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COURSE TITLE: ENTREPRENEURSHIP II

DEPARTMENT: LAW

Executive Summary

Tropical Tan is a start up company seeking financing. Tropical Tan has an experienced management team, excellent location, and sound business strategy. This business plan will highlight Tropical Tan's needs, market, sales plan, and financial statements.

Tropical Tan will be located in Chino Hills, CA. This is a market area of 160,000 individuals. The location is in a high traffic strip mall with national chains. The business' main service will be offering tanning booths to individuals. Tropical Tan will offer six high quality tanning beds and limited retail sales of tanning lotion, bathing suits/swimwear, and sunglasses.

The objective of this business plan is to acquire \$50,000 in additional funding. This money will be used to purchase inventory, tanning beds, and other expenses.

Objectives

1. Sales of \$380,000 in Year 1 and \$425,000 by the end of Year 3.
2. Net Profit higher than 40%.
3. Net income more than 10% of sales by Year 3.

Mission

Tropical Tan will offer our clients the highest quality indoor tanning experience, with top-of-the-line beds and tanning accelerators. Tropical Tan will set itself apart from the competition by making customer satisfaction a top priority. Employees will be treated with dignity, and will be provided with special benefits such as moderate health insurance coverage, free tanning sessions, and a special company picnic once a year. Employees are the public face of Tropical Tan, and their health and goodwill is integral to the success of the business.

Company Summary

Tropical Tan will, upon commencement of operations, provide the service of tanning booth rentals. We will provide an upscale, sanitary environment, along with quality lotions, swimwear,

and sunglasses. Superior customer service and high quality tanning equipment will set Tropical Tan apart from the competition.

Company Ownership

Tropical Tan will be created as a Sole Proprietorship based in Chino Hills owned by its principal investors and principal operators.

Start-up Summary

Keith and Shelly Harwood have \$65,000 to invest in the business and are looking to finance an additional \$50,000 for the build out and start up of their salon. The funds will be used to finance start-up costs, remodel the location, purchase the equipment, and initial inventory. The funds will be repaid through earnings.

START-UP REQUIREMENTS

Start-up Expenses

Legal	\$250
Stationery etc.	\$100
Brochures	\$0
Consultants	\$0
Insurance	\$100
Rent	\$1,817
Research and Development	\$0
Expensed Equipment	\$27,000
Other	\$0

TOTAL START-UP EXPENSES	\$29,267
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Start-up Assets

Cash Required	\$29,333
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Start-up Inventory	\$250
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Other Current Assets	\$0
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Long-term Assets	\$27,000
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TOTAL ASSETS	\$56,583
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Total Requirements	\$85,850
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START-UP FUNDING

Start-up Expenses to Fund	\$29,267
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Start-up Assets to Fund	\$56,583
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TOTAL FUNDING REQUIRED	\$85,850
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Assets

Non-cash Assets from Start-up	\$27,250
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Cash Requirements from Start-up	\$29,333
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Additional Cash Raised	\$0
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Cash Balance on Starting Date	\$29,333
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TOTAL ASSETS	\$56,583
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Liabilities and Capital

Liabilities

Current Borrowing	\$0
Long-term Liabilities	\$20,000
Accounts Payable (Outstanding Bills)	\$850
Other Current Liabilities (interest-free)	\$0
TOTAL LIABILITIES	\$20,850

Capital

Planned Investment

Keith Harwood	\$40,000
Shelly Harwood	\$25,000
Other	\$0
Additional Investment Requirement	\$0
TOTAL PLANNED INVESTMENT	\$65,000

Loss at Start-up (Start-up Expenses)	(\$29,267)
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TOTAL CAPITAL	\$35,733
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TOTAL CAPITAL AND LIABILITIES	\$56,583
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Total Funding	\$85,850
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Products and Services

Tropical Tan will provide the service of tanning booth rentals to individuals. The company relies on seven SunQuest Pro brand tanning beds. Each bed includes 24 Wolff tanning lamps. Sessions range from 20-30 minutes each. Session costs are listed in the sales forecast summary.

Tropical Tan will also retail a line of tanning lotions, bathing suits/swimwear, and sunglasses.

Strategy and Implementation Summary

The main priorities of Tropical upon start up are the following:

- To maintain positive cash flow and aggressively limit expenses to match the projected financial statements.
- To differentiate the brand and product from the competition by supporting and encouraging a unique customer experience.
- To outsource important management activities so that any management team gaps are minimized.

By keeping these priorities in mind throughout the start-up process, the implementation team (management team) will maintain a course of action that will lead to solid results.

Competitive Edge

Tropical Tan's competitive edge lies with the way in which customers are pampered. We will provide extra perks that our competition doesn't such as bottled water after their session, free lattes and other perks described below:

Twice yearly client fashion show – The salon will close for several hours on a weekend and the fashion show will introduce a new line of swimwear. Tropical Tan clients will be encouraged to participate as the models for the new swimwear. The top male and female models will receive a year's worth of tanning each.

Weekly drawings – Giveaways of everything from tanning products to free monthly passes to area restaurant giveaways.

Auto-payment for individual sessions – Clients who prefer individual sessions to package plans will be able to roll their sessions over into packages if they reach the allotted session amount/month.

Sales Strategy

Those customers who sign up for an initial tanning session (ITS) will receive special discounts on future tans and tanning programs. All returning customers will have access to special tanning plans specifically designed for their needs.

The tanning salon industry recommends that clients tan no more often than every other day. State and Federal regulations recommend no more than once every 24 hours. Tropical Tan recommends to clients that they discontinue tanning temporarily if skin is inappropriately tanned. The company will offer vouchers to clients that agree to discontinue under such circumstances, and reserves the right to refuse service to any client in cases where tanning abuse becomes a problem.

Sales Forecast

The following table give a run down on forecasted sales. This projection is based on six quick tan tanning beds, \$10.00 per tanning session, and approximately 200 clients per day. Half of those clients paying on a monthly basis therefore bringing their session cost down to \$2.00 (\$50.00 per month). Also sales increase in the late spring and early summer and begin to taper off in September.

SALES FORECAST			
	YEAR 1	YEAR 2	YEAR 3
Sales			
Tanning Session	\$387,072	\$406,426	\$426,747

Lotions/swimwear/sunglasses/etc.	\$7,272	\$7,635	\$8,017
TOTAL SALES	\$394,344	\$414,061	\$434,764
Direct Cost of Sales	Year 1	Year 2	Year 3
Lotions/swimwear/sunglasses/etc.	\$3,100	\$3,500	\$3,800
Other	\$0	\$0	\$0
Subtotal Direct Cost of Sales	\$3,100	\$3,500	\$3,800

Management Summary

The initial management team will consist of Keith & Shelly Harwood (owners). As we grow an additional management member will be added. Keith and Shelly have owned and sold several businesses in the last 15 years including a small convenience store, a plumbing contractor business, and a doggie day care business. They are experienced entrepreneurs with years of small business accounting, finance, marketing, and management experience.

Personnel Plan

The personnel plan calls for 2 part-time employees while one or both owners will be there full time. During the busier months, May, June, and July an additional part-time employee will be added.

PERSONNEL PLAN			
	YEAR 1	YEAR 2	YEAR 3
Part-time Help	\$7,740	\$7,740	\$7,740
Part-time Help	\$7,740	\$7,740	\$7,740
Part-time Help	\$1,935	\$1,935	\$1,935
Owners	\$48,000	\$60,000	\$72,000

TOTAL PEOPLE	3	0	0
Total Payroll	\$65,415	\$77,415	\$89,415

Financial Plan

Tropical Tan expects a profit margin of over 40% starting with year one. By year two, that number should slowly increase as the law of diminishing costs takes hold and the day-to-day activities of the business become less expensive.

Sales are expected to grow 15% per year. Total owner financing of \$65,000 will become a return on equity paid in the form of dividends to the owners.

Important Assumptions

After researching the tanning industry in and around Chino Hills, the following assumptions have been made:

- Consumers are not happy with the two existing tanning salons' equipment, so by bringing in top-of-the-line products we can provide a higher quality service as well as more clients per hour.
- Being located across the street from a popular gym we can assume a high amount of foot traffic resulting in higher sales.

GENERAL ASSUMPTIONS			
	YEAR 1	YEAR 2	YEAR 3
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%

Cost of Sales	0	0	0	0	0	0	0	0	0	0	0	0
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Personnel Plan

		Mon th 1	Mon th 2	Mon th 3	Mon th 4	Mon th 5	Mon th 6	Mon th 7	Mon th 8	Mon th 9	Mon th 10	Mon th 11	Mon th 12
Part-time Help	0 %	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645
Part-time Help	0 %	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645	\$645
Part-time Help	0 %	\$0	\$0	\$645	\$645	\$645	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Owners	0 %	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000	\$4,000
Total People		3	3	4	4	4	3	3	3	3	3	3	3
Total Payroll		\$5,290	\$5,290	\$5,935	\$5,935	\$5,935	\$5,290	\$5,290	\$5,290	\$5,290	\$5,290	\$5,290	\$5,290

General Assumptions

	Mon th 1	Mon th 2	Mon th 3	Mon th 4	Mon th 5	Mon th 6	Mon th 7	Mon th 8	Mon th 9	Mon th 10	Mon th 11	Mon th 12
Plan Mon	1	2	3	4	5	6	7	8	9	10	11	12

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Current
Interest
Rate

10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Long-
term
Interest
Rate

10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Tax
Rate

30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0	30.0
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Other

0	0	0	0	0	0	0	0	0	0	0	0	0
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Reference: www.bplans.com