Flourish Boutique

A Retail Business Plan

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EXECUTIVE SUMMARY

Flourish is a contemporary women's apparel and accessories boutique that will open in downtown Knoxville, Tennessee. The idea for the business was initially generated in order to fill a void in the current market. Flourish will provide the young, female consumer with a combination of products and services that is unlike anything offered thus far. The goal of the business is to deliver a unique yet stylish collection of apparel and accessories that changes frequently, personal service, a friendly and relaxed atmosphere, and prices that won't break the bank**.**

The name, Flourish, was chosen because it implies a sense of vitality and expression, and these are two ideas that could easily be used to describe the business' target customer. The Flourish customer enjoys fashion and seeks apparel and accessories that are trendy, yet still allow her to stand out a little from the crowd. She seeks an informal, unstuffy shopping environment but expects attentive associates. All of these things are what Flourish will provide.

Although still young, the Flourish owner and manager already has substantial retail experience and will apply her work and educational knowledge to effectively run the business as a sole proprietorship. The store's location in Market Square will help it to capitalize on the growing downtown Central Business Improvement District and heavy area foot traffic.

Using market-based sales forecasting, Flourish is expected to break even within the first year of operations. Net Income from Year 1 is estimated at around $30,000.00 and should grow to over $48,000.00 by the end of Year 3. Although the retail industry has been in a decline due to the economic recession, consumer confidence has recently begun to rise. This fact, along with the assertion that the store will fill a gap in the current market ensures that Flourish will live up to its name and continue to exhibit growth well beyond the third year.

BUSINESS DESCRIPTION AND VISION

COMPANY OVERVIEW

The purpose of this business plan is to fill a noticeable void in the Knoxville women's apparel market. The proposed boutique, Flourish, will combine elements of existing stores in order to meet the market's needs in the best way possible. Up until this point, the female Knoxville shopper has been forced to undergo a constant evaluation of benefits and sacrifices. Her retail options are as follows:

1. The Mall- Here, she can find predictable quality and basic service backed by national brand names. Knoxville mall stores, specifically, offer all of this at reasonable prices; however, because of mass production, the mall shopper will find it nearly impossible to maintain a unique style.
2. "Upscale" Boutiques- The upscale boutique shopper enjoys unbeatable quality, personal service, and one of a kind looks set to a chic, aesthetically pleasing atmosphere. This luxury shopping experience comes at a luxury price, though. Most Knoxville boutiques reviewed that follow this description price dresses, for example, at upwards of $300 to even $500. Some shoppers also find the atmosphere in certain upscale boutiques to be a little "stuffy," and in the worst cases even intimidating.
3. All Other Boutiques- In the remaining brick-and-mortar apparel retailers, prices are more reasonable and the female shopper is at least not forced to succumb to the standardization of mass production. However, she IS still forced to make some sacrifices. As prices fall, quality begins to become more questionable, sales associates become less attentive, and product variety begins to dwindle as all of this season's halter tops begin to look the same.
4. Online Shopping- With the wealth of online offerings, it is almost guaranteed that the female shopper can find what she is looking for at a price she can afford. However, she will have to give up the reassurances of fitting rooms and personal contact while adding on shipping fees.

The opening of Flourish will introduce option five, providing the customer with the best of the best. The key elements to success will include: a unique yet stylish collection of apparel and accessories that changes frequently, personal service, a friendly and relaxed atmosphere, and prices that won't break the bank.

MISSION STATEMENT

Flourish will be a leader in the Knoxville retail sector by offering customers unique and stylish women's apparel and accessories at affordable prices. The store will provide a relaxed and easy-going atmosphere in which to shop, and its patrons will enjoy top-notch customer service and benefits.

VISION STATEMENT

Flourish will provide all the necessary products and services to outfit the young, Knoxville female in styles that make her feel confident and unique. This will be achieved first through the setup of brick-and-mortar establishment and later through the addition of an online store.

VALUES STATEMENT

Flourish is committed to the following values:

- Maintaining the utmost level of integrity in all customer and vendor transactions.
- Educating customers about recent fashion trends and how to properly style their purchases.

And most importantly…

- Meeting customer needs and wants at all times.

GOALS and OBJECTIVES

	Goal	**Objective**
Product/ Service	• Stock apparel and accessories for women that cannot easily be found elsewhere.	• Source from apparel markets that are not standard for local boutiques (i.e. the Las Vegas market instead of Atlanta or Dallas markets).
	• Deliver exceptional customer service at all times.	• Hire associates that are enthusiastic, love fashion, and have great interpersonal skills.
	• Be not only a source for fashion purchases, but be a source for fashion knowledge as well.	• Ensure that all employees are well-versed in the latest trends and styles through ongoing training. • Offer an array of customized style news to customers.
Performance	• Break even within the first year of operations.	• Achieve sales of at least 300,000 in Year 1 in order to cover all expenses.
	• Experience growth of 15% after the first year, and 5% growth after Years 2 and 3.	• Properly re-invest a percentage of net income to ensure future expansion.
	• Achieve profit margins of 15% by the end of Year 5.	• Closely monitor expenses and the Cost of Goods Sold at all times.

ORGANIZATION and STRUCTURE

Flourish will be organized as a Sole Proprietorship due to the ease of organization and simplicity of structure. The business will be primarily owned and managed by Casey O'Rourke. The following licenses and permits will be required:

- Knoxville Class II Business License
- Tennessee state tax ID number
- Tennessee sales tax license
- Federal Employer ID number

BUSINESS LOCATION

Flourish will be located in downtown Knoxville, specifically in Market Square. This decision has been made based on economic factors of the area and on the notion that the downtown community is well aligned with the image that Flourish would like to portray.

Many retail establishments in the area are local, not chain locations, and offer unique products and services.

Market Square consists of over thirty businesses grouped around a central mall with benches, fountains, and a stage. The area covers about two acres, and the Square is often home to concerts, festivals, and special events. A major downside of Market Square is that it is not easily visible from any major downtown roads, so the businesses there rely heavily on foot traffic. [1]

Market Square is part of Knoxville's Central Business Improvement District (CBID), which is a 0.67 square mile area of downtown that features a high concentration of businesses, shops, and restaurants. Due to its commercial nature, this small area is only home to around 1,700 residents. However, by encompassing the area that lies just ten minutes out from the CBID, that residential count increases to 163,809 (which is almost the entire city population). Furthermore, the CBID benefits from a large number of employees, over 22,000, that work downtown every day. Flourish's location in Market Square will allow access to the many benefits that the CBID has to offer, some of which include possible property tax incentives and minimum charges for plans review and permitting. [2]

See Appendix F for more information on location.

MARKET ANALYSIS and FORECAST

INDUSTRY OVERVIEW

Flourish will operate in the retail industry, and more specifically in the Women's Apparel Industry, which represents a business worth well over $40 billion nationwide. The demand for women's apparel is fairly volatile and relies heavily on discretionary income levels, seasonal changes, and fashion trends. Based on 2008 figures, the average women's apparel retailer achieved operating profits of 4.2% of revenue, before tax; however, this number varies based on the three industry forces listed above. [3]

The barriers to entry in the Apparel Retail Industry are relatively low; setting up a single, independent retail establishment does not require much capital. The industry is "moderately concentrated,"[4] and there is substantial room for small start-ups. Consumer switching costs are low. People are generally more loyal to a certain designer rather than to a certain store. The threat of substitutes is also low; the only other options in addition to retail purchases are for consumers to buy clothes directly from the manufacturer or to make them themselves. [4]

MACROENVIRONMENTAL ANALYSIS

The factor that has recently had the largest impact on the retail industry has been the economic recession that began in 2008. The slow growth of the economy has led to a reduction in consumer confidence and spending. Since the success of retail businesses depends directly on consumer spending, the industry has suffered a major blow. Retailers have been forced to slash prices (especially during the 2008 holiday shopping season), cut jobs, and even close their doors. The recession initially only affected low and middle class consumers, but as it has progressed, it has trickled upwards to affect upper class

[1] City of Knoxville, www.ci.knoxville.tn.us, 2009
[2] Downtown Knoxville, www.downtownknoxville.com
[3] IBISWorld Industry Report, "Women's Clothing Stores in the U.S.," Jan. 27, 2009
[4] Datamonitor Industry Profile, "Apparel Retail in the United States," Sept. 2008

consumers as well. As a result, even luxury retailers such as Saks Fifth Avenue are feeling the squeeze. The recession is predicted to continue well into 2009, and some even say that things will get worse before they get better. In response, many consumers are simply "trading down." Neiman Marcus shoppers are shifting their focus to the more affordable Nordstrom, and discount retailers like T.J. Maxx and consignment stores have gained popularity in recent months[5].

Technology advancements affect all business industries, and retail is no exception. Almost all retail chains and even many smaller boutiques have moved on from handwritten tags and receipts and simple cash registers. They now use barcodes, scanners, and computers at checkouts. Although the initial investments for these technologies may be substantial, the resulting savings of time and money are usually worth the costs. Larger retails, such as Nordstrom, now use advanced Customer Relationship Management software. These systems capture and track customer information at the point of sale, which gives salespeople and store management the ability to better analyze customer demand.

Another technological trend affecting this industry is the increasing popularity of e-commerce, or online retailing. Selling merchandise via the Internet often allows retailers to reach a much larger market than traditional brick-and-mortar establishments. Virtual stores also save money on real estate expenses, HR/ employee compensation, and other operating costs. Most significantly, amidst the current economic recession, many retailers' online businesses thrived while their traditional stores incurred losses[6].

All of these macroenvironmental factors will certainly have an impact on Flourish. First of all, opening a retail store in such difficult and uncertain economic times will prove to be very challenging. However, in this environment, the fact that Flourish will offer apparel and accessories at very competitive prices will certainly be an advantage. Hopefully, Flourish will be able to capture some of the Knoxville consumers who have traded down from shopping at higher-end boutiques. In regards to technology, Flourish must stay up-to-date. Some sort of Customer Relationship Management system will be necessary to properly profile Flourish shoppers. This may increase startup costs, but it should pay off later in the form of improved efficiencies. Finally, the focus of this plan will remain on the brick-and-mortar Flourish establishment; however, a major goal of the business is to open an online store after the name has been properly established in the Knoxville market. The introduction of an online store will help Flourish capture a segment of the growing e-commerce market.

COMPETITOR ANALYSIS

Due to Knoxville's size, there are relatively few stores that will be in direct competition with Flourish. Some of these competitors include the following: Bliss, Obligato, Bella Boutique, Elle Boutique, Francesca's, and Serendippity. With the exception of Francesca's (which is a chain), all of these stores are local boutiques that cater to a similar demographic as Flourish. The following chart lists a few of these competitors, citing their strengths and weaknesses relative to Flourish. To evaluate pricing, a rough estimate of an average dress price at each establishment (obtained through personal research) is listed. Although the measurement is somewhat subjective, considering Flourish's target

[5] Jayne O'Donnell, "Discount Retailers Benefit From Recessionary Shoppers," *Reuters,* Feb. 27, 2008
[6] Laura Kennedy, "Retailers Find Silver Lining in E-Commerce," *Kiplinger's Business Resource Center*, Feb. 26, 2008

consumer, prices less than $100 are considered “reasonable” and prices more than $100 are considered “high.”

Competitor	Strengths	Weaknesses
Bliss	• Unique apparel, accessories, gifts, and home décor • Reasonably priced (Average dress price = $80)	• Gifts and home décor comprise over half of the inventory, so apparel selection is limited
Elle Boutique	• Trendy clothing that is otherwise hard to find in Knoxville • Personal service	• Higher prices (Average dress price = $250)
Francesca's	• Trendy apparel, accessories, and gifts • Inventory changes updated frequently • Very affordable (Average dress price = $50) • Also have an online store	• National chain, so pieces aren't as unique • Inconsistent quality
Serendippity	• Up-to-date clothing, shoes, and accessories that strongly reflect celebrity fashions • Affordable (Average dress price = $60)	• Small, cramped store that is difficult to navigate • Associates can be inattentive • Styles can be seen as TOO trendy and lacking uniqueness

Considering the information from this chart, there are no currently existing Knoxville retailers that are exactly like Flourish. Flourish will offer a larger apparel and accessories selection than Bliss, more affordable prices than Elle Boutique, more unique pieces than Francesca's, and a better layout and friendlier associates than Serendippity.

Flourish will also compete with innumerable online retailers. Many of these retailers will offer some of the same product brands as Flourish, and they may even offer them at lower prices. However, Flourish's advantage is that customers will actually be able to see, touch, and try on the merchandise before making a purchase decision. They will also be able to work with a sales associate one-on-one and avoid shipping costs and added fees.

TARGET MARKET IDENTIFICATION

The geographics, demographics, psychographics, and behavioral aspects of the Flourish customer are as follows:

Geo/ Demographics

- Resides in Knoxville, TN
- 16-35 year-old female
- High school/ college student or young professional
- Income > or = $50,000

Psychographics

- Highly social
- Watches Bravo, E!, and Style
- Music interests drift outside the recent Top 40
- Reads *Vogue*, *Lucky*, and *InStyle*
- Finds excitement in trying new things
- Highly reliant on technology (Cell-phone, laptop, etc.)

Buying Patterns

- Shopping is viewed as a past-time
- Spends around $1,000/ year on clothes
- Keeps up with the latest trends, but does not wear them head-to-toe
- Seeks unique yet versatile pieces
- Closet reflects a balance of quality and quantity

CUSTOMER PROFILE

The target customer for Flourish is a 16-35 year-old female. When she is not shopping, the Flourish customer is either a student or young professional. As a student, her income is minimal and as a young professional she has not yet worked long enough to establish a significant net worth, so in both cases she is budget conscious. That being said, the Flourish customer is not afraid to splurge every once in a while on a great pair of jeans or some fabulous heels. Usually, she shops around for deals, but impeccable service could be the push to convert her to a loyal customer.

The Flourish customer dreams of one day owning looks by high-end designers such as Dior and Moschino. She follows a wealth of mid-range designers, too, like Marc by Marc Jacobs and See by Chloe, but she can only begin to seriously consider their merchandise once it is heavily marked down. She scours the Internet and fashion magazines for styling ideas and inspiration, and she prides herself in making affordable apparel appear as if it actually cost her a month's pay. She is not afraid to branch out to do so, be it through eBay, thrift stores, or vintage shops.

For the Flourish customer, shopping is a social past time that she often enjoys with her girlfriends on the weekends. They will take their time to browse and try things on, and while they are well-versed in fashion they still appreciate the opinions and approval of salespeople. Due to the social nature of the Flourish customer, she enjoys fashion-related events. Fashion shows, sample sales, and designer preview events could easily fit in to her social calendar.

MARKET-BASED SALES FORECAST

As of 2003, the total Knoxville population that lived within ten minutes of the Central Business Improvement District (the area in which Flourish will be located) was 163,809.[2] Adjusting for an average Knoxville population growth rate of 4.4% would bring that number in 2009 to 212,096.[7] The following figures illustrate the steps taken to determine the total target market.

• Total population 10 minutes from CBID (2009)[2]	212,096
• Percentage of female Knoxville population[8]	51.9%
• Total females 10 minutes from CBID	110,078
• Percentage of Knoxville population aged 16-35[8]	34.8%
• Total females, 16-35 10 minutes from CBID	38,300
• Estimated percentage falling into target market	50%
• Total target market	19,150

From the advisory of a former women's apparel boutique owner, it was determined that of the 19,150 target customers, only about half will even enter the store in the first year due to low awareness.[9] This number is represented below as the "total captured market." Furthermore, average retail conversion rates usually fall between 20% and 40%;[10] it is assumed that the conversion rate for Flourish will be on the lower end of this spectrum due to the high amount of pedestrian traffic in Market Square. This is similar to the environment of traditional shopping malls- many customers are just browsing or killing time instead of really buying.

• Total target market	19,150
• Total captured market (Year 1)	9,575
• Estimated conversion rate[10]	25%
• Total paying customers per year	2,394
• Market share (Year 1)	12.5%

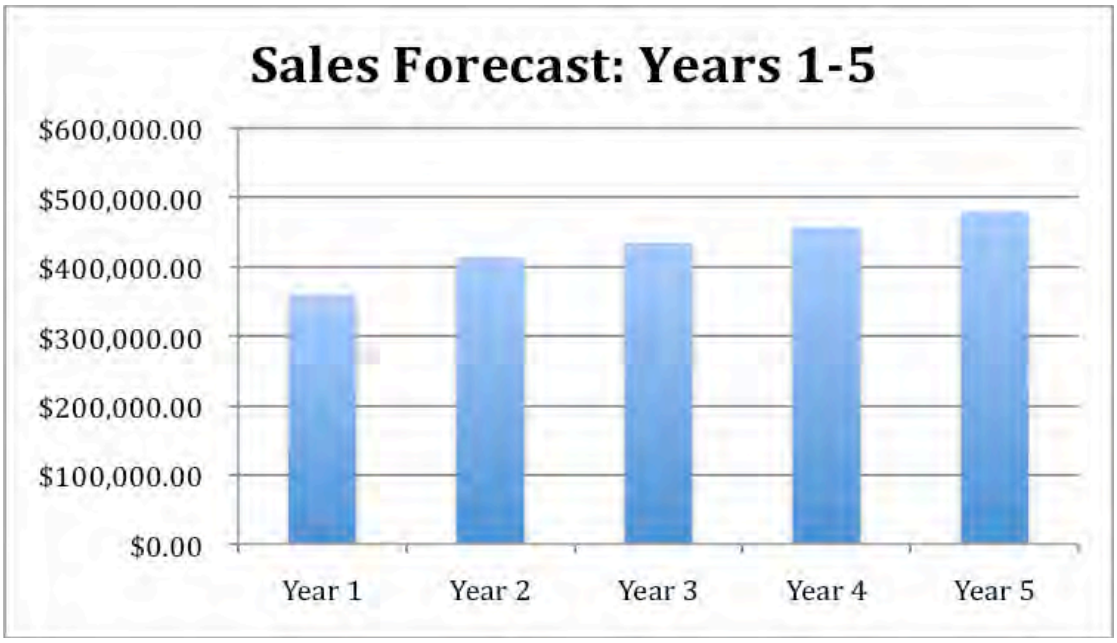
The final group of 2,394, rounded to an even 2,400, can be broken down further into three groups, which are described in the chart below: infrequent shoppers, moderately frequent shoppers, and loyal shoppers. The average consumer makes a total of twenty-two shopping trips per year for apparel and spends about $918 annually.[11]

[7] Knoxville Neighborhood Profile, realestate.yahoo.com, Yahoo! Real Estate, 2009
[8] Knoxville City Fact Sheet, factfinder.census.gov, U.S. Census Bureau, 2007
[9] Shari Baldinger, Personal Interview, April 29, 2009
[10] Amanda Ferrante, "Retailers Counting on Conversion Analysis to Drive Store Metrics," *Retail TouchPoints*, March 7, 2008
[11] "Global Consumer Apparel Shopping Trends," *Cotton Incorporated*, 2006

Category	Buying Frequency	% of Market	Total # of Customers	Average Transaction	Yearly Customer Revenue	Yearly Segment Revenue
Loyal Shoppers	Once/twice per month	5.00%	120	$50.00	$900.00	$108,000.00
Moderately Frequent Shoppers	Several times per year (4-12)	15.00%	360	$50.00	$300.00	$108,000.00
Infrequent Shoppers	A few times per year	80.00%	1,920	$50.00	$75.00	$144,000.00
TOTAL REVENUES - YEAR 1						$360,000.00

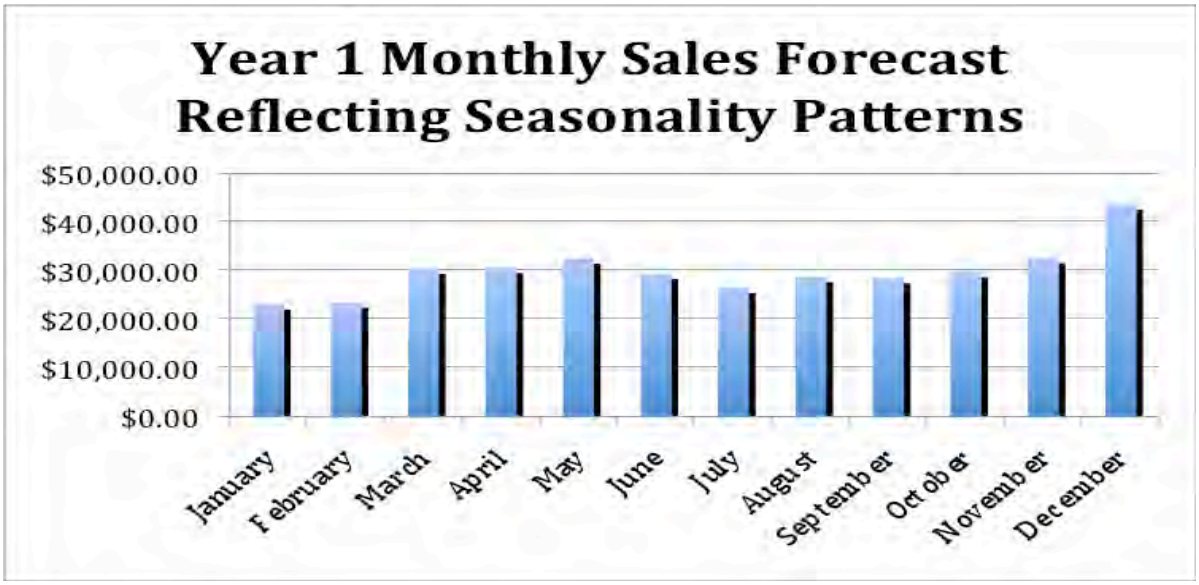
Assuming that Flourish is able to achieve its growth goals, sales for the first five years will result as follows:

	Year 1	Year 2	Year 3	Year 4	Year 5
Growth	15.00%	5.00%	5.00%	2.50%	2.50%
Sales	$360,000.00	$414,000.00	$434,700.00	$456,435.00	$479,257.00



A second chart is provided below to give a more detailed look into Flourish's sales for Year 1. The total forecast is broken up by month and reflects the seasonality of women's clothing stores.[12]

[12] "Monthly Retail and Food Services: Sales and Inventories" U.S. Census Bureau, 2007



MARKETING PLAN

PRODUCTS/ SERVICES

Flourish will sell ready-to-wear casual, contemporary apparel and accessories for women. Many of the brands to be sold will be selected at apparel markets, but some possibilities include the following:

- Kensie
- Dogeared
- James Jeans
- Haven
- Pepper
- Scout by Bungalow
- MM Couture
- Mink Pink

An effort will be made to showcase local talent as well, especially in the area of jewelry and accessories.

In addition to great products, Flourish will also offer a variety of services. The Flourish website will launch in accordance with the store's grand opening and will include important store information and fashion-related content. There will be a Style Blog section, which will be written by the store owner and will feature updates on the latest trends and how to wear them (of course, highlighting Flourish's merchandise). The website will also inform visitors on the latest happenings and deals at Flourish. Later on, a section for online shopping will be added. This addition will be planned as soon as Flourish has established a substantial market presence and the financial and environmental conditions are right.

The next service that Flourish will provide will take place with its employees. The sales associates will actually be thought more as "Stylists" who provide personal shopping services. These services will be more heavily concentrated in Flourish's older target market since younger females tend to shop in larger groups and rely more heavily on the opinions of friends. However, this fashion knowledge can still be a valuable tool for suggestive selling.

In regards to the product/service mix, Flourish services (website news, Stylists, etc.) will fulfill the value of "Educating customers about recent fashion trends and how to properly style their purchases." Most importantly, both products and services will always be tailored to fulfill the value of "Meeting customer needs and wants at all times" (see VALUES STATEMENT).

PLACE

Products will be sourced from retail wholesalers at apparel markets in the United States. In order to provide a unique product assortment, apparel markets will be chosen that are not standard for local boutiques. Many local boutiques source from the Atlanta and Dallas markets for proximity reasons, so Flourish apparel and accessories will be sourced from places like Las Vegas.

Flourish will be located in Market Square (see BUSINESS LOCATION) in a ground level space that encompasses 2,232 square feet. The products will be neatly merchandised, allowing for plenty of room to move freely about the store.

See Appendix F for more information on location.

PRICE

In 2008, the average gross margin for women's apparel stores was 44.3%.[13] Based on the fact that Flourish is somewhat of a specialty retailer with unique products and services, the gross margin goal will be set at 50%. Therefore, products in the store will retail for double the wholesale price. With the exception of just a few items (i.e. premium denim and special occasion dresses), price points at Flourish will remain below $100.

PROMOTION/ ADVERTISING

The following section will describe promotional and advertising methods that will be used to educate the target market about Flourish. Although many of the selected methods are free, a list of proposed costs is included at the end of the section.

The initial goal of Flourish promotions will simply be to create awareness. Therefore, the business will be heavily reliant on word-of-mouth for the first year or so. Part of the job of Flourish associates will be to tell all of their friends and family about the store. Another major asset that will be used for promotion is the use of social networking sites like Facebook, MySpace, and Twitter. These free websites are all used frequently by members of the Flourish target market and are great ways to keep customers updated on new products, store events, etc.

The store website will also help educate potential customers about Flourish. At first, the website will be purely informational, including things like location, directions, hours, brands, and fashion-related content like the StyleBlog. An e-commerce portion of the site will be added once it is determined that the Flourish name has been well-established in the market, probably soon after the first year of operation. Once this is set up, search engine optimization will be used to help market the online store.

Public relations will also play a pivotal role in the marketing mix since it is both free and highly credible. The owner will send press releases about Flourish's grand opening to area newspapers and magazines like the Knoxville News Sentinel, the Daily Beacon, the MetroPulse, and Skirt!. This will be done in the hopes that the newspapers will publish articles about the introduction of Flourish in their print or online editions. Another free and easy way to promote the Flourish name will be through store listings on Knoxville tourism and informational websites. Some of these websites include the Knoxville city website- www.ci.knoxville.tn.us, the Market Square website- www.knoxvillemarketsquare.com, knoxville.org, and the downtown Knoxville website- www.downtownknoxville.com. It is also necessary that Flourish is listed in the Knoxville Visitor's Guide, which is distributed through the Knoxville Visitor Center and area hotels and attractions to thousands of

[13] "Benchmarks: Women's Apparel Stores," *Retail Owners Institute*, 2008

visitors each year. Usually, ensuring the inclusion of Flourish on these lists will be as simple as sending out a notification.

In addition to free P.R. in local newspapers and magazines, paid advertising will also be used. The selected channels for advertisements include the following: the Daily Beacon, the MetroPulse, and Skirt! Magazine. Readerships for these publications are 34,800;[14] 92,500;[15] and 30,000,[16] respectively. These advertisements will be most heavily concentrated around the time of the Flourish Grand Opening and other events.

Members of the Flourish target market are highly social and take fashion seriously. Therefore, special in-store events will be held that merge these two aspects, while at the same time generating positive word-of-mouth and producing sales. Ideas for such events include Sample Sales, Runway Shows, and Fashion Previews. Sample Sales will more than likely be held with local designers and will allow them to showcase their wares at slightly discounted prices. Runway Shows would allow customers to get a first glimpse at the next season's looks, modeled by Flourish associates. Finally, Fashion Preview events would be reserved as a benefit for Flourish's most loyal customers. During these previews, pictures of the items ordered at market would be on display before the actual garments arrive. Loyal customers would have the first pick, and could reserve their favorite styles on the spot. These events have the potential to generate a great deal of awareness, and yet they would be relatively inexpensive to hold. Costs would include event promotions and minor extras like refreshments.

Finally, unique and attractive store displays will be an essential promotional tool for attracting passersby. The windows will be rotated out frequently as new shipments arrive, and they will display the merchandise in the most appealing way possible. The prior retail experience of the owner has given her the expertise to create such displays herself. Minor costs will be incurred through the purchase of display accessories.

Annual Marketing Costs	
• Newspaper and magazine ads	$3,000.00
• In-store events	$1,000.00
• Display accessories	$250.00

MANAGEMENT SUMMARY

OWNER/ MANAGER

Although just a recent college graduate, the owner of Flourish, Casey O'Rourke, already has almost six years of retail experience. Since the age of sixteen, Casey has worked for a Memphis boutique, J.Crew, and Banana Republic. She also held a Retail Management Internship with Nordstrom, during which she learned everything there is to know about running a retail establishment. This experience has allowed Casey to gain substantial knowledge that is particularly relevant to opening her own clothing and accessories store. She has an understanding of the following areas: merchandising, loss prevention, management, shipment/replenishment, and most importantly- customer service.

[14] *The Daily Beacon*, dailybeacon.utk.edu, 2009
[15] *Metro Pulse*, www.metropulse.com, 2009
[16] *Skirt!* Magazine, www.skirt.com, 2009

Most of the necessary skills that Casey did not learn from her work experience, she gained from her schooling. With a B.S. of Business Administration in Marketing and International Business, Casey has had exposure to finance, accounting, information technology, strategy development/ implementation, product/service management, and of course, marketing. Casey fully understands that the "consumer is boss," and she hopes to drive her business with that mantra.

PERSONNEL

In addition to the store manager, one assistant manager will be hired as an hourly employee to be present when Casey is unavailable. Around five sales associates will be hired; the exact number will vary depending on their availabilities. More than likely, many of the associates will be college students, so scheduling will need to be somewhat flexible. The idea is that one manager or assistant manager will be present in the store during business hours, along with one associate. Personnel coverage would vary slightly according to the seasonality of the business (for example, more than one associate would be needed during the holiday shopping season).

The assistant manager will be paid at a rate of approximately $15.00/ hour (this may change, depending on experience). All associates will be paid $8.00/hr, and both employee groups will be paid a 5% commission on sales of at least $50. This base pay + commission structure was developed to eliminate the competitive nature of purely commission-based sales, while still providing motivation to generate positive results. The minimum $50 amount was set to encourage all associates to "upsell." Although their minimum amount is set at $150, J.Crew uses a similar commission structure, and it is particularly effective.

Prior to the store's grand opening, two training sessions of four hours each will be held for all managers and associates. Two additional four hour training sessions will be held just for the assistant manager. After the store's opening, training will be ongoing. After-hours meetings will be held to educate associates on new brands, products, and policies as needed. Employees will be paid their hourly base pay with no commission for all training sessions.

Personnel Expenses					
Position	**Hours per week**	**Pay Rate**	**Number of positions**	**Total Weekly Cost**	**Total Monthly Cost**
Assistant Manager	25	$15.00	1	$375.00	$1,500.00
Sales Associates	15	$8.00	5	$600.00	$2,400.00
Total Monthly Personnel Expense					$3,900.00

Commission Expenses			
Time Period	**Commissioned Sales**	**Commission Percent**	**Commission Paid**
Year 1	$216,000.00	5%	$10,800.00
Year 2	$248,400.00	5%	$12,420.00
Year 3	$260,820.00	5%	$13,041.00

CONSULTANTS

Some of the initial services required for the set-up of the business will have to be outsourced to consultants; the Flourish employees will not have all of the necessary skills to perform these tasks. The following consultants will be used, and their estimated costs can be found at the end of the section.

• Accounting: A licensed CPA will be hired to assist with the preparation of tax returns and financial statements, and to help manage the "books" on as-needed basis. The CPA's firm will also be used to process payroll.
• Legal: An attorney will be hired initially to assist in the legal formation of the business. After the formation is complete, the attorney may help with any other legal issues that may arise during the course of business.
• Web Design: Flourish's initial website will launch in accordance with the store's Grand Opening and will feature location, directions, hours, brands, and fashion-related content like the StyleBlog (see PRODUCTS/SERVICES). After the first design, the owner will update the website, as she has some previous experience with site maintenance.
• Interior Design: Before any merchandise ever arrives, the rented commercial space in Market Square must be designed to appeal to target customers. An interior designer will be hired to help turn this space into Flourish.

Estimated Consulting Costs

• Accounting (annually)	$2,500.00
• Legal (first year)	$1,000.00
• Web Design (one-time fee)	$1,000.00
• Interior Design (one-time fee)	$2,000.00

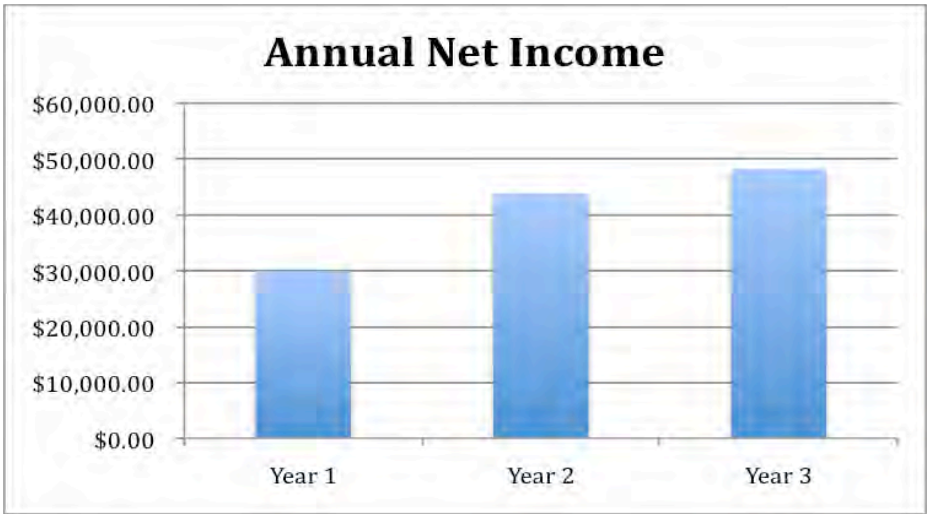
FINANCIAL PLAN

STARTUP FUNDING

Startup expenses for Flourish have been estimated at $39,993.00. Startup assets including initial cash required, startup inventory, and long-term assets have been estimated at $41,500.00. This brings the total funding required to $81,493.00. A portion of the planned investment will be covered through a 10-year, $50,000 Small Business Association Loan, with interest at 8%. Total starting capital at the beginning of Year 1 will be -$8,500.00. Detailed charts of startup requirements and funding may be found in Appendix A.

INCOME STATEMENT

Based on the assumption that Flourish will achieve the forecasted sales of $360,000.00 by the end of Year 1, Net Income will reach $29,860.00 at that time. Growth rates of 15% in Year 2 and 5% in Year 3 will result in respective sales of $414,000.000 and $434,700.000 and in respective Net Incomes of $43,830.00 and $48,237.00. The complete Pro Forma Income Statement may be found in Appendix B. A monthly Pro Forma Income Statement is also provided in Appendix C.



BALANCE SHEET

Over the first three years, Flourish's total assets increase from $45,305.00 to $90,754.00 because of increases in inventory levels and cash balances. Over that same period, total liabilities decrease from $42,720.00 to $28,160.00 because of a deduction in notes payable. The complete Pro Forma Balance Sheet may be found in Appendix D.

CASH FLOWS

Over the course of the first business year, cash flows will increase from -$8,500 from startup costs to an ending cash balance of around $2,400.00. While this amount is certainly not a large sum of cash to have on hand, the ending cash balance for Year 3 is expected to grow to over $49,000.00. The complete Pro Forma Cash Flows may be found in Appendix E.

BREAK-EVEN ANALYSIS

The chart below depicts monthly profits and losses for the first year of operations; however, it does not take into account the starting negative balance incurred from startup costs. The chart shows that Flourish will break even after January. If one takes into account the negative balance from startup of $8,500, then the business will actually break even after May. This period would show a gain of $365.66.



APPENDIX A

FLOURISH BOUTIQUE	
Startup Requirements	
Startup Expenses	
Advertising and Promotions	$1,800.00
Building Rental Deposit	$2,790.00
Commissions	$0.00
Consulting Services	$6,500.00
Dues and Subscriptions	$300.00
Leasehold Improvements	$20,000.00
Licenses and Permits	$100.00
Miscellaneous	$1,000.00
Office and Store Supplies	$800.00
Payroll Taxes	$78.00
Prepaid Insurance	$1,000.00
Rent for Pd. of Improvements	$2,790.00
Security System	$250.00
Signage	$500.00
Travel	$1,000.00
Utilities Deposit	$525.00
Wages	$560.00
Total Startup Expenses	$39,993.00
Startup Assets	
Cash Required	$500.00
Startup Inventory	$28,000.00
Other Current Assets	$0.00
Long-term Assets	
Furniture and Fixtures	$6,000.00
Office Equipment	$1,500.00
POS Equipment	$5,500.00
Total LT Assets	$13,000.00
Total Assets	$41,500.00
Total Requirements	$81,493.00

FLOURISH BOUTIQUE	
Startup Funding	
Startup Expenses to Fund	$39,993.00
Startup Assets to Fund	$41,500.00
Total Funding Required	$81,493.00
Assets	
Non-Cash Assets from Startup	$41,000.00
Cash Requirements from Startup	$500.00
Additional Cash Raised	$0.00
Cash Balance on Starting Date	$500.00
Total Assets	$41,500.00
Liabilities and Capital	
Liabilities	
Current Borrowing	$0.00
Long-Term Liabilites	$50,000.00
Accounts Payable	$0.00
Other Current Liabilities	$0.00
Total Liabilities	$50,000.00
Capital	
Planned Investment	
Owner Injection	$31,493.00
Investor	$0.00
Other	$0.00
Additional Investment Required	$0.00
Total Planned Investment	$31,493.00
Loss at Startup (Startup Expenses)	($39,993.00)
Total Capital	($8,500.00)
Total Capital and Liabilities	$41,500.00
Total Funding	$81,493.00

APPENDIX B

FLOURISH BOUTIQUE				
Pro Forma Income Statement				
		Year 1	Year 2	Year 3
Gross Revenue				
	Sales	$360,000.00	$414,000.00	$434,700.00
Cost of Sales				
	Cost of Goods Sold	$180,000.00	$207,000.00	$217,350.00
Gross Profit		$180,000.00	$207,000.00	$217,350.00
Operating Expenses				
	Advertising	$4,250.00	$3,750.00	$3,750.00
	Amortization (SBA Loan)	$3,403.00	$3,685.00	$3,991.00
	Bad Debts	$0.00	$0.00	$0.00
	Bank Fees	$300.00	$300.00	$300.00
	Consultants	$3,000.00	$3,000.00	$3,000.00
	Credit Card Fees	$620.00	$700.00	$750.00
	Dues and Subscriptions	$300.00	$300.00	$300.00
	Insurance	$1,000.00	$1,000.00	$1,000.00
	Maintenance	$1,000.00	$1,000.00	$1,000.00
	Miscellaneous	$5,000.00	$5,000.00	$5,000.00
	Payroll (Wages and Commissions)	$57,600.00	$59,220.00	$59,840.00
	Payroll Taxes	$8,000.00	$8,200.00	$8,300.00
	Postage	$500.00	$500.00	$500.00
	Rent	$33,480.00	$33,480.00	$33,480.00
	Supplies	$4,000.00	$4,000.00	$4,000.00
	Telephone and Internet Service	$2,460.00	$2,460.00	$2,460.00
	Travel	$4,000.00	$4,000.00	$4,000.00
	Utilities	$3,000.00	$3,000.00	$3,000.00
	Security	$400.00	$400.00	$400.00
Total Operating Expenses		$132,313.00	$133,995.00	$135,071.00
	Depreciation	$1,100.00	$3,300.00	$5,500.00
Net Operating Income		$46,587.00	$69,705.00	$76,779.00
	Investment Income	$0.00	$0.00	$0.00
	Interest Expenses	$3,877.00	$3,595.00	$3,288.00
Net Income Before Taxes		$42,710.00	$66,110.00	$73,491.00
	Taxes	$12,849.63	$22,279.83	$25,254.12
Net Income (Loss)		$29,860.37	$43,830.17	$48,236.88

Flourish Boutique

Pro Forma Income Statement: Year 1

Gross Revenue		Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec
	Sales	$23,142.41	$23,534.66	$30,496.99	$30,666.37	$32,565.19	$29,453.98	$26,574.55	$28,812.12	$28,553.60	$29,810.56	$32,672.16	$43,717.41
Cost of Sales													
	Cost of Goods Sold	$11,571.21	$11,767.33	$15,248.50	$15,333.18	$16,282.59	$14,726.99	$13,287.27	$14,406.06	$14,276.80	$14,905.28	$16,336.08	$21,858.70
Gross Profit		$11,571.21	$11,767.33	$15,248.50	$15,333.18	$16,282.59	$14,726.99	$13,287.27	$14,406.06	$14,276.80	$14,905.28	$16,336.08	$21,858.70
Operating Expenses													
	Advertising	$354.17	$354.17	$354.17	$354.17	$354.17	$354.17	$354.17	$354.17	$354.17	$354.17	$354.17	$354.17
	Amortization (SBA Loan)	$273.30	$275.13	$276.96	$278.81	$280.67	$282.58	$284.42	$286.32	$288.23	$290.15	$292.08	$294.03
	Bad Debts	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Bank Fees	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00
	Consultants	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00
	Credit Card Fees	$51.67	$51.67	$51.67	$51.67	$51.67	$51.67	$51.67	$51.67	$51.67	$51.67	$51.67	$51.67
	Dues and Subscriptions	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00	$25.00
	Insurance	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34
	Maintenance	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34	$83.34
	Miscellaneous	$416.67	$416.67	$416.67	$416.67	$416.67	$416.67	$416.67	$416.67	$416.67	$416.67	$416.67	$416.67
	Payroll (Wages and Commissions)	$4,800.00	$4,800.00	$4,800.00	$4,800.00	$4,800.00	$4,800.00	$4,800.00	$4,800.00	$4,800.00	$4,800.00	$4,800.00	$4,800.00
	Payroll Taxes	$666.67	$666.67	$666.67	$666.67	$666.67	$666.67	$666.67	$666.67	$666.67	$666.67	$666.67	$666.67
	Postage	$41.67	$41.67	$41.67	$41.67	$41.67	$41.67	$41.67	$41.67	$41.67	$41.67	$41.67	$41.67
	Rent	$2,790.00	$2,790.00	$2,790.00	$2,790.00	$2,790.00	$2,790.00	$2,790.00	$2,790.00	$2,790.00	$2,790.00	$2,790.00	$2,790.00
	Supplies	$333.34	$333.34	$333.34	$333.34	$333.34	$333.34	$333.34	$333.34	$333.34	$333.34	$333.34	$333.34
	Telephone and Internet Service	$205.00	$205.00	$205.00	$205.00	$205.00	$205.00	$205.00	$205.00	$205.00	$205.00	$205.00	$205.00
	Travel	$1,000.00	$0.00	$1,000.00	$0.00	$0.00	$0.00	$0.00	$1,000.00	$0.00	$1,000.00	$0.00	$0.00
	Utilities	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00	$250.00
	Security	$33.34	$33.34	$33.34	$33.34	$33.34	$33.34	$33.34	$33.34	$33.34	$33.34	$33.34	$33.34
Total Operating Expenses		$11,682.51	$10,684.34	$11,686.17	$10,688.02	$10,689.88	$10,691.79	$10,693.63	$11,695.53	$10,697.44	$11,699.36	$10,701.29	$10,703.24
	Depreciation	$91.67	$91.67	$91.67	$91.67	$91.67	$91.67	$91.67	$91.67	$91.67	$91.67	$91.67	$91.67
Net Operating Income		($202.97)	$991.32	$3,470.66	$4,553.49	$5,501.04	$3,943.53	$2,501.97	$2,618.86	$3,487.69	$3,114.25	$5,543.12	$11,063.79
	Investment Income	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
	Interest Expenses	$333.33	$331.51	$329.68	$327.83	$325.97	$324.10	$322.22	$320.32	$318.41	$316.49	$314.56	$312.61
Net Income Before Taxes		($536.30)	$659.81	$3,140.98	$4,225.66	$5,175.07	$3,619.43	$2,179.75	$2,298.54	$3,169.28	$2,797.76	$5,228.56	$10,751.18
	Taxes	($160.89)	$197.94	$942.29	$1,267.70	$1,552.52	$1,085.83	$653.93	$689.56	$950.78	$839.33	$1,568.57	$3,225.35
Net Income (Loss)		($375.41)	$461.87	$2,198.68	$2,957.97	$3,622.55	$2,533.60	$1,525.83	$1,608.98	$2,218.50	$1,958.43	$3,659.99	$7,525.83

APPENDIX D

FLOURISH BOUTIQUE				
Pro Forma Balance Sheet				
		Year 1	Year 2	Year 3
		Assets		
Current Assets				
	Cash	$2,404.82	$23,984.78	$49,253.72
	Accounts Receivable	$0.00	$0.00	$0.00
	Inventory	$30,000.00	$32,000.00	$33,000.00
	Prepaid Expenses	$1,000.00	$1,000.00	$1,000.00
	Total Current Assets	$33,404.82	$56,984.78	$83,253.72
Fixed Assets				
	Furniture and Fixtures	$6,000.00	$6,000.00	$6,000.00
	Equipment	$7,000.00	$7,000.00	$7,000.00
	Accumulated Depreciation	$1,100.00	$3,300.00	$5,500.00
	Total Fixed Assets	$11,900.00	$9,700.00	$7,500.00
Total Assets		$45,304.82	$66,684.78	$90,753.72
		Liabilities and Capital		
Current Liabilities				
	Accounts Payable	$0.00	$0.00	$0.00
	Short-Term Loan Payable	$7,280.00	$7,280.00	$7,280.00
	Total Current Liabilities	$7,280.00	$7,280.00	$7,280.00
Long-Term Liabilities				
	Long-Term Notes Payable	$42,720.00	$35,440.00	$28,160.00
	Mortgage Payable	$0.00	$0.00	$0.00
	Total Long-Term Liabilities	$42,720.00	$35,440.00	$28,160.00
Capital				
	Paid-In Capital	$31,493.00	$31,493.00	$31,493.00
	Retained Earnings	($36,188.18)	($7,528.22)	$23,820.72
	Total Capital	($4,695.18)	$23,964.78	$55,313.72
Total Liabilites and Capital		$45,304.82	$66,684.78	$90,753.72

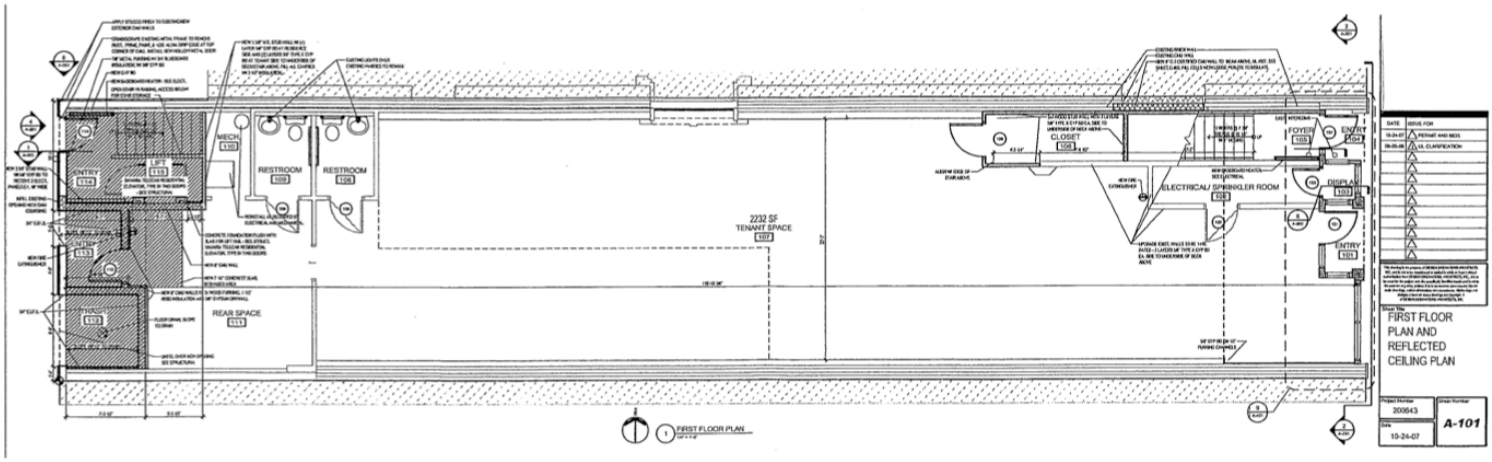
APPENDIX E

FLOURISH BOUTIQUE				
Pro Forma Cash Flows				
		Year 1	Year 2	Year 3
Beginning Cash Balance		($8,500.00)	$2,404.82	$23,984.78
Cash Inflows				
	Accts. Rec. Collections	$0.00	$0.00	$0.00
	Loan Proceeds	$0.00	$0.00	$0.00
	Sales and Receipts	$360,000.00	$414,000.00	$434,700.00
	Prepaid Expenses	$0.00	$0.00	$0.00
Total Cash Inflows		$360,000.00	$414,000.00	$434,700.00
Cash Outflows				
	Cost of Goods Sold	$180,000.00	$207,000.00	$217,350.00
	Operating Expenses	$137,210.00	$140,810.00	$143,780.00
	Interest Expenses	$3,877.00	$3,595.00	$3,288.00
	Taxes	$6,908.18	$12,715.04	$14,513.06
	Fixtures and Equipment	$1,100.00	$3,300.00	$5,500.00
	Owner's Draw	$20,000.00	$25,000.00	$25,000.00
Total Cash Outflows		$349,095.18	$392,420.04	$409,431.06
Net Cash Flow		$10,904.82	$21,579.97	$25,268.94
Ending Cash Balance		$2,404.82	$23,984.78	$49,253.72

APPENDIX F

Site Plan
7 Market Square #100
Knoxville, TN 37902





2,232 square feet with existing
back office area, restrooms (2), and storage

Photo Examples of Inspiration for Store Design
and Unique Display Options

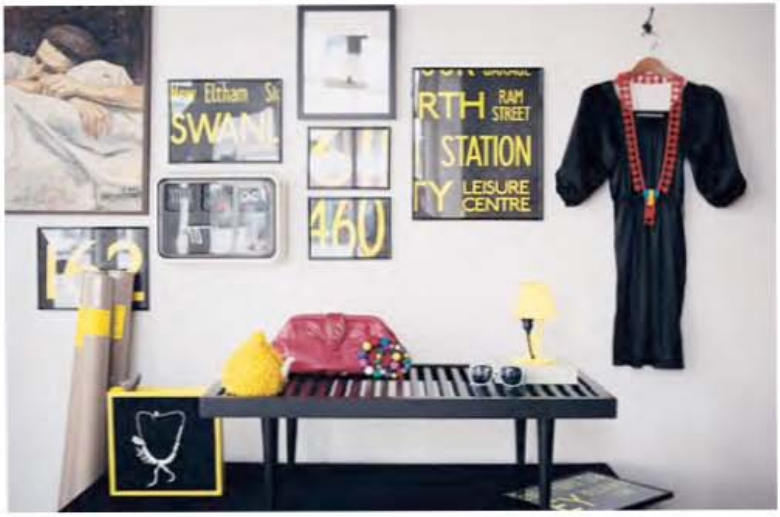












All photos taken from www.luckymag.com