space to show appreciation to their employees for outstanding performance. Without motivated employees, Magic Beauty cannot be successful.

Staffing Levels

At all times, there will be at least one manager on duty. The store will be staffed by at least two persons scheduled for sales floor coverage and one morning shift for processing new arrivals and packaging online orders.

Hours/Days of Operation

Magic Beauty will be open seven days a week from 10:00AM to 9:00PM. These hours are somewhat shorter than surrounding businesses as they are open later. These hours will still give our customers enough time to shop before, in between, or after class.

Inventory Control

Physical Inventory will be counted twice a year: once at the end of January and once at the beginning of August. The opening manager on duty will verify that actual shipment counts match the counts on the invoices and note the date received. Once verified, the shipping and receiving associate will price the goods before placing them on the sales floor.

Security Systems

All shipments being received must be checked in and counted by a manager before being priced by the receiving associate. The associate should complete a recount and sign off on the manager's count. The count should All associate purchases must be completed by a manager at the end of their shift or on an off day. No purchases will be allowed before or during an employees' scheduled shift. Managers must make their purchases before the other scheduled manager leaves for the day. Manager purchases must be locked in a locker with the manager's personal items. All associate personal items need to be locked in a locker for the duration of their shift. Prior to exiting the store, all employee bags must be checked to reduce the risk of internal theft. All bagged merchandise will be tagged with sensors to reduce external theft. All employees will be trained on how to handle situations involving theft or robbery. The closing manager must set the alarm prior to exiting the store. The closing manager and associate must exit the store at the same time.

Documentation

All orders must be verified by a manager and the verification form must be completed after the item count. All verification forms must be double signed by the manager and associate who completed the count. Bank deposits should be double counted by two managers and a deposit form and slip should be completed by the two managers. One of these managers need to be the owner, who will also take the deposit to the bank mid-day with the opening associate on Mondays and Fridays.

Planning Chart/Product Availability

It is the management team's responsibility to make sure all merchandise is received and counted before opening. Market trips in July will guarantee that the sales floor will be fully stocked for the store opening in January. This will also give Magic Beauty enough time to order any additional merchandise that may be needed prior to the store opening. Two market trips will be completed each year to ensure a consistent flow of merchandise throughout the year.

References

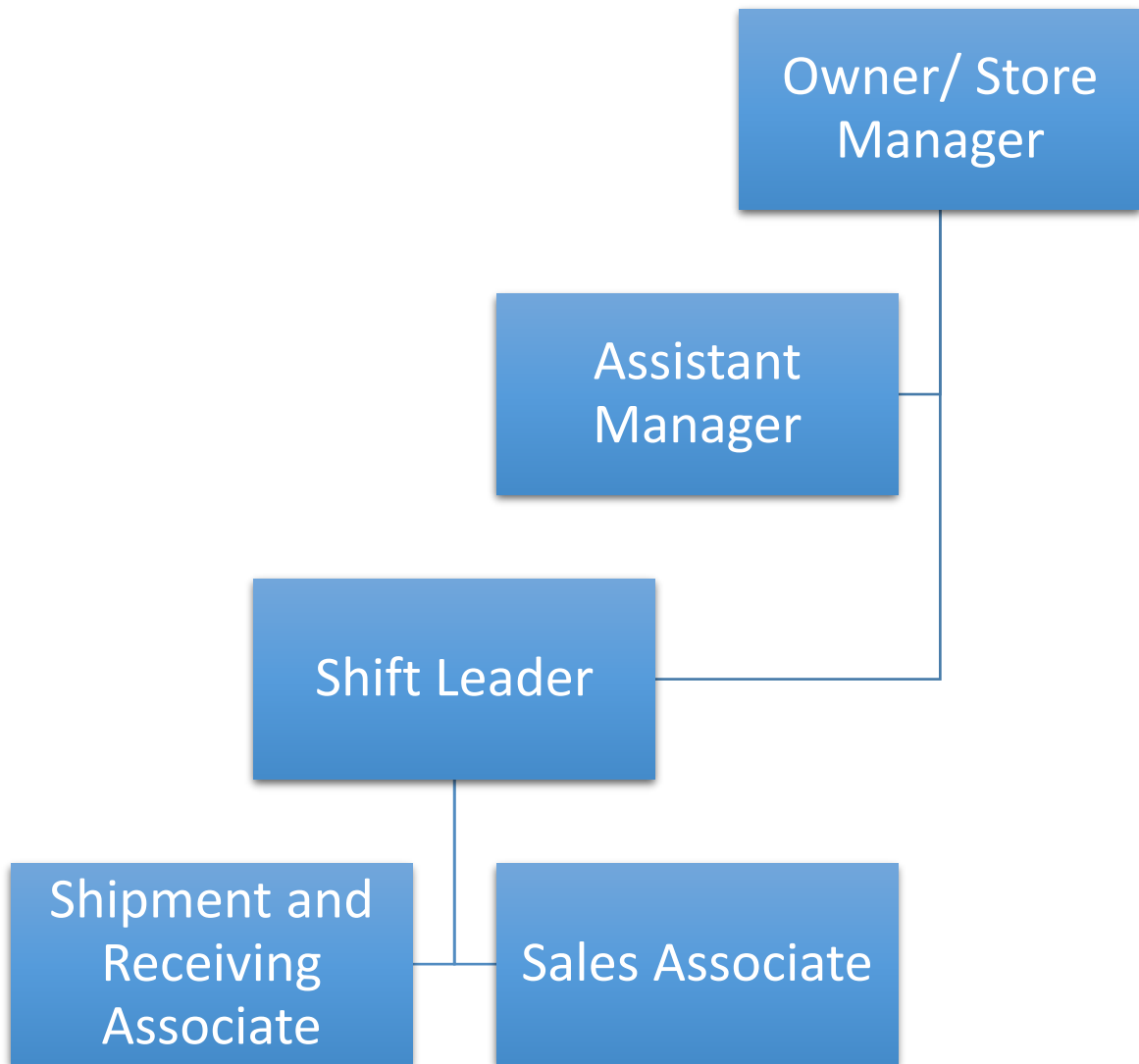
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Appendices

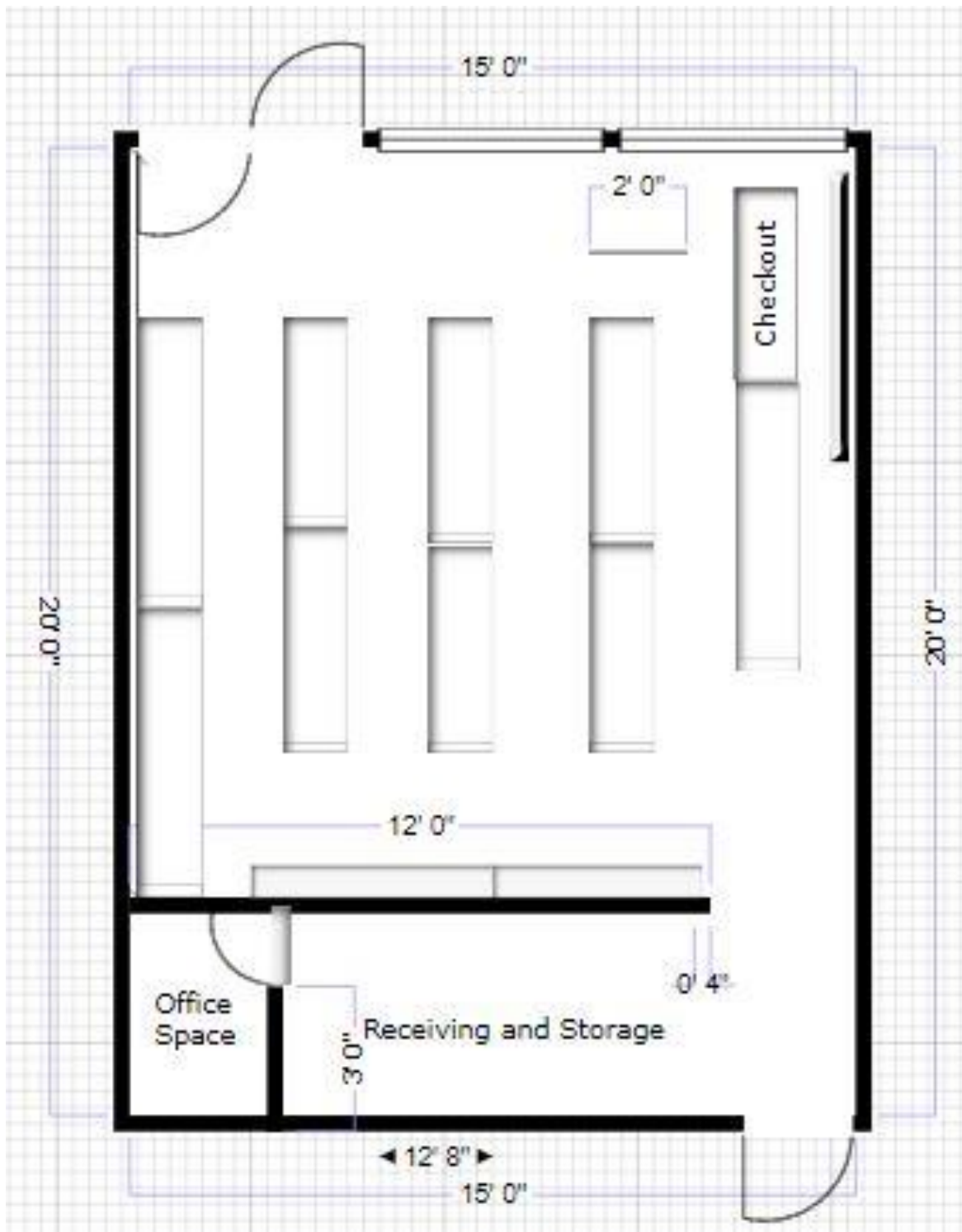
Appendix A: Magic Beauty Logo



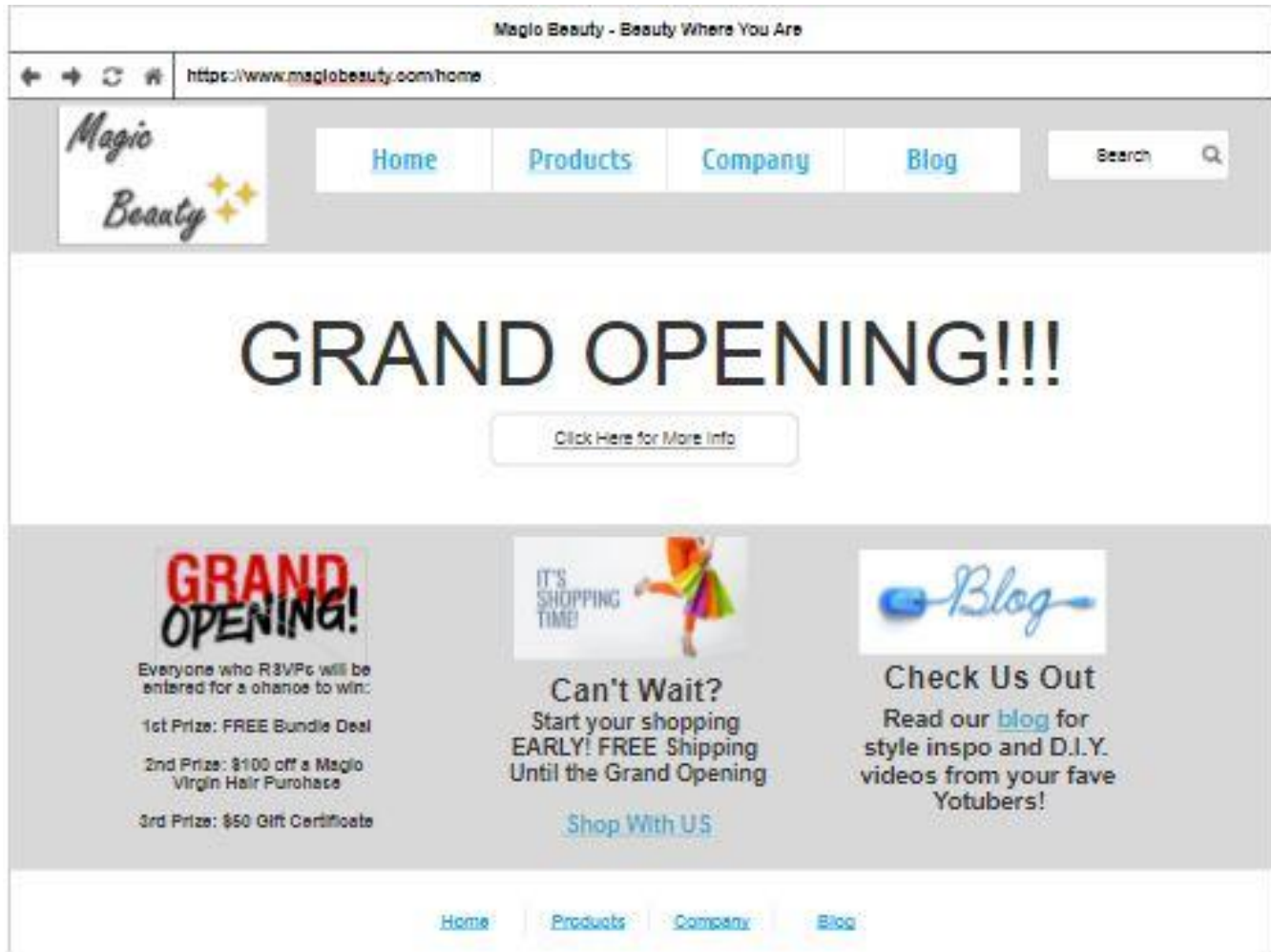
Appendix B: Organizational Chart



Appendix C: Store Layout Diagram



Appendix D: Website Snapshot



Appendix E: Shipment Verification Form

SHIPMENT VERIFICATION FORM

Carrier: _____

Received: _____

Bill of Lading #: _____

Ordered: _____

Order #: _____

Shipper: _____

Item #	Description	Quantity	Weight
	Total:		

Terms: _____

Condition Upon Receipt: _____

Carrier Signature: _____

Print Name: _____

Manager Signature: _____

Print Name: _____

Associate Signature: _____

Print Name: _____