

Tips for Franchise Business Plan- EFB/ Updated on 11/18/2018

Before you begin this project, First go online to franchise.org and the nrf.com - National Retail Federation to research potential Franchise businesses. You will need to obtain corporate information such as:

- Corporate headquarters- Complete Address with City & State
- Understanding of the **Franchise Agreement** for your potential franchise.
- How much is the **franchise Fee**?
- How much is the **monthly royalty**?
-

This might require your team to make a phone call or email to the company explaining you are a High School student in a marketing/ DECA program and this is a written competition titled- Franchise Business Plan.

Step 2- Business History, Background, and Objectives

- This will require you to do online research for your chosen company to answer steps A-E.

Step 3- Business Environment

- Research the industry for changes at the local, national, or international economy.

Step 4- Products and/or services

- Give an overview description of the types of products your company your Franchise sells.
- - For step B- research any changes planned or new products/services planned for the company.

Step 5- Present Market

Step A- For this step you will describe the location for your desired Franchise. Explain the city, and specific location of your store and general area. EX: Deerfield Beach/ At the Deerfield Mall/ Located next to a Marshall's. There are 46 retailers located within the Deerfield Beach Mall. Also make sure you're your desired location is not within a 5-mile radius of the same franchise.

- Step C- You may either use a chart and list prices or describe in paragraph form the prices of your products.

Step 6- Competition

- Step A- Identify your 3-main competitors and identify their strengths & weaknesses. Recommend using a chart for this step.
- Step B & C- Answer in paragraph form and do online research to answer this part.

Step 7- Marketing Plan

a. Describe the customers and geographic territory to be targeted for marketing efforts to generate revenue

Next, explain your **target customers** who shop at your store. Explain the average age and gender of your customer.

Also include the cities from where these customers will drive from.

Research the cities **Demographic information**- avg. age, income level, ethnic background, education level. Include any other pertinent information to explain your customer type. Tip- Go to your selected cities Chamber of Commerce website and research information about the people living in the neighborhood.

Identify your typical customer Age group and use these generation types within your description:

Baby Boom Generation- born between 1946 and 1964.

Generation X- Those individuals born between 1965 and 1976. They are savvy purchasers and skeptical consumers.

Generation Y/ Millennium Generation- teenagers to 20 somethings. Born between 1977 and 1997.

B. Describe the company's existing marketing techniques, strategies, and tools.

Your team will research if your selected company uses any of the following Ad Medias currently:

Loyalty Marketing programs (410)- Also known as frequent buyer programs which reward customers by offering incentives for repeat purchases. Example- Grocery store chains have implemented loyalty marketing programs for customers who sign up for a frequent shopper card can accumulate points for every purchase.

Social Media Campaign- Promote a multi-touch campaign for reaching out to your customers using different forms of Social Media such as: Twitter, Facebook, Instagram, Snapchat.

Select a minimum of 3 Advertising Media Selections below:

- **In-Store Advertising-** ceiling and floor graphics, electronic shelf ads, instant-coupon machines.
- **Social Media-** Promote your company through such social networks as Facebook, MySpace, LinkedIn, Twitter.
- **Consumer Promotion** are sales strategies that encourage customers and prospects to buy a product or service. Examples include the following:
 1. **Coupons-** discounts offered online or in the newspaper
 2. **Premiums-** "free" item given away to customers.
 3. **Promotional tie-Ins/ Cross-Selling-** When another company joins-in and helps promote product or company. EX: Product placement when a product is shown on a TV show or movie.

8. Management and Organization

A. Describe your management team and its strengths and weaknesses

* See section titled- Purchase a Franchise in Mkt. Essentials book pg. 785. Include information about management training, merchandising and day-to-day operations. For instance, how many staff will it take during operating hours? Include afternoon shifts if necessary.

* Describe your Management team breakdown with all employees. (Store Manager, Assistant managers, all employees. Include multiple shifts for your total employees needed to run the business.

* Next, add a chart to show your management Team breakdown

B. Describe your plan to further develop your management team

* How you expect your franchise to grow over 5 and 10 years. How will this affect your management team?

Tips:

- * You will have to hire additional employees as your franchise grows.
- * Foster a positive work environment for your employees. Encourage your employees to move-up the chain of command and grow with the company.

C. Describe your management succession plan- Who will take over in the event of the incapacity or continued absence of any owner or key employee?

See section titled Forms of business Organization on pg. 786 – 791. Decide between the following: Sole Proprietorship, Partnership, Corporation, and LLC- Limited Liability Company. Make sure you include the advantages while answering the question above!

D. Describe the need for, and how you will obtain, additional management personnel based on present and projected sales.

- * Explain how you will hire experienced managers to help your business grow.
- * List Job Search engines to use to find qualified managers and employees to run your day-to-day operations.

TIPS FOR FRANCHISING EFB TEAMS

Step 10. Financial Plan and Data

Financial Plan

Prior to preparing your spreadsheet chart you will write a paragraph outlining your expense breakdown, for the following: employees salaries, rent, and Advertising on a monthly basis. See handout tip sheet which includes examples of start-up costs and continuing costs.

Projected income/cash flow statement. Show each of the expenses (11 total) beginning with Start-up costs.

- Set up your financial plan exactly as shown in handout- Calculating Financial Plan for a Business.
- Set-up a spreadsheet exactly as shown in your handout provided.
- Make sure you total your income and total your expenses to determine Net income or loss.
- In the 1st column calculate monthly. Next multiply by 3 to determine your quarterly amount. Check for accuracy!

Capital and Repayment Plan. For this section you will need to explain how much of your own money was invested in this business venture. Estimate that you will invest between 25% to 50% of your own money used as your own capital investment and the remaining money needed (list actual dollar amount) you are requesting financing from a bank.

To determine what interest rate you will pay look at the current prime rate on loans- this is the best rate for those individuals with excellent credit! Go online (bank loan calculator) to calculate your interest rate for a loan between 5 to 10 years maximum. Estimate 7% interest rate.

Tips for calculating a Financial business plan

CALCULATING EMPLOYEE PAYROLL FOR A BUSINESS

Note- you must get calculations correct and show all work to receive any points!

Ask yourself the following questions:

1. How many employees will the business need to operate effectively?
2. How much \$ do I pay my staff per hour?
3. How many hours will my employees work each week? Month?
4. Owners draw- How much \$ will I pay myself (owner) out of the business to help with living expenses?

To assist you in your calculations you must use the following information below;

Employee Salary breakdown

8 sales associates @ \$9.00 per hour
2 assistant managers @ \$15.00 per hour
1 Store Manager @ \$22.00 per hour
3 warehouse workers @ \$8.50 per hour
Owner's weekly draw will be \$400

Weekly Hours breakdown:

Sales associates will work 30 hours per week
Asst. Managers will work 40 hours per week
Store Manager will work 50 hour week

Step 1- Calculate employees' Hourly salary; next determine their weekly salary; Next, multiply by 4 weeks to determine their monthly salary.

Step 2- Add up all 15 workers to determine a total Employee payroll budget for the month.

- **Tips for completing 2-year Plan:**
- **Estimate Net profit growth in year 2 by 8-12% and add to figure.**
- **Show increase in Employee salaries by same figures since your costs go up.**

C. Two year projected operating statement

2- Year Financial Plan	Year 1	Year 2
Yearly Net profit		
Expenses		
Term Loan Payments (10 years)		

Monthly Franchise Fee Royalties		
Occupational License		
Employee Salaries		
Lease		
Utilities		
Advertising		
Total Expenses		
Yearly Profit (or Loss)		

Tip: It is not unrealistic to show a Loss of profit for the first 1-2 years! Do not show a big profit the first few years, since your franchise business is just starting off.

D. One-year projected cash flow statement *(Make all your charts single-spaced!)*

	monthly	1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.	Total 4 Quarters
Gross Income						
Start-up Costs						
Monthly Franchise Fee						
Rent or mortgage						
Employee Payroll						
Owners Draw						
Utilities (phone/electric)						
Advertising						
Insurance						
Working capital						
Legal/accounting fees						
Licenses & Permits						
supplies						
Total Expenses						
Net Income or Loss						

How to determine Gross Income is money coming into the business while everything else listed above are expenses and must be subtracted from Gross Income. The difference will be either Income or Loss on the chart. If showing a loss then use ().

Once you know your monthly calculation simply multiply by 3 to determine how much income made during the first 3 months of business. Ex: \$800 per day x 7 days = \$5,600 per week x 4 weeks = 22,400 x 3 months = 67,200; As a result your 1st Quarter income is 67,200. Note- Estimate your Gross income will grow 2nd quarter by adding \$400 (67,200 + 400 = 67,600). Add another \$400 for 3 quarter (67,600 + 400 = 68,000 & 4th Quarter (68,000 + 400 = 68,400); The last step is to simply add Quarters 1-4 (not monthly calculation) Ex: 67,200 + 67,600 + 68,000 + 68,400 = \$271,200 as your Total Gross Income for Year #1

Important Tip- Add up each Quarter 1-4 into the last column titled- total 4 Quarters. This will help you determine your final numbers for Income and Expenses!

Your calculations will be checked for accuracy!

Start-up Costs- This includes furniture, supplies, & all equipment. Simply add up and divide by 12 months since you will pay it off over the course of the 1st year. Example if your start-up cost was \$25,000 divided by 12 mo. = \$2,083; next calculate quarterly or every 3 mo. = \$6,249 each quarter.

Mo. Royalty Fee - Go online and research how much this mo. Fee is. Estimate between 2% or up to 6% of your Gross Mo. Sales. Ex: 3% of \$67,200 = \$2,016 per mo. X 3 months = \$6,048 each Quarter.

Rent or Mortgage- Here you will need to estimate how much it costs to rent the building space for your company. It's generally based upon the square footage needed. Ask Mr. Kennedy if you are unsure.

Calculating Employees Payroll- Use a scratch sheet of paper and make the following estimated calculations: (See last page of Tip Sheets for helpful Example!)

- * How many employees will the business need to operate effectively?

- * How much \$ will I pay them hourly?

- * Will my employees work on average of 30-40 hours per week?

Next, calculate your amount by 4-weeks to determine monthly payroll.

Owners Draw - It is necessary for the owner/manager to take a small salary (draw) out of the business to help with living expenses. As a rule of thumb, take a minimum of \$500-\$700 weekly; then calculate by 4 weeks to determine monthly Draw.

Utilities- This includes electricity and phone. Try to estimate how much electricity it will cost to run the company. For example a restaurant uses lots of electricity for kitchen refrigeration and A/C and gas for ovens. Electric could run anywhere from \$600- \$1,200 monthly depending on size of restaurant. Next add \$100 monthly for phone service.

Advertising- For this section you will need to calculate a 12-month advertising budget for any 3-forms of Advertising Media. Use the Advertising Costs sheet from my teacher website. (list each Ad Media and show calculations)

Insurance- Depending on the type of business you have this amount will fluctuate. See Mr. Kennedy for help if unsure. Ex: Jet Ski business is risky therefore high insurance.

Working Capital- Estimate 10% of your Gross Income for cash on hand.

Legal/ Accounting fees- On average estimate \$100-\$200 each month.

Licenses & Permits- You only pay this once per year. Estimate \$100 per quarter.

Supplies- Identify a minimum of 5 supplies needed and calculate a total for month.

Conclusion- Specific Request for financing, summary of key points supporting the financial request.

Calculating a Financial Plan for a Business

If you ever dreamed of one owning your own business, it is necessary to know how to calculate a Financial Plan as part of your Business Plan. No bank would ever give you a loan without this important information. This activity will show you how to complete a Financial Plan.

Next, you will need to calculate **Capital and a Repayment Plan**. For this section, you will need to explain how much of your own money was invested in the business venture and the remaining money need (list actual dollar amount) you are requesting to finance from the bank. Ex:

Personal Investment (capital) – You need to show a personal investment in this business of 25% of your own money as your capital investment. For instance if you need to borrow \$400,00 then you need to invest \$100,000(ideas include- gift from parents, grand parents, personal bank account, you liquidated “sold for cash” personal property you sold.

How much money will you need to start this business? For this activity simply multiply your combined expenses for the first two years of operation.

Next, go online to Bankrate.com to determine your monthly loan repayment amount. Base your business loan on the current loan prime rate of 7.5%.Go online to calculate your monthly interest rate loan for 10-years to pay off.

See Mr. Kennedy if you need help calculating your monthly Loan Repayment schedule.

My business partner and I will jointly **invest Personal Capital** in the amount of
