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**JEWELRY STORE KIOSK  
BUSINESS PLAN  
(COMPANY NAME)**

**(COMPANY NAME)  
(STREET ADDRESS)  
(CITY, STATE ZIP CODE)**

**(CREATION DATE)**

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## 1.0 Executive Summary

The Jewelry Store Kiosk, which is to be located in the Westfield Montgomery Mall in Bethesda, Maryland, is a new business. We will offer a great selection of gemstone jewelry in various designs, colors and sizes. Our jewelry will include bracelets, necklaces, earrings and rings. All of the pieces will be designed and created by the owner. The kiosk will stock a wide selection of jewelry and will offer a service to make custom pieces for shoppers while they wait or shop in the mall. All sales for the business will be through this mall kiosk. After approximately eight months of operations the owner plans to hire a sales representative to handle customer interaction and some marketing.

The purpose of this business plan is to develop a blueprint of the company's vision and strategy and then use this plan to as a guide to develop and grow the business. This business plan will also be used to align the various elements of the company to create a coherent system of sustainable customer satisfaction and profitability.

The U.S. jewelry retail industry consists of approximately 28,000 specialty stores with combined annual revenue of about \$30 billion. The jewelry retail industry is highly fragmented with the top 50 jewelry chains generating less than half of revenue.

The Jewelry Store Kiosk will focus on one primary market, women. We will concentrate our marketing efforts on professional women, as well as those who like to dress up when going out for the evening. We will sell to these customers by suggesting color combinations and styles for various outfits and occasions demonstrating our knowledge of fashion design and customer service targeted at individual shoppers.

In this industry trends are in our favor. Gemstones are popular because of their unique natural colors and features; they are affordable yet ideally suited for business attire and both informal and informal occasions. Gemstones complement and can dress up any outfit on a woman.

## 1.1 Business Objectives

The primary objectives of the business plan for The Jewelry Store Kiosk are below:

- To create a product-based kiosk whose goal is to exceed customer's expectations in design styles, quality and customer service.
- To develop a sustainable merchandising unit that sells gemstones and customized jewelry to meet the needs of the professional and outgoing woman.
- To increase the number of products sold by 20% each year.
- To introduce a minimum of three new designs weekly.

## 1.2 Mission Statement

The Jewelry Store Kiosk's mission is to design, make and sell high quality fashionable jewelry designed primarily around gemstones. The Jewelry Store Kiosk will offer an exceptional level of customer service and personalized fashion recommendations tailored to the individual customer. We exist to attract and maintain customers through our unique combination of designs, quality, and customer service and fashion recommendations.

### 1.3 Guiding Principles

1. Passion - We will always have, and show, our passion for using jewelry as a component of an entire outfit focusing on the combination which best fits the person, their clothes, personality and occasion.
2. Happiness – By showing our feelings of happiness and well being at all times through our ‘always smiling’ appearance and upbeat conversations our happiness will be contagious to our customers.
3. Fairness – Be fair to all; offer exceptional service and products at fair prices, respect and accommodate customer’s wants and needs, and be fair in all business practices both internal and external to the Jewelry Store Kiosk.

### 1.4 Keys to Success

In order to succeed in the jewelry industry the Jewelry Store Kiosk must:

- Showcase an assortment of sizes, colors and designs to fit the needs of our target customer base.
- Provide customers with high quality personalized customer service.
- Provide relevant fashion design recommendations to our customers.
- Continuously review our inventory and sales and adjust our inventory levels accordingly.
- Provide for the satisfaction of 100% of our customers and employees. Both are very valuable to us and we will design a customer care plan to manage complaints, implement employee and customer feedback, manage supplier accounts, and predict potential conflicts.
- Create a visible, accessible and welcoming mall kiosk to position us as the premier choice for our products within the mall.

### 2.0 Company Description

The Jewelry Store Kiosk is a newly established business located inside Westfield Montgomery Mall, 7101 Democracy Boulevard, Bethesda, MD 20817. The Jewelry Store Kiosk is owned and operated by Janet Wilson. We will offer a variety of premade and custom made gemstone jewelry products that are designed and created by the owner on site as well as at home. All our pieces are designed for the professional and sociable woman.

The hours of operation will model the mall hours of Monday - Saturday 10:00 am to 9:00 pm and Sunday 11:00 am to 6:00 pm.

### 2.1 Ownership

Janet Wilson is the sole owner of the jewelry store kiosk business. Janet has over 20 years experience designing and making jewelry. She has worked for several Fortune 500 companies in jewelry design during her career. Most recently she has taught jewelry making classes in the local community.

## **2.2 Legal Form**

The Jewelry Store Kiosk is organized as a sole proprietorship, owned and founded by Janet Wilson. The Jewelry Store Kiosk is registered in the state of Maryland.

## **2.3 Start-Up Summary**

The cost to setup a kiosk and prepare it for operation total \$56,300. Start up inventory will cost approximately \$49,800. The bulk of the expenses are the yearly rental of the kiosk.

Start-up costs will be financed through owner investment.

## **2.4 Location and Facilities**

The kiosk will be located in Westfield Montgomery Mall in Bethesda, MD. All products will be warehoused at the owner's primary residence. Jewelry items will be made at the owner's home and on demand at the mall kiosk.

## **3.0 Products**

The Jewelry Store Kiosk will specifically carry gemstone jewelry that is designed for the professional and sociable woman. Our selection will range in various colors, sizes and styles to meet the unique needs of the everyday woman.

Management will rely on customer feedback and sales reports to eliminate or introduce particular sizes, colors and styles.

## **3.1 Product Description**

Our jewelry store kiosk will carry wide selection gemstone jewelry with various styles and price ranges. Each piece of jewelry will focus on designs which accent and bring focus on the gemstones in that piece. The jewelry will be designed for casual, business and formal occasions. We will offer gemstone jewelry that includes necklaces, rings, bracelets, and earrings.

Customers can purchase premade jewelry or request a customized piece designed for them onsite.

## **3.2 Competitive Comparison**

Some of the most well known competitors seen in the jewelry retail industry are Aria Collections, Golden Land Jewelry, Gold Palace and Kay Jewelers.

- Aria collections - This is a large kiosk selling sterling silver pendants, gemstones; catered to the young and old. Median prices range from \$20 to \$100.
- A+ Elegance - They have a small kiosk of sterling silver pendants, some pearls and gemstones. The sales representative here was not very knowledgeable in jewelry. The median prices were from \$20 to \$50, but willing to negotiate.
- Golden Land Jewelry - This large kiosk has a lot of sterling silver 925 pendants and earrings for approximately \$25. Gemstones range from \$500 to \$3000 and are comprised primarily of sapphires and rubies.

- Gold Palace - This large kiosk is Indian owned and carries Indian styled jewelry such as gold chains pendants, watches, belly rings, gemstones, and rings. Median price range from \$100 to \$300.
- Temptation - This is an inline store that only sells costume jewelry from \$8 to \$25.
- Kay Jewelers - although an inline store and not a kiosk, Kay Jewelers provides diamonds and some lower priced pendants and rings - also pearls and a few gemstones. Median prices range from \$50 to \$3000.

Although we have many competitors in this space, we will set ourselves apart by solely concentrating on gemstone products, offering customized pieces, providing helpful dress and jewelry style advice and setting fair prices.

### **3.3 Product Sourcing**

Raw jewelry making supplies will be sourced from countries such as India, Brazil and China. The owner of the business has contacts in these countries for purchasing quality gemstones and supplies not only at wholesale prices, but also providing credit arrangements and flexibility in payment terms. This in turn provides some flexibility in the owners' day to cash flow requirements. Orders of supplies which are small in size and weight will be air shipped; whereas, larger and heavier orders will be shipped LCL (Less than a Container Load). All products and supplies will be stored at the owner's residence. While custom designs will be made on site while the customer waits, the standard selection of premade designs will be made at the owner's residence.

### **3.4 Inventory Management**

In order to run the kiosk successfully approximately \$50,000 in inventory is required. This inventory will be stored at the owner's residence. The owner will utilize bins to store and organize jewelry supplies. Final jewelry products will be kept at the kiosk. Since this is a small business with limited inventory, all inventory will be managed in a spreadsheet.

### **3.5 Warehousing and Fulfillment**

Since jewelry and jewelry supplies tend to be small items a warehouse is not required for the business. All supplies will be warehoused in the owner's basement, final jewelry products will be kept at the kiosk in the mall.

### **3.6 Future Products/Services**

By its nature, jewelry is a constantly changing business. As trends and styles change from year to year, and season to season, it is necessary to keep flexibility in our product lines. Since all jewelry will be designed and made by the owner of the business, the product line will quickly change with changing styles and trends.

As the business matures we may add services that complement our jewelry such as cleaning and care products as well as service and repair. However, the focus of our products will remain gemstone jewelry.

#### **4.0 Market Analysis**

The Jewelry Store Kiosk is specifically targeting women in the Westfield Montgomery Mall. Women in the workplace, as well as women that are sociable in the evenings (i.e., events, parties, etc.) are the primary focus for the Jewelry Store Kiosk's high fashion gemstone products. We chose this area as it is situated in Bethesda, MD and is just minutes from Washington D.C. Also, Westfield Montgomery serves as one of the nation's most affluent and densely populated areas.

Despite the recent recession and the nation's current credit crunch, people still have an appetite for beautiful things. Women can appreciate how easy it can be to change their look with jewelry without the expense of purchasing a whole new outfit.

#### **4.1 Industry Analysis**

This analysis is based on the Standard Industry Code ("SIC") 5944: Retail – Jewelry Stores. Jewelry is often classified as bridal merchandise (engagement, bridal, and anniversary rings - about 35 percent of the market); fashion jewelry (rings, bracelets, earrings, pins, gold chains); and watches, silver flatware, and other giftware. Diamond jewelry and loose diamonds account for the largest share of total jewelry store sales (46 percent); gold jewelry for 11 percent; colored gemstone jewelry (rubies, sapphires, emeralds, etc.) 9 percent; and watches 4 percent. (First Industry Research Report, 2010)

Selling costs are high for jewelry retailers, who generally wish to project an upscale image, because high quality sales space, furnishings, and expert sales personnel are expensive.

Based on information from First Industry Research, jewelry sales are highly seasonal, with 40 percent of revenue and the majority of profits generated in fourth quarter: 25 percent of annual jewelry sales are in December. Merchandise inventories are high, often more than 50 percent of annual sales, and inventory controls must be tight to prevent embezzlement and theft. Accounts receivable are very high for companies that offer their own credit card.

Credit is an important concern for all jewelers, since credit availability is essential to sell an expensive product. The typical cash purchase is usually much lower than the average credit sale. About 50 percent of a typical jeweler's sales are financed on credit cards. Some local jewelers extend credit themselves on large purchases to well-known customers. Big chains typically offer a private credit card through a third party, taking no credit risk themselves. Most small retailers avoid risk by taking only third party credit cards. (First Research Industry Report, 2010)

#### **4.2 Market Size**

Annual revenue from jewelry stores is about \$30 billion. There are about 28,000 specialty stores selling jewelry. The industry is highly fragmented with the top 50 jewelry chains accounting for less than half the total revenue (First Industry Research, 2010).

#### **4.2.1 Industry Participants**

Major participants include Wal-Mart, Zales, Tiffany's and Sterling Jewelers. Large jewelry chains account for less than half of the industry's total revenue (First Industry Research, 2010).

#### **4.2.2 Main Competitors**

The mall competition for the Jewelry Store Kiosk includes the following:

Direct Competitors:

- Aria collections - This company has a large kiosk in the mall. It currently sells sterling silver pendants, gemstones - young and old styles. The median prices range from \$20 to \$100.
- A+ Elegance - They have a small kiosk of sterling silver pendants, some pearls and gemstones. The sales representative was not very knowledgeable in jewelry. The median prices were from \$20 to \$50, but they are willing to negotiate.
- Golden Land Jewelry - This company sells sterling silver 925 pendants and earrings in a large kiosk priced at \$25. It also has sapphire and ruby gemstones from \$500 to \$3000.
- Gold Palace - This large kiosk is Indian owned and offers Indian styles in gold chains pendants, watches, belly rings, gemstones and rings. Their prices range from \$100 to \$300.
- Temptation - This is an inline store that only sells costume jewelry from \$8 to \$25.
- Kay Jewelers - Kay is an inline store selling diamonds and some lower priced pendants, rings, pearls and a few gemstones. Median prices range from \$50 to \$3000.

Indirect Competitor:

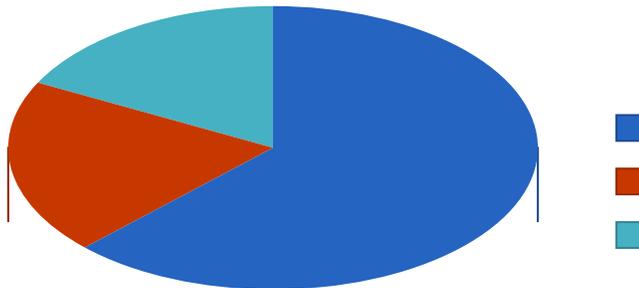
- Piercing Pagoda - They are very well established and have been in the business since 1969. For 40 years they have been the leader in shopping mall kiosks. They not only have a large kiosk in the Westfield Montgomery Mall but also has a well established online presence. However, this company mainly focuses on piercings, so they are not a direct competitor.

#### **4.2.3 Market Segments**

The Westfield Montgomery area encompasses roughly 698,101 residents earning an average household income of about \$128,587. Women account for 51.9% which is indicated in the chart below.

**Table: Market Analysis**

<i>Market Analysis</i>		2011	2012	2013	2014	2015	
Potential Customers	Growth						CAGR
Women	2%	362,314	369,560	376,951	384,490	392,180	2.00%
Household income \$50K-\$75K	1%	116,583	117,749	118,926	120,115	121,316	1.00%
Household income of \$75K-\$100K	1%	100,527	101,532	102,547	103,572	104,608	1.00%
<b>Total</b>	<b>1.63%</b>	<b>579,424</b>	<b>588,841</b>	<b>598,424</b>	<b>608,177</b>	<b>618,104</b>	<b>1.63%</b>



### 4.3 Market Tests

Janet Wilson has sold her jewelry online through third party shopping sites such as Ebay and Etsy. Her jewelry has proven to be highly sellable with many buyers sending positive feedback after receiving their purchases. The majority of the complements have been on the designs and quality of the products. Although this marketing has been informal and conducted on a part-time basis, sales have been positive with nearly 50% of her listed items selling. Sales through these sites have grossed approximately \$2,000 to \$2,500 per month for the past six months.

### 4.4 Target Market Segment Strategy

We are targeting women in the Westfield Montgomery area. This is a sophisticated community and there is no doubt that the community is the centerpiece of stylish shopping. In addition, since women are the primary end consumers of jewelry, it's natural for our Jewelry Store Kiosk to spend most of its marketing resources targeting this largest market.

#### 4.4.1 Market Needs

The jewelry we will market will meet the needs of woman who are looking to dress up their outfit with quality gemstone jewelry. The jewelry will be suitable for both formal and informal events.

#### 4.4.2 Market Trends

One of the most trendy and fashionable types of jewelry on the market is gemstone jewelry. Gemstone jewelry is made in various designs, colors, and styles with a design, which contains one or more beautiful gemstones as a focal point. While various types of gemstone jewelry are popular, there are different gemstone jewelry trends each year. One year it may be considered extremely fashionable to wear ruby earrings while the next year rubies may be out.

- The latest red carpet fashion trend is pear shaped, gemstones drop earrings. Tacori is at the front line of style. These earrings are versatile and can go from a day to night, from jeans and ballet flats, to a sexy little black dress.
- Amethyst is another popular gemstone especially in the fall. It is a great accessory to any ring or necklace. Considered to be a precious stone, amethyst ranges in shades from lavender to an intense, deep purple.
- Another trendy gemstone is the moonstone, a gorgeous, translucent gemstone in shades of peace, blue, pink, and white. Moonstone jewelry continues to be all the rage.
- Rutilated Quartz is made from needles of the mineral known as rutile which is embedded in crystal quartz. Rutilated Quartz is known to ease depression. Gemstones of this type are often found in various types of jewelry from necklaces to bracelets.
- Chandelier earrings are becoming increasingly popular. These earrings are an exotic, Indian inspired design and appeals to women all over the world. Anyone would feel absolutely radiant when wearing this type of jewelry.
- Big, bold, and colorful jewelry is among the gemstone jewelry trends. Black jewelry with large gemstones is very popular amongst various individuals today.

#### 4.4.3 Market Growth

Gemstone jewelry has been one of the fastest growth areas. In today's society, the majority of gemstone jewelry is still sold to women, and it doesn't look like that fact will be changing any time soon. However, as the interest in this jewelry grows with women, it seems that men are not far behind in finding interest in such items as well.

#### **4.5 Positioning**

We will position our jewelry to be of high quality with designs that inspire conversation. We will be known for not only quality and trendy designs, but primarily for our service. We will be knowledgeable of design trends and will offer advice on how to accent specific outfits with specific jewelry pieces. Our customers will feel confident that they can approach us with their jewelry related questions and confident that we will offer good advice.

#### **5.0 Strategy and Implementation**

The Jewelry Store Kiosk will provide high quality gemstone jewelry to women. Other jewelry retailers have lagged in this particular market by not concentrating on providing a large variety of colors, sizes and designs. We intend to leverage our expertise, product offering and marketing strategy to increase our customer base while driving sales and profit. The following sections review the various strategies that will support this effort.

##### **5.1 SWOT Analysis**

The SWOT analysis provides us with an opportunity to examine the internal strengths and weaknesses the Jewelry Store Kiosk must address. It also allows us to examine the opportunities presented to The Jewelry Store Kiosk as well as potential threats.

###### **5.1.1 Strengths**

- Strong relationships with suppliers that offer credit arrangements, flexibility, and response to special requirements.
- Excellent and knowledgeable staff, offering personalized customer service. The jewelry kiosk sets itself apart from the competition by providing customized jewelry designs while the customer waits.
- Great retail space with an attractive, inviting atmosphere.
- The owner keeps overhead low 1) by purchasing directly from India, Brazil, and China and 2) self creating the majority of the merchandise.

###### **5.1.2 Weaknesses**

- Access to additional operating capital.
- Revenues in the industry are cyclical; the majority of revenues are earned during the fourth quarter and 25% are earned in the month of December.
- Owners are climbing the retail experience curve.

###### **5.1.3 Opportunities**

- Increase in higher income of target market.
- Addition of other jewelry related products and services.

###### **5.1.4 Threats**

- Local and emerging competitors.
- Shoplifting.
- Sales tied to economic growth.

## 5.2 Strategy Pyramid

Strategy:	Be the jewelry fashion consultant expert
Tactics:	Build awareness of our fashion consultation service Offer the highest level of fashion consultation service
Programs:	Display signage in our kiosk advertising this free service Develop a tagline, which promotes this service Develop printed articles and worksheets for our customers Educate all staff on fashion design principles
Strategy:	Actively engage prospective customers
Tactics:	Draw shoppers walking near our location to our kiosk Develop a two-way conversation with potential customers
Programs:	Develop engaging lines to draw potential customers to our kiosk (i.e. complements on items they're wearing, suggestions on how to complement the clothes they're wearing, etc.) Train staff on how to ask open-ended questions and take an interest in our prospects to develop a conversation, rather than pitching a sale at them.

## 5.3 Unique Selling Proposition (USP)

The Jewelry Store Kiosk will offer personalized fashion consulting to our customers with onsite custom jewelry making service. We will demonstrate our extensive knowledge in gemstones, clothing/jewelry color combinations and current fashion design trends. We will offer advice on how to dress for specific occasions and which jewelry goes best with which clothing. If we don't have the right piece of jewelry to meet their needs we will be able to design and create that piece while they wait. We will be the one source people turn to when they need advice on how to dress and how to accent with jewelry.

## 5.4 Competitive Edge

Our competitive edge is that we are primarily concentrating on the selling of gemstone jewelry, while other competitors only minimally focus on this type of jewelry. Our services will also include creating custom pieces for our customers according to their design needs.

## 5.5 Marketing Strategy and Positioning

The Jewelry Store Kiosk will be centrally located in a high traffic area of the Westfield Montgomery Mall and easily accessible for customers. Our kiosk will reside the middle of one of the corridors thereby, having high visibility.

Other strategies include:

- Prime location
- Word of mouth

### **5.5.1 Positioning Statement**

Based on our knowledge and experience with fashion design combined with our skills at designing and making jewelry products we are a full service jewelry store kiosk which sells jewelry tailored and customized to each customer.

### **5.5.2 Pricing Strategy**

The Jewelry Store Kiosk will use a dynamic pricing model. All jewelry will be clearly marked with prices - - however, our pricing policy will allow for some flexibility. In order to increase sales revenues, our sales representatives will be authorized to offer a maximum predetermined discount to extend to their customers. This incentive will provide the customer the perception of extra value and a bargain purchase.

Since we are operating from a kiosk and not an inline store we will need to maintain somewhat reasonable and affordable prices. Some items will sell as low as \$20, but most of the products will be priced from \$50 to \$150 with an average price of \$100. There are a few pieces that will sell for \$200 to \$300.

### **5.5.3 Promotion and Advertising Strategy**

Our primary promotion and advertising strategy will be word-of-mouth.

### **5.5.4 Website**

Due to the nature of this business being a mall kiosk there are no plans to develop a website during the initial startup of the business. We will develop a website after the first six to twelve months which will be an informational site and will not list our products. The website will have our location, fashion related articles and announcements of new products.

### **5.5.5 Marketing Programs**

Our marketing program will primarily consist of our highly visible and centrally located kiosk in the Westfield Montgomery Mall location.

## **5.6 Sales Strategy**

Because The Jewelry Store Kiosk is a new business, we understand that we will have to prove our Company's worth to customers to earn their business. As equally important, we need to sell both the Company and products.

We will approach sales from a salesperson-customer relationship basis. All sales representatives will be trained and encouraged to assist customers in a personal and engaging manner. By gathering key customer information and seeking design feedback on our products will assist us in the following ways:

- Targeting our marketing efforts more effectively.
- Developing product offers that will increase sales.

- Training and developing sales representatives in order to effectively service the customer.
- Increasing awareness of our Jewelry Store Kiosk within the jewelry retail consumer marketplace.
- Developing future sales opportunities that allow for continued growth of the business.

With regard to all products, we will continue to stay abreast with the latest fashion trends in order to offer our customers new, trendy jewelry.

### 5.6.1 Sales Forecast

The following table and related charts show our present sales forecast.

**Table 5.6.1 Annual Sales Forecast**

Annual Sales Forecast	Year 1	Year 2	Year 3
<b>Sales</b>			
Kiosk Revenues	\$96,000	\$126,000	\$180,000
Service and Repair	\$9,600	\$12,600	\$18,000
Total Sales	\$105,600	\$138,600	\$198,000
<b>Direct Cost of Sales</b>			
Jewelry and Supplies	\$19,200	\$25,200	\$36,000
Total Direct Cost of Sales	\$19,200	\$25,200	\$36,000

### 5.6.2 Sales Programs

Our sales staff will be trained not only on our products but also on fashion design principles and the active engagement of customers. They will be paid based on commissions with a small base salary. The sales staff will be empowered to offer discounts on our jewelry; however, they will have pre-defined discounts they can offer and their commission rate will change based on the discount level (the greater the discount the lower their commission rate).

## 5.7 Legal

The Jewelry Store Kiosk will be operated as a sole proprietorship licensed with the State of Maryland State Department of Assessments and Taxation (MD SDAT). Sales tax will be filed quarterly with the MD SDAT. Business insurance will be purchased through Hartford Insurance.

## 5.8 Milestones

The milestones for our first year of business are listed below:

**Table 5.8 Milestones**

Milestone	Date
Sign Lease for Mall Kiosk	12/01/20xx
Design and Make Jewelry Store Display	01/01/20xx
Order Jewelry Supplies	01/01/20xx
Design and Make Jewelry for Kiosk Display/Sales	01/20/20xx
Open Store to Public	02/01/20xx

## 5.9 Exit Strategy

While most businesses take time to develop a customer base, the Jewelry Store Kiosk has an advantage by being located in a high traffic area, which lends itself to an immediate base of potential customers. Business will grow as we further develop a loyal customer base, as such we can expect improvements in sales quarter over quarter. We have the financial resources to self fund the business up to one year, which is the amount of time we give it to be profitable and self sustaining. If after the first holiday season the business is not profitable we will not renew our lease with the mall and will liquidate as many products as we can. Any products remaining after liquidation will be sold over time through websites such as Ebay and Etsy.

## 6.0 Organization and Management

### 6.1 Organizational Structure

As a small business with one owner and minimal employees the Jewelry Store Kiosk doesn't require an organizational structure. The owner will manage all key roles and responsibilities.

### 6.2 Management Team

Formed as a sole proprietorship, The Jewelry Store Kiosk is owned and operated by Janet Wilson. With an early interest in art at an early age, the owner attended a graphic design school to learn the skills of the trade. While pursuing her undergraduate degree, she worked at a local design firm where he mastered the skill of product design. Upon graduation, she knew that she wanted to start her own business as a jewelry designer.

### 6.3 Management Team Gaps

The owner has very good marketing, sales and product design experience; however, she does not have experience in financial management. She will fill this gap by hiring a part time bookkeeper to assist in setting up her books and managing them on a monthly basis.

### 6.4 Personnel Plan

For the first eight months the owner will have a varied number of responsibilities. She will be the designer, sales representative, and handle all ordering of the raw materials. After about

eight months, the owner will bring on board an independent sales representative to assist with sales and marketing. The owner will not take a salary the first two years of operation. In Year Three, the owner will draw a \$10,000 salary increasing over time to \$60,000.

**Table 6.4 Personnel Plan**

Position	Year 1	Year 2	Year 3
Owner/Proprietor	\$0	\$0	\$10,000
Sales Representative	\$8,330	\$20,000	\$20,000
<b>Total Personnel Costs</b>	<b>\$8,330</b>	<b>\$20,000</b>	<b>\$30,000</b>

## 7.0 Financial Plan

Profit and Loss shows the profitability of the business, whereas, the Balance Sheet shows the financial position of the Jewelry Store Kiosk. The Cash Flow shows the status of cash received and cash paid over a specified period of time. These documents are required to get financing for your venture.

Since we are entering a retail environment we will accept cash, checks, and all major credit cards. We will select a check guaranty system to help reduce the percentage of loss on bad checks.

The following sections outline our financial plan:

### 7.1 Important Assumptions

#### Profit and Loss Assumptions:

- Estimated Average Sales Price per unit is \$100
- Average daily sale: 2.67 units Year1
- Average units sold monthly: 80 Year 1, 105 in Year 2 & 150 in Year 3
- 40% of revenues occur during 4<sup>th</sup> Quarter
- 25% of revenues occur during December
- Revenue increase in Year 2 assumes average daily sales of 3.5 units or 27.78% annual increase
- Revenue increase in Year 3 assumes average daily sales of 5 units or 42.86% annual increase (Revenues will level off near year 3 and total assets will remain static)
- Service and Repair estimated Revenue: 10% gross sales (industry average)
- Cost of Good Sold: 20% of gross revenues (compares higher than industry peers @ 49.10%; mainly this is attributed to two factors: 1) low cost associated with obtaining raw materials and finding from China + 2) owner also constructs the final product, further reducing overhead expenses.
- Advertising Expense: N/A; kiosk will be visible in the mall + word of mouth
- Accounting: \$400 monthly bookkeeping + \$600 for income tax preparations
- Bad Debts: Estimate 5%

- Shrinkage: Estimate 3%
- Credit Card Fees: \$0.25 per transaction plus 1.5%
- Insurance: Estimate \$400 annually
- Miscellaneous: Estimate: \$250 annually
- Payroll Tax Assumptions: based on State of Maryland Income Tax Rates
- Permits and License: Estimate \$120 annually
- Rent: \$2,700 monthly January – October then \$9,100 for November and December (Analysis assumes three (3) one year leases renewing annually with 3% escalations for inflation rounded to the nearest \$100)
- Salaries: Owner will not take salary for initial Year 1 and Year 2. At Year 3, owner will take salary of \$10,000 and increasing over time to \$60,000.
- Annual increases allow for a 3% increase for inflation

**Balance Sheet Assumptions:**

Start-Up Capital Items:

- Kiosk + Display:\$2,500
- Beginning Inventory:\$49,800 (which reflects industry averages and compares in line with industry peers)
- PC Based cash register \$4,000 (no annual maintenance fees)
- Assumes annual growth rate for total equity: 5% Year 2, and 7.5% Y3

**7.2 Start-Up Costs**

The cost to setup a kiosk and prepare it for operation total \$56,300. Start up inventory will cost approximately \$49,800. The bulk of the annual expenses annual kiosk rental and are estimated to be \$45,200 or 64% of total expenses.

Start-up costs will be financed through owner investment.

**Table 7.2 Start-Up Costs**

<b>Start-Up Assets</b>	
Starting inventory	\$49,800
Fixtures and Equipment (kiosk + display)	\$2,500
PC based cash register	\$4,000
<b>Total Start-Up Assets</b>	<b>\$56,300</b>
<b>Total Required Start-Up Costs</b>	<b>\$56,300</b>

### 7.3 Source and Use of Funds

This startup will be completely financed by the owner of the business. The startup funds will be used to purchase initial inventory, purchase the kiosk and display case, and a PC based cash register. Additionally the owner will provide the necessary working capital requirements to fund day to day operations for the initial year of operations. The owner has enough funding to completely fund the business for the first 24 months without relying on sales or other sources of funds. The funds are liquid and primarily in the form of marketable securities.

**Table 7.3 Source and Use of Funds**

<b>Source and Use of Funds</b>	
<b>Sources of Funds</b>	
Owners' and other investments	\$ 97,724
Bank loans	\$ -
Other loans	\$ -
<b>Total Source of Funds</b>	<b>\$ 97,724</b>
<b>Use of Funds</b>	
Buildings/real estate	\$ -
Leasehold improvements	\$ -
Capital equipment	\$ 6,500
Location/administration expenses	\$ -
Opening inventory	\$ 49,800
Advertising/promotional expenses	\$ -
Other expenses	\$ -
Contingency fund	\$ -
Working capital	\$ 41,424
<b>Total Use of Funds</b>	<b>\$ 97,724</b>

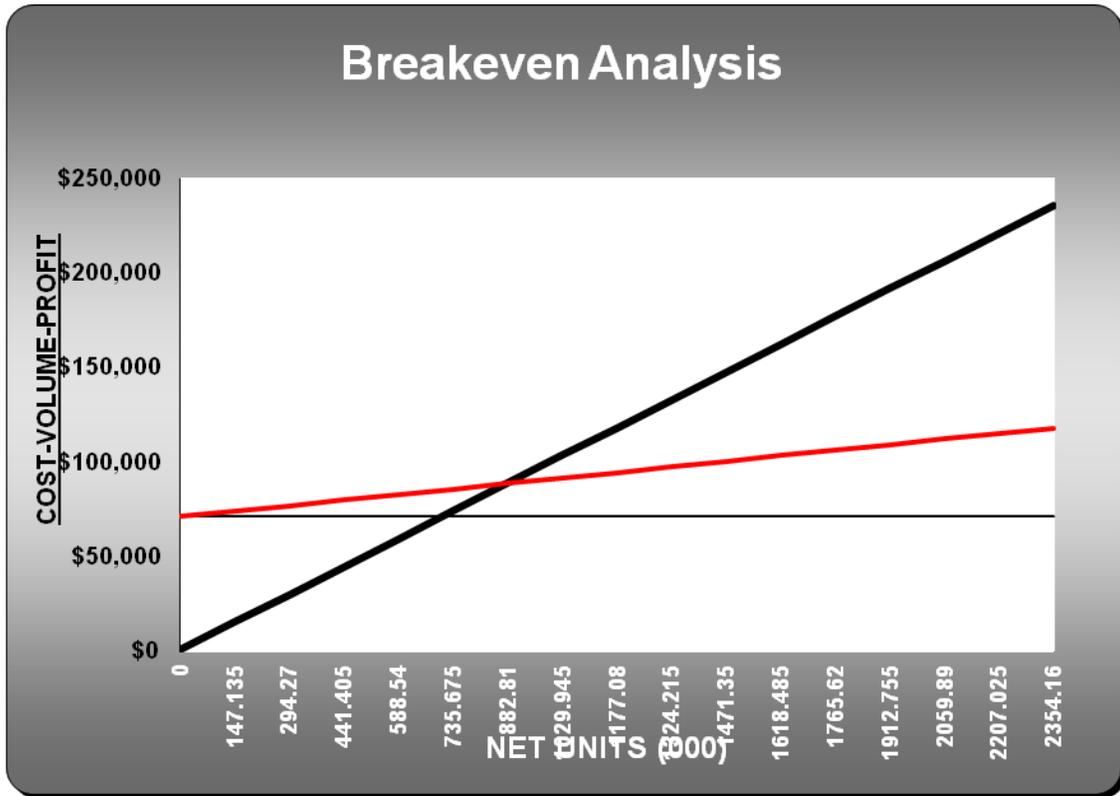
### 7.4 Break-Even Analysis

Total fixed costs associated with the jewelry kiosk are \$70,624 and represent the annual expenses associated with salary, credit card fees, accounting and legal expenses, rent, insurance, permits and licenses, bad debt and shrinkage, and miscellaneous expenses. The variable cost (overhead) is estimated to be \$20 per unit. Based on the assumption of \$100 as the average sales price per unit, the breakeven revenue then is \$88,281 or 147.14 units. This is further depicted in the Table Below and the Graph that follow:

**Table 7.4 Break-Even Analysis**

<b>FIXED COST</b>	\$ 70,624.62
<b>VARIABLE COST</b>	\$ 20.00
<b>NUMBER OF UNITS</b>	\$ 147.14
<b>UNIT PRICE</b>	\$ 100.00

	<b>NET REVENUE</b>	<b>FIXED COST</b>	<b>VARIABLE COST</b>	<b>TOTAL COST</b>	<b>TOTAL PROFIT</b>
<b>0</b>	\$0	\$70,625	\$0	\$70,625	-\$70,625
<b>147</b>	\$14,714	\$70,625	\$2,943	\$73,567	-\$58,854
<b>294</b>	\$29,427	\$70,625	\$5,885	\$76,510	-\$47,083
<b>441</b>	\$44,141	\$70,625	\$8,828	\$79,453	-\$35,312
<b>589</b>	\$58,854	\$70,625	\$11,771	\$82,395	-\$23,541
<b>736</b>	\$73,568	\$70,625	\$14,714	\$85,338	-\$11,771
<b>883</b>	\$88,281	\$70,625	\$17,656	\$88,281	\$0
<b>1030</b>	\$102,995	\$70,625	\$20,599	\$91,224	\$11,771
<b>1177</b>	\$117,708	\$70,625	\$23,542	\$94,166	\$23,542
<b>1324</b>	\$132,422	\$70,625	\$26,484	\$97,109	\$35,313
<b>1471</b>	\$147,135	\$70,625	\$29,427	\$100,052	\$47,083
<b>1618</b>	\$161,849	\$70,625	\$32,370	\$102,994	\$58,854
<b>1766</b>	\$176,562	\$70,625	\$35,312	\$105,937	\$70,625
<b>1913</b>	\$191,276	\$70,625	\$38,255	\$108,880	\$82,396
<b>2060</b>	\$205,989	\$70,625	\$41,198	\$111,822	\$94,167
<b>2207</b>	\$220,703	\$70,625	\$44,141	\$114,765	\$105,937
<b>2354</b>	\$235,416	\$70,625	\$47,083	\$117,708	\$117,708



## 7.5 Projections

There are three key projections needed for this section; Profit and Loss, Cash Flow and Balance Sheet. For a start-up business we have to project figures for all of the above financial statements, such statements are called pro forma statements. The word pro forma means provided in advance. You should consult your accountant or financial advisor when making projections. The samples tables here are not all inclusive and are presented as examples only which are to be used as a starting point.

### 7.5.1 Projected Profit and Loss

The Profit and Loss statement details the income and sales of your company over a specified period.

**Table 7.5.1 Pro Forma Profit and Loss**

<b>Pro Forma Profit and Loss</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Income</b>			
Sales	\$105,600	\$138,600	\$198,000
Cost of Goods Sold	(\$19,200)	(\$25,200)	(\$36,000)
Gross Profit	\$86,400	\$113,400	\$162,000
<b>Expenses</b>			
Accounting / Legal	\$5,400	\$5,562	\$5,729
Bad Debts	\$4,800	\$6,300	\$9,000
Shrinkage	\$2,880	\$3,780	\$5,400
Credit Card Fees	\$1,680	\$2,205	\$3,150
Insurance	\$400	\$408	\$420
Miscellaneous	\$250	\$247	\$255
Payroll Taxes	\$1,565	\$3,757	\$5,635
Permits and Licenses	\$120	\$124	\$127
Rent	\$45,200	\$48,800	\$51,000
Salaries	\$0	\$0	\$10,000
Wages	\$8,330	\$20,000	\$20,000
Total Expenses	\$70,625	\$91,182	\$110,716
<b>Net Profit</b>	<b>\$15,775</b>	<b>\$22,218</b>	<b>\$51,284</b>

### 7.5.2 Projected Cash Flow

The statement of cash flow shows the incoming and outgoing cash of the business.

**Table 7.5.2 Pro Forma Cash Flow**

<b>Pro Forma Cash Flow</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Cash Received</b>			
Cash from Operations	(\$32,500)	(\$10,282)	\$41,002
Cash Sales	\$105,600	\$138,600	\$198,000
Cash from Receivables	\$0	\$0	
Subtotal Cash from Operations	\$73,100	\$128,318	\$239,002
<b>Additional Cash Received</b>			
Sales Tax			
Owners Investment			
Subtotal Cash Received	\$73,100	\$128,318	\$239,002
<b>Expenditures</b>			
Expenditures from Operations	\$75,500	\$25,200	\$36,000
Cash Spent	\$70,625	\$91,182	\$110,716
Bills Paid			
Subtotal Spent on Operations	\$146,125	\$116,382	\$146,716
<b>Additional Cash Spent</b>			
Sales Tax			
Loan Payment			
Subtotal Additional Cash Spent	\$0	\$0	\$0
Subtotal Expenditures	\$146,125	\$116,382	\$146,716
Net Cash Flow	(\$73,024)	\$11,936	\$92,286
Cash Balance	(\$73,024)	(\$61,088)	\$31,198

The owner has the financial wherewithal to cover all cash flow shortages for the initial 24 months of operations. The sources of funds are in the form of marketable securities.

### 7.5.3 Projected Balance Sheet

The balance sheet provides instant picture of the business. It has two sections; one is for assets and the other for liabilities and capital.

**Table 7.5.3 Pro Forma Balance Sheet**

<b>Pro Forma Balance Sheet</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Assets</b>			
<b>Current Assets</b>			
Cash	\$8,025	\$8,426	\$9,058
Accounts Receivable	\$1,725	\$1,811	\$1,947
Inventory	\$49,800	\$52,290	\$56,212
Other Current Assets	\$975	\$1,024	\$1,101
<b>Total Current Assets</b>	<b>\$60,525</b>	<b>\$63,551</b>	<b>\$68,318</b>
<b>Long Term Assets</b>			
Long Term Assets	\$6,500	\$6,825	\$7,337
Accumulated Depreciation	\$3,975	\$4,174	\$4,487
<b>Total Long Term Assets</b>	<b>\$14,975</b>	<b>\$15,724</b>	<b>\$16,903</b>
<b>Total Assets</b>	<b>\$75,500</b>	<b>\$79,275</b>	<b>\$85,221</b>
<b>Liabilities and Capital</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$11,552	\$12,129	\$13,039
Current Borrowing	\$0	\$0	\$0
Other Current Liabilities	\$7,550	\$7,928	\$8,522
<b>Subtotal Current Liabilities</b>	<b>\$19,102</b>	<b>\$21,561</b>	<b>\$0</b>
Long Term Liabilities	\$0	\$0	\$0
<b>Total Liabilities</b>	<b>\$19,102</b>	<b>\$20,057</b>	<b>\$21,561</b>
Paid In / Invested Capital	\$56,398	\$59,218	\$63,659
<b>Retained Earnings</b>			
<b>Earnings</b>			
<b>Total Capital</b>	<b>\$56,398</b>	<b>\$59,218</b>	<b>\$63,659</b>
<b>Total Liabilities and Capital</b>	<b>\$75,500</b>	<b>\$79,274</b>	<b>\$85,220</b>
<b>Net Worth</b>	<b>\$56,398</b>	<b>\$59,218</b>	<b>\$63,659</b>

### 7.6 Business Ratios

This analysis is based on the Standard Industrial Classification (SIC) code 5944 – Retail Jewelry. These ratios are often used by lenders a measure of performance when compared to your peers.

Overall, the Jewelry Store Kiosk demonstrates sufficient liquidity, has no debt obligations, and demonstrates favorably profit margins.

*Liquidity and Leverage:* The Jewelry Store Kiosk has adequate liquidity and compares favorably with its peers based on its current ratios. In Year One, the Jewelry Store Kiosk reports a current ratio of 3.17 compared to the industry average of 3.67. The Jewelry Store Kiosk's leverage and equity ratios will not compare with its peers. This is primarily attributed to the fact that the owner will self-fund with no outside debt or financial obligations.

*Profitability:* Profitability compares below its peers as evidenced by its Return on Assets Ratio of 20.9% in Year One compared to the Industry Average of 90%. Mitigating this average is the Jewelry Store Kiosk's above average gross profit margin of 81.8% in Year One compared to the Industry Average of 49.7%. The owner is able to achieve such margins with reductions in expenses associated with overhead and by constructing the jewelry designs herself.

*Activity:* The average Inventory turnover is .70X times annually. The Jewelry Store Kiosk is anticipated to turnover inventory .38X in Year One, .48X times in Year Two and .64X in Year Three and compares to be in line with its peers. Although slow to turn, this is a commonality of the Jewelry Store Industry with merchandise inventories representing more than 50% of annual sales.

**Table 7.6 Ratio Analysis**

Ratio Analysis	Year 1	Year 2	Year 3	Industry Profile
<b>Financial Ratios</b>				
Quick Ratio	0.51	0.51	0.51	0.44
Current Ratio	3.17	3.17	3.17	3.67
Current Liabilities to Net Worth	33.9%	33.9%	33.9%	0.2
Current Liabilities to Inventory	38.4%	38.4%	38.4%	0.4
Total Liabilities to Net Worth	33.9%	33.9%	33.9%	32.0%
Fixed Assets to Net Worth	26.6%	26.6%	26.6%	0.1
Collection Period				1.4
Inventory Turnover	0.4	0.5	0.6	.7
Assets to Sales	71.5%	57.2%	43.0%	84.0%
Sales to Working Capital	2.55	3.19	4.23	1.9
Accounts Payable to Sales	10.9%	8.8%	6.6%	7.0%
Return on Sales	14.9%	16.0%	25.9%	0.0
Return on Assets	20.9%	28.0%	60.2%	90%
Return on Equity	28.0%	37.5%	80.6%	10.5%
Interest Coverage				2.5

Income Statement				
Net Sales	14.9%	16.0%	25.9%	
Gross Profit	81.8%	81.8%	81.8%	49.7%
Operating Income	14.9%	16.0%	25.9%	3.5%
Net Profit After Tax				1.6%
Balance Sheet				
Cash	10.6%	10.6%	10.7%	7.2%
Accounts Receivable	2.3%	2.3%	2.3%	0.3%
Inventory	66.0%	66.0%	66.4%	67.7%
Total Current Assets	80.2%	80.2%	80.7%	75.5%
Total Fixed Assets	8.6%	8.6%	8.0%	5.2%
Other Non-Current Assets	6.0%	6.0%	6.0%	19.3%
Total Assets	100.0%	100.0%	100.0%	100.0%
Accounts Payable	15.3%	15.3%	15.3%	8.1%
Total Current Liabilities	10.0%	10.0%	10.0%	23.4%
Total Long Term Liabilities	0.0%	0.0%	18.7%	0.0%
Net Worth	74.7%	74.7%	28.0%	76.6%

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