



Framing/Antiques Store

BUSINESS PLAN

FLORA'S FRAMES & ANTIQUES

2600 Richardson Turnpike
Nanton, CT 02170

November 21, 1993

This family-owned business, whose proprietors have experience in the picture framing and antiques field, have designed a combination venture that they believe will cater to an untapped market. The following plan outlines the factors that are crucial to consider when launching a new business .

- PLAN OBJECTIVE
- BUSINESS PROFILE
- MARKET PROFILE
- COMPETITION PROFILE
- LOCATION AND FACILITIES
- MANAGEMENT AND PERSONNEL PROFILE
- START UP EXPENSES
- CAPITAL EQUIPMENT LIST
- INVENTORY LIST
- PROJECTED BALANCE SHEET AFTER ONE YEAR
- BALANCE SHEET AT START OF BUSINESS

PLAN OBJECTIVE

The purpose of this document is to provide operating policies and budgetary guidelines for Flora's Frames & Antiques - a family operated retail establishment located in Nanton, CT. The financial projections and objectives contained herein are intended to serve as benchmarks for measuring and evaluating company performance and growth. They were derived from industry standards and have been adjusted to reflect the particular strengths and weaknesses of Flora's Frames & Antiques. Actual financial performance will be tracked closely and adjusted when necessary to ensure that full profit potential is realized.

BUSINESS PROFILE

Flora's Frames & Antiques will be a privately-owned, family operated retail operation specializing in quality custom frames, framed art and antiques. It will be incorporated under the laws of Connecticut and will be located in Nanton, Connecticut. The business will be in close proximity to other retail and specialty shops including: Kitchen Supplies, Wrap & Ship, and Super Video Chain, all of which have name recognition and draw high traffic volumes. Flora's Frames & Antiques will open for business on December 1, 1993 and will maintain the following business hours:



- Monday through: Wednesday 10 to 6
- Thursday: 10 to 8
- Friday, Saturday: 10 to 6
- Sunday: Closed

In the profitable and growing picture framing market, Flora's Frames & Antiques will stand out as a leader in customer service and quality craftsmanship. A strong customer focus, an accessible location and a broad product line will enable the establishment to slowly and steadily develop a loyal customer base. Sales are expected to reach \$200,000 within the first year and to grow at a conservative rate of six to eight percent during the next two to five years. To stimulate growth Flora will introduce new products and services including: home consultations, instructional workshops and an expanded product line that includes international acquisitions. The specific products and services added will depend on consumer trends, projected profit margins, customer draw and overall company direction. The initial product and service line for Flora's Frames & Antiques will include:

- Museum-quality, premium-priced custom frames and framing
- Same-day custom framing (for certain items)
- One-hour custom framing (for certain items)
- Discounted "Frame your own" service
- Consignment art and antiques
- Dry mounting
- Ready-made, photo and standard size frames
- Prints, oils, mirrors, textiles, local artists' works
- Antiques (includes furniture, artwork, decorative objects and jewelry)

The antique selection will draw customers who are not currently in the market for frames, but whose interest in quality decorations and generally higher incomes make them perfect targets for Flora's more premium priced services. Once they are aware of the quality of Flora's work, they will return to fulfill all of their art and framing needs as they arise. The business will be indexed under "antiques" in the yellow pages, as well as under "picture framing services" to ensure that people are aware of this product offering. In addition to drawing customers, the antiques on display will generate ambiance for the business making it pleasant to browse. As a result, customers in general will spend more time in the store and will be more likely to make a purchase, recommend the store to others, or return at a later time.

MARKET PROFILE

Industry

Total industry sales for 1992 were estimated at \$6 billion. However, this figure is expected to increase, as picture frames/framing is a growth industry. According to The Professional Picture Framer's Association (PPFA), The Weekly Home Furnishings Newspaper, and the Journal of Commercial Bank Lending, growth of the picture framing industry began in the seventies, reached double digit figures in the eighties, is currently in the five to eight percent range and is expected to continue at this rate for the next few years. Several environmental factors have spurred industry growth:

- A recent boom in amateur photography has increased demand for photo frames.
- The recession has required people to seek more affordable options for decorating and gift giving.
- A rise in the number of frame shops and franchises has increased overall customer awareness of and demand for frames and framing services.
- Expanded product lines at the manufacturer level (trendier styles of readymade frames, moldings and mats) has opened the door for retailers to establish niche markets and provide more variety in their



product offerings.

Customers

According to a study conducted by the Professional Picture Framers Association (PPFA) the target customer for custom framing services is female, twenty five to twenty nine years old, well educated, lives with her family in a home that she owns and has family income of \$30,000 to \$45,000. Experience has shown that on average, customers are willing to drive up to thirty minutes for custom framing jobs, which would mean that the target market lives within ten to fifteen miles of Nanton. Eighty percent of the customers will be individuals and twenty percent will be businesses including interior decorators, restaurants, and professional photographers.

U.S. Census data shows that the number of twenty five to twenty nine year old females who live within a fifteen mile radius of Nanton is approximately 100,000. Average incomes for residents of Nanton and surrounding towns fall either within or above the target income range. Competition is stiff, with over fifty-seven other custom framers within fifteen miles of Flora's Frames & Antiques. Factoring in mass merchants and other competitors (identified below) it would be reasonable to expect Flora's Frames & Antiques to capture 1.5% of the market - which comes to 1500 people.

Studies by an independent contractor for Intercraft Corp., and by the Professional Picture Framers Association (PPFA) show that the average customer purchases between one and five frames per year. Based on an average of three purchases per customer per year, there are 4500 opportunities a year for Flora to sell her merchandise to the target market. In addition, some non-target individuals will be expected to make purchases, and additional sales will be generated by business customers. Given an average customer ticket of about \$65.00, the break even for Flora's Frames & Antiques can be calculated at \$118,855 per year, or just under 2000 sales per year (see calculation sheet). This breaks down to an average of six sales per day which is highly feasible given the size of the framing market and Flora's expected share.

COMPETITION PROFILE

The competition for custom framing services comes mainly from other small custom framing shops and professional photography studios. The list of competitors for ready-made frames is longer and includes: mass merchants, department stores, drug stores, variety stores, art & craft stores, camera stores, card & gift shops, supermarkets, women's apparel chains, bath & linen chains, housewares chains, home office superstores and catalog showrooms. There are over 200 frame shops and photography studios listed under the "picture framesdealers" section of the Nanton Yellow pages which covers the city of Nanaton as well as thirty-six nearby towns. Fifty seven shops are listed in towns located within fifteen miles of Nanton, and twenty-six of the shops listed are located within five miles. The closest competitors are The Framing Workshop, a custom framing establishment specializing in self-service framing and Ready Photo, a film developing franchise which has a very limited selection of ready-made frames. Both The Framing Workshop and Ready Photo are within one quarter mile of Flora's Frames & Antiques. Neither offers the combination of quality, service, broad product line, and affordable prices that Flora's Frames & Antiques will. In fact, customer reports and experience show that framers in general, and The Framing Workshop in particular are especially weak in the area of customer service. Customers who shop around for quality are sure to find the products, service, and prices at Flora's Frames & Antiques superior to those at competitors' stores.

The framing industry is very fragmented with each small frame shop acting in isolation. No single shop, franchise or group of competitors has enough market share, resources or influence in the industry to react strongly to new entrants. Local shops may increase advertising, however, only thirteen percent of customers find shops through advertising and Flora's Frames & Antiques plans to match their efforts in this area. Some of the larger franchises have more resources upon which to draw, however there are none of these located close to the business.



Prices

Prices will be based on a combination of past experience, industry figures and manufacturers' suggestions. Flora has been setting prices for over five years and her close contact with customers will allow her to react quickly to changes in demand. Custom framing services and framed art on display will be priced at a premium to reflect the value added by Flora. However prices for these items will be slightly lower than industry average for items of comparable quality. Custom framing is a high margin business so Flora can afford to keep prices slightly lower than the competition without compromising quality or losing unnecessary profits. Custom framing is Flora's core business so it will be important to maintain competitive advantage in this area.

Prices for ready-made frames, mats, glass and self-service framing materials will be virtually the same as the competition. Generally there is an industry standard for pricing these items. Although significantly lower than the prices for customized frames, the prices for standard size and ready-made frames will be comparable, to slightly higher than, average prices set by mass merchandisers for similar items. The purpose will be to maintain the quality image of the business. Prices for consignment items will be set by the sellers, though Flora will assist with the pricing if requested. Flora will earn ten percent of the purchase price of all consignment items that are sold. For large orders and preferred customers (i.e. business customers and people who make frequent purchases) Flora will negotiate fair, discounted prices.

Quality

Inc. Magazine reports that quality is the most important consideration for customers buying frames. Flora's Frames & Antiques will stand out among the competition as a leader in quality for the following reasons:

- Materials used to construct custom frames will be of high quality.
- Seventeen years of combined framing and art design experience will be applied toward every framing job.
- Only unique and high quality ready-made frames and artworks will be carried in the store.
- Close customer contact will allow Flora to determine not only how her customers define quality, but also whether or not her products are meeting those standards.
- Customers will be encouraged to return, exchange, or modify items with which do not meet quality standards.

Previous experience has shown that customers are impressed by the quality of Flora's work. Customers do return to Flora for additional framing and they do recommend her to others. This history is significant considering that seventysix percent of all framing business comes from repeat buyers.

Service

Outstanding customer service will give Flora's Frames & Antiques an additional edge in the competitive local framing market. Fast, friendly, professional service as well as customer convenience will be top priority for the business. Flora's sales and framing experience, her dynamic personality, and her artistic talents make it possible for her help customers' find or create exactly what they want. She is expert at assessing customers' needs / preferences and can provide them with information or advice they request.

Free delivery for extra large items (within a fifteen mile radius) and choice of payment options will also contribute to the superior service package. Master Card, Visa and personal checks will be accepted. On average for the framing industry, credit card purchases comprise twenty percent of sales. The goodwill gained from offering this convenience will outweigh the five percent commissions charged by credit card companies.

All purchases will be guaranteed. Customers will be able to purchase items on a trial basis to ensure they are pleased with the effect they generate in their homes. Returns, exchanges, and modifications will be honored within one month of purchase. Longer grace periods will be allowed for preferred customers. Modifications will be made either at no cost (i.e. exchange mat for different color) or for the cost of the new materials (i.e.



more expensive frame). Flora will also modify items that are on display for customers who wish to match particular home or office decor. A policy of satisfaction guaranteed is crucial considering that for the custom picture framing industry, customer recommendations are the most important factor in establishing and maintaining a broad customer base.

Advertising

Flora's Frames & Antiques will rely heavily on the recommendations of satisfied customers and decorative window displays as means of attracting customers away from the competition. According to a survey by the PPFA, these are the two avenues through which the majority of framing customers find framing establishments. Past experience has also proven that many customers come on the recommendations of others.

Although word-of-mouth is an effective way of increasing market share, it is also extremely slow. To accelerate the process of expanding the customer base, the business will maintain an advertising budget of \$7000 for the first year, which is a full percentage point above the industry average. The bulk of this budget will be spent on listings in the Nanton yellow pages, advertisements in local newspapers, and direct mailings to preferred customers. These are the three most popular media used by picture framers, and they will all reach the target market for Flora's Frames & Antiques. For the second and third years, advertising will be cut back to the industry average of 2.5% of total sales.

LOCATION AND FACILITIES

Flora's Frames & Antiques will be located in the KMC Plaza in Nanton, CT. The plaza is situated on a busy turnpike just minutes from interstates 91 and 84. It borders a large parking lot which is shared by all the businesses therein. The location will be advantageous because:

- The business is both easy to locate and accessible to a number of upscale communities.
- High volumes of traffic driving by the business will increase the chances that new customers will spot the store and stop on their way past.
- Active shoppers who see the listing in the Yellow Pages will recognize the location immediately.
- Plentiful parking and nearby retail establishments draw volumes of people.

Flora's Frames & Antiques signed a three year lease for a 2400 square foot space. The cost is very reasonable at \$5/sq. foot which is well below the industry average of \$8-10/square foot. There is more than enough room to house the equipment, set up displays, and allow customers to browse. Renovations are being done by Andrew Lucas, an experienced architect and builder at an estimated cost of \$4300.

The Wall Street Journal ranked Connecticut eleventh out of the fifty US states as a place to start a new business. It ranked this state ninth in the country in terms of availability of resources for assisting small businesses and start-ups. Included among these resources are the following, listed in The Hartford Courant: Small Business Development Centers, Business Outreach Centers, Service Corps of Retired Executives, and The Entrepreneurial Center for Women / Hartford College for Women. Finally, Connecticut was ranked eighth in terms of economic climate and business development capacity.

MANAGEMENT AND PERSONNEL PROFILE

Flora Lucas, Co-Owner and General Manager, will manage all aspects of the business with the support and assistance of her family and Co-Owner John Grande. Flora's background includes an education at the European School of Art, nine years experience in picture framing, and ten years experience in decorative rug design. She has worked for the past seven years in a custom framing shop similar in size and purpose to Flora's Frames & Antiques and has acquired the following relevant experience:



Custom framing

- Designed and constructed thousands of customized frames
- Framed unique and hard-to-frame items
- Created frames and framed-art displays for shop window and display areas
- Trained assistant in custom framing techniques

Customer service

- Assisted customers with self-service framing
- Assessed customer needs and tastes
- Greeted customers, answered questions, handled complaints

Sales/Operations

- Bought and sold frames and artwork
- Executed sales transactions
- Developed pricing schemes
- Tracked inventories and purchased supplies
- Trained employees in selling techniques

Co-Owner John Grande, a local entrepreneur, will be providing the start-up capital for the business. Mr. Grande became aware of Flora's artistic abilities and professional skills when she framed several pieces of artwork for him while working for her previous employer. Mr. Grande serves as ongoing business advisor to the corporation. He is a well respected business professional; he is the founder and director of a successful charitable organization; and he serves on the boards of several large organizations. In addition to being the primary investor, Mr. Grande is an ongoing source of motivation and inspiration for everyone involved in the business. He also has extensive personal and professional networks which he will tap into to further expand the customer base for the business.

Flora's husband Andrew Lucas will work for the business twenty to thirty hours a week handling general office management, bookkeeping, renovations, vehicle maintenance and occasional deliveries. Andrew is an internationally active businessman with a broad experience base that includes architectural design, import / export brokering, consulting and business negotiating. During busy periods he will assist Flora with operational tasks including purchasing supplies, tracking inventories, and modifying displays. As the business grows, he will utilize his international experience to buy and sell art and antiques abroad. For the first year Andrew will work for \$10 per hour. The second and third years he will work for \$12 per hour and \$14 per hour, respectively. For these two years he will work only twenty hours a week as an assistant will be hired to help Flora during busy periods.

During vacations, summers and some weekends, Andrew and Flora's daughter Anna will return from the University of Connecticut where she is currently pursuing a degree in business, to assist with framing and help with administrative duties. Anna will work for a salary of \$6.00 per hour. Within twelve to eighteen months after opening, Flora's Frames & Antiques will hire an Assistant Framer to replace Anna who will be leaving to pursue full-time career in business. The new assistant's duties will include framing, customer assistance, and limited administrative work. The position will require twenty hours per week for the first eighteen to twenty four months and forty hours per week after that. It will carry a salary of \$8.50 per hour for the first year (year two of the business) and \$10.00 per hour for the second year. This employee's work schedule will be adjusted so that more hours are worked during busy months and less are worked during slow months.

Other family members who will be providing support and assistance include: Flora's son Joseph, an engineering doctoral student in New York who is not available to assist with the business on a regular bases, but is very supportive of the family's efforts; and a close family friend, Karen Coskren, an MBA candidate who



has experience consulting to small businesses and has offered advice and assistance, primarily in the areas of marketing and financial management.

The attorney for Flora's Frames & Antiques will be Nan A. Morrison, Esq. He is well established in his field and works at a reasonable rate. He will be advising the business on both legal and insurance matters. Flora is currently in the process of obtaining an accountant through the Community Accounting Aid Service which works closely with Connecticut Small Business Development Centers.

START-UP EXPENSES

Beginning Inventory	\$11,740
Supplies	\$500
Opening Advertising Expense	\$3,000
Accounting/Legal Expenses	\$800
Miscellaneous	\$327
Rent Deposits	\$2,000
Renovations	
(Leasehold Improvements)	\$4,300
Telephone Deposits and	
Installation Charges	\$350
Utility Deposits	\$600
Capital Equipment	\$6,991
Delivery Van (Used)	\$5,700
Total Start up Expenses	\$36,308

Beginning Inventory	\$11,740
Supplies	\$500
Opening Advertising Expense	\$3,000
Accounting/Legal Expenses	\$800
Miscellaneous	\$327
Rent Deposits	\$2,000
Renovations (Leasehold Improvements)	\$4,300
Telephone Deposits and Installation Charges	\$350
Utility Deposits	\$600
Capital Equipment	\$6,991
Delivery Van (Used)	\$5,700
Total Start up Expenses	\$36,308



CAPITAL EQUIPMENT LIST

Major Equipment Cost

Mat Cutter	\$900
Glass Cutter	\$900
Dry Mount Machine	\$1,300
Heat Dry Mount Machine	\$500
Frame Cutter	\$900
Underpinner	\$1,600
Total Major Equipment	\$6,100

Minor Equipment

Filler Cutter	\$250
Misc. Tools (Screwdriver, Etc)	\$200
Catalog W/ Displayer	\$50
2 Paper Support Racks (18" & 36")	\$49
3 Tape Guns @ \$25/Each	\$75
Nail Gun	\$27
Screw Gun	\$40
Total Minor Equipment	\$691

Other Equipment

Cash Register	\$200
Total Other Equipment	\$200

Total Capital Equipment	\$6,991
-------------------------	---------

Major Equipment Cost

Mat Cutter	\$900
Glass Cutter	\$900
Dry Mount Machine	\$1,300
Heat Dry Mount Machine	\$500
Frame Cutter	\$900
Underpinner	\$1,600
Total Major Equipment	\$6,100

Minor Equipment

Filler Cutter	\$250
Misc. Tools (Screwdriver, Etc)	\$200
Catalog W/Displayer	\$50
2 Paper Support Racks (18" & 36")	\$49
3 Tape Guns @ \$25/Each	\$75
Nail Gun	\$27
Screw Gun	\$40
Total Minor Equipment	\$691

Other Equipment

Cash Register	\$200
Total Other Equipment	\$200
Total Capital Equipment	\$6,991



INVENTORY LIST

Molding	\$3800
Ready-Made Frames	\$1000
Art/Antique	\$3400
Mats	\$1000
Backing	\$500
Glass	\$500
Fasteners (Nails, Screws)	\$300
Frame Nails	\$140
Glue, Double Tape	\$100
Frame Corners	\$200
Mat Corners	\$100
Art Displays	\$300
Wire	\$200
Dry Mount Spray	\$200
Total	\$11,740

Molding	\$3800
Ready-Made Frames	\$1000
Art/Antique	\$3400
Mats	\$1000
Backing	\$500
Glass	\$500
Fasteners (Nails, Screws)	\$300
Frame Nails	\$140
Glue, Double Tape	\$100
Frame Corners	\$200
Mat Corners	\$100
Art Displays	\$300
Wire	\$200
Dry Mount Spray	\$200
Total	\$11,740

BALANCE SHEET AFTER ONE YEAR OF BUSINESS

Assets

Current Assets

Cash	\$43,353	
Inventory	\$11,740	
Supplies	\$500	
Rent & utility deposits	\$2,950	
Total Current Assets		\$58,543

Fixed Assets

Equipment (including van)	\$12,691	
(less depreciation)	\$1813	
net	\$10,878	
Renovations - start up expenses	\$4,300	
(less amortization)	\$860	
net	\$3,440	
Total Fixed Assets	\$12,691	
Total Assets		\$71,234

Liabilities

Current Liabilities

Notes Payable	\$0	
Accrued Taxes Payable	\$5,503	
Total Current Liabilities		\$5,503

Owner's Capital

Owner's capital	\$45,000	
Retained Earnings	\$20,731	
Total owner's capital	\$65,731	
Total Liabilities & Owner's Capital		\$71,234



Assets

Current Assets

Cash	\$43,353	
Inventory	\$11,740	
Supplies	\$500	
Rent & utility deposits	\$2,950	
Total Current Assets		\$58,543

Fixed Assets

Equipment (including van)	\$12,691	
(less depreciation)	\$1,813	
net	\$10,878	
Renovations - start up expenses	\$4,300	
(less amortization)	\$860	
net	\$3,440	
Total Fixed Assets	\$12,691	
Total Assets		\$71,234

Liabilities

Current Liabilities

Notes Payable	\$0	
Accrued Taxes Payable	\$5,503	
Total Current Liabilities		\$5,503

Owner's Capital

Owner's capital	\$45,000	
Retained Earnings	\$20,731	
Total owner's capital	\$65,731	
Total Liabilities & Owner's Capital		\$71,234



BALANCE SHEET AT THE START OF BUSINESS

Assets

<i>Current Assets</i>		
Cash	8,719	
Inventory	11,740	
Supplies	500	
Prepaid expenses	4,100	
Rent & utility deposits	2,950	
Total Current Assets		28,009

<i>Fixed Assets</i>		
Equipment (including van)	12,691	
less depreciation	0	
net	12,691	
Renovations - start up expenses	4,300	
less amortization	0	
net	4,300	
Total Fixed Assets		16,991

Total Assets \$45,000

Liabilities

Current Liabilities
 Notes Payable
 Total Current Liabilities

Owner's Capital		
Owner's Capital	\$45,000	
Retained Earnings	0	
Total Owner's Capital		\$45,000

Total Liabilities & Owner's Capital \$45,000

Assets

Current Assets

Cash	8,719	
Inventory	11,740	
Supplies	500	
Prepaid expenses	4,100	
Rent & utility deposits	2,950	
Total Current Assets		28,009

Fixed Assets

Equipment (including van)	12,691	
less depreciation	0	
net	12,691	
Renovations - start up expenses	4,300	
less amortization	0	
net	4,300	
Total Fixed Assets		16,991
Total Assets		\$45,000

Liabilities

Current Liabilities

Notes Payable
 Total Current Liabilities

Owner's Capital

Owner's Capital	\$45,000
Retained Earnings	0



Total Owner's Capital	\$45,000
Total Liabilities & Owner's Capital	\$45,000

BREAK EVEN ANALYSIS

Fixed Costs

Manager Salaries	25,000
Employee Salaries	14,304
Payroll Taxes	5,503
Accounting/Legal	1,800
Rent	12,000
Utilities	3,600
Telephone	2,200
Insurance	2,600
Property Taxes	1,395
Depreciation	1,813
Amortization	860
Total Fixed Costs	\$71,075

Fixed Costs

Manager Salaries	25,000
Employee Salaries	14,304
Payroll Taxes	5,503
Accounting/Legal	1,800
Rent	12,000
Utilities	3,600
Telephone	2,200
Insurance	2,600
Property Taxes	1,395
Depreciation	1,813
Amortization	860
Total Fixed Costs	\$71,075

$$\text{Break Even} \rightarrow \frac{\text{Fixed Costs}}{\text{Gross Profit as \% of Sales}} = \frac{\$71,075}{59.80\%} \rightarrow \$118,855 \text{ Per Year}$$

$$\text{Feasibility} \rightarrow \frac{\text{Break Even}}{\text{Business Days/Year}} = \frac{\$118,855}{312} \rightarrow \$381 \text{ Per Day}$$

$$\frac{\text{Sales/Day}}{\text{Average Sale Amount}} = \frac{381}{\$65} \rightarrow 6 \text{ Sales/Day}$$