

JR's Classic CDs

"The Place Where Music Buffs Gather..."

10 Main Street
Athens, Ohio 45701



BUSINESS PLAN

Prepared by

JR Smith, Owner

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1.0 Executive Summary

1.1 Statement of Purpose

JR's Classic CDs was established in 2001 as JR's U\$ed CDs, a sole proprietorship. The company is located in Athens County, Ohio. The aim of the company is to provide its customers with a wide variety of previously owned music at reasonable prices. No funding is required for the company at this time as the owner intends to continue to slowly grow the company using his own personal resources. The purpose of this plan is to provide the owner with an updated "roadmap" to enable him to envision the growth and direction of the company.

1.2 Overview of Entire Plan

After operating JR's U\$ed CDs for a year, it became apparent one of our strengths was finding rare and collectible used LPs and CDs at reasonable prices. The store has also become a place for music aficionados to gather and hang out. The name "U\$ed" was changed to "Classic" to give the customer the added emphasis on our ability to find collectibles and also a place to visit again and again, just like the classic music they were seeking. To emphasize that strength, the company name was changed to JR's Classic CDs.

2.0 The Business

2.1 Mission Statement

JR's Classic CDs is dedicated to the recycling of music throughout the local community. By buying previously owned CDs, vinyl records and tapes of any musical style, we aim to provide the largest variety of used music in the area at reasonable prices.

2.2 Description of Product or Service

JR's Classic CDs is a buyer and seller of used CDs vinyl records and tapes. In addition to used music, we will also be suppliers of new accessory items such as posters, CD, record, and tape cleaning kits, headsets and portable music players.

JR's Classic CDs storefront is situated on a main downtown street in a college town in Athens County, Ohio. The store is a small single-story street-level retail shop. It has a retail sales area of 800 square feet. The walls are covered with CD racks and music posters. A unique feature of a music store this small is a twin user listening station. Customers can listen to recordings prior to purchase. The atmosphere at JR's is casual and low pressure. Knowledgeable employees talk with our customers about our common love of music and helping them locate the used recording they are seeking. JR's provides them with couches, comfortable chairs, and tables with back issues of music magazines, allowing music lovers to gather and chat. We are the casual gathering place for music lovers - a place to go to seek the classics.

2.3 Legal Form

The Company will be a Sole Proprietorship registered in the State of Ohio.

2.4 Features and Benefits

Features	Benefits
Premium price for used CDs and vinyl records	
Custom search for rare recordings	Makes customers feel important
Twin user listening station	Confidence they are buying a quality used CD
Online store	Convenience
Quarterly informational e-zine	Keeps music lovers up to date and informed
Punch card system -Free 13 th recording	Recognizes and rewards frequent customers

2.5 Location of Business

JR's Classic CDs storefront is situated on a main downtown street in a college town in Athens County, Ohio. The store is a small single-story street-level retail shop. It has a retail sales area of 800 square feet. The walls are covered with CD racks and music posters. A unique feature of a music store this small is a twin user listening station. Customers can listen to recordings prior to purchase. Couches and coffee tables make the atmosphere comfortable and casual.

3.0 Market Analysis

3.1 Market Segmentation

National and Local Demand

In a fast-paced, high-tech society, music is an important part of everyday life for Americans. This is reflected by the fact that, on a national level, people are spending over eighty-four billion dollars per year in sporting goods, hobby, books and music stores. This is more than is spent nationally on family clothing (fifty-seven billion dollars, US Census 2001).

Locally, in Southeastern Ohio, where the business would be established, the average income (per capita) is \$18,660, which puts a family with two earners over \$37,000 per year. The US Census has put the poverty threshold for a family of four at \$17,960. Most families living in this area can afford the discounted CDs that we sell. However, they are not overly wealthy and are budget conscious. They know a good deal when they see one. Low cost (\$5-\$10) CDs can fit into anyone's budget.

3.2 Target Market

The population in Athens County between fifteen and sixty four market numbers about 47,000 people. Males account for about 49% of that population. This puts our target population at approximately 23,000 people. There is a large university with 17,000 undergraduate students in Athens which causes a substantial seasonal swelling in the county's population. Assuming that half the university population is male, we can add 8,500 for a total of 31,500 potential customers.

Most buyers of used CDs are actually willing to pay more than five dollars for used CDs (see survey results). The only reason given for not purchasing used CDs was high prices. Our lower prices will draw people who have been reluctant to purchase used CDs for that reason.

3.3 Competitive Analysis

JR found four, as shown in the table below. Since the census figures said there were three CD stores in the Zip Code, JR assumed that one had the NAICS code for Family Clothing Stores and not Prerecorded Tapes, CDs, & Records.

He called these three stores and asked about their pricing. He asked for the manager and explained that he was doing market research for a business he was thinking of starting. Most were very helpful and he found out some useful information. Below is a table that summarizes the information about JR's local competition.

Name of Business	Location of Business	Product	Price (buy)
Haffa's Records	Campus area	New & used CDs	\$1-\$4
Sam Goody's	Strip Mall (outside town)	New & used CDs	\$3-\$4
***** Music & Clothing	Downtown	New & used CDs	\$1-\$4
Outer Limits Music & Clothing	Downtown	New & used CDs	\$2-\$4

4.0 Marketing Strategy

4.1 Positioning Strategy

JR's Classic CDs is a buyer and seller of used CDs, vinyl records and tapes. In addition to used music, we will also be suppliers of new accessory items such as posters, CD, record, and tape cleaning kits, headsets, and portable music players. Our customers are music-loving males in the 16 to 65 age range from a wide range of educational and economic backgrounds. They have wide-ranging musical tastes.

These customers generally buy music magazines and attend concerts frequently. They generally spend about \$40 per month on recordings. They use computers and the Internet more frequently than the general population. They frequently research and purchase recordings online. They like to talk music.

JR's Classic CDs storefront is situated on a main downtown street in a busy college town (city population 21,265) in Athens County, Ohio (county population, 62,235). The store is a small single-story street-level retail shop. It has a retail sales area of 800 square feet.

The main competition is the Music Barn and Downtown Music, both located on side streets downtown. We plan to beat these competitors by offering a large variety of musical selections and offering an atmosphere and employees who care about their customers.

Our research has indicated that our target market likes to spend time browsing and talking to other music lovers, so we will hire employees with a varied knowledge of music and varied tastes who enjoy talking music. This market tends to be loyal to one record store once they have established a connection to the people within; price is not often a factor. Our main method of drawing and keeping customers is by the atmosphere at JR's: we are casual and low pressure. We take time to talk with our customers. We share a common love of music. We will have couches, comfortable chairs, and tables with back issues of music magazines to entice and allow these music lovers to gather and chat. We will sell coffee. We want to be seen as the casual gathering place for music lovers.

Unique Selling Proposition: "The Place Where Music Buffs Gather..."

4.2 Price

Our pricing policy is as follows:

	Buy	Sell
Used CDs	\$3.00 to \$4.00	\$7.85 to \$11.35
Used Tapes	\$.50 to \$1.00	\$1.50 to \$ 3.00
Used Vinyl records	Market	Market

We will pay fair market prices for collectable vinyl records and will resell them at the best negotiated price. We are willing to take special orders to find rare or out-of-print recordings for customers. This service will require an upfront down payment and a search fee of 5% of the selling price of the recording.

4.3 Place

JR's Classic CDs storefront is situated on a main downtown street in a college town in Athens County, Ohio. The store is a small single-story street-level retail shop. It has a retail sales area of 800 square feet. The walls are covered with CD racks and

music posters. A unique feature of a music store this small is a twin user listening station. Customers can listen to recordings prior to purchase. Couches and coffee tables make the atmosphere comfortable and casual.

4.4 Packaging

We have recently designed a new business name and logo to better reflect our positioning strategy. Our new name is JR's Classic CDs, to emphasize the quality and uniqueness of the music we sell. Our logo is a steaming coffee mug with jazzy music notes and our name to represent the casual, friendly atmosphere we are trying to achieve.



4.5 Promotion

4.4.1 Logo

4.5.1 Radio

We will run radio ads before and during certain music shows on two local commercial radio stations. We will also underwrite the overnight music show on National Public Radio. These ads will target specific audiences. The ads will describe JR's Classic CDs as a location for finding recordings from a wide range of musical styles.

4.5.2 Newspaper

Our flyer will be run as a newspaper ad in two local newspapers and in the free campus newspaper. A coupon is attached allowing a customer a CD for \$3 after the purchase of one at full price.

4.5.3 Punch Card Club

Many of our customers are repeat customers who will buy multiple recordings each visit. Therefore we have started a punch card system. Each participating customer is given a punch card. We punch the card once for each full price purchase of recorded music. When the customer has 12 punches on their card they can get a free CD.

4.5.4 Website

Our customers use computers and the Internet more frequently than the general population. They frequently research and purchase recordings online. Therefore JR's Classic CDs will establish an online presence. The Website will have an online sales facility ("Shopping Cart") where customers can buy CDs, records and tapes. In addition we will maintain a customer email list and produce a quarterly e-zine with contributions from our customers.

5.0 Management Summary

JR Smith is the owner and manager of JR's Classic CDs. JR oversees all functions of the business at this time.

6.0 Financial Reports

6.1 Capital Equipment List

**JR's Classic CDs
Capital Equipment List
For Month Ending April 30, 2002**

Item	Purchase Date	Purchase Cost	Monthly Depreciation	Current Value
Point of Sale (POS) System				
Computer	10/31/2001	\$ 599.00	\$ 9.98	\$ 539.12
Scanner	10/31/2001	\$ 163.00	\$ 2.72	\$ 146.68
Cash Drawer	10/31/2001	\$ 150.00	\$ 2.50	\$ 135.00
Receipt Printer	10/31/2001	\$ 267.00	\$ 4.45	\$ 240.30
POS Software	10/31/2001	\$ 749.00	\$ 12.48	\$ 674.12
Stereo System	4/30/1999	\$ 899.00	\$ 14.98	\$ 359.72
CD Racks & Benches	10/31/2001	\$ 2,000.00	\$ 33.33	\$ 1,800.02
Digital Listening Equipment	10/31/2001	\$ 400.00	\$ 6.67	\$ 359.98
Neon Sign	1/31/2002	\$ 1,000.00	\$ 16.67	\$ 949.99
Specialty Lighting	10/31/2001	\$ 1,500.00	\$ 25.00	\$ 1,350.00
Total Capital Equipment		\$ 7,727.00	\$ 128.78	\$ 6,554.93

6.2 Balance Sheet

**JR's Classic CDs
Balance Sheet
For Month Ended April 30, 2002**

Assets		Liabilities	
CURRENT ASSETS		CURRENT LIABILITIES	
Cash	\$ 1,245	Accounts Payable	\$ 220
Accounts Receivable	\$ 640	Current Portion Long-Term Debt	\$ 150
Inventory	\$ 2,400	Accrued Expenses	\$ 144
Prepaid Expenses	<u>\$ 600</u>	Notes Payable	<u>\$ 50</u>
Total Current Assets	<u><u>\$ 4,885</u></u>	Total Current Liabilities	\$ 564
FIXED ASSETS		LONG TERM LIABILITIES	
Fixtures and Leasehold Improvements	\$ 4,500	Term Loan	\$ 3,000
Building	\$ -	Note Payable	\$ 850
Trucks	\$ -		
Machinery & Equipment	\$ 3,227	Total Long Term Liabilities	<u>\$ 3,850</u>
Depreciation	<u>\$ (1,172)</u>	Total Liabilities	<u><u>\$ 4,414</u></u>
Total Fixed Assets	<u><u>\$ 6,555</u></u>	EQUITY	
		Total Equity	<u>\$ 7,026</u>
Total Assets	<u><u>\$ 11,440</u></u>	Total Liabilities and Equity	<u><u>\$ 11,440</u></u>

6.3 Income Statement

**JR's Classic CDs
Income Statement
For Month Ended April 30, 2002**

Sales	<u>\$ 2,975</u>
Total Sales	<u><u>\$ 2,975</u></u>
Cost of Goods Sold	<u><u>\$ 1,080</u></u>
Gross Margin	<u><u>\$ 1,895</u></u>
 Operating Expenses	
Rent	\$ 500
Newspaper Ad	\$ 75
Supplies	\$ 50
Depreciation	\$ 129
Insurance	\$ 75
Radio Ad	\$ 75
Salaries	\$ 560
Phone	<u>\$ 35</u>
Total Operating Expenses	<u><u>\$ 1,499</u></u>
 Other Expenses	 \$ -
Total Other Expenses	<u><u>\$ -</u></u>
Total Expenses	<u><u>\$ 1,499</u></u>
 Profit (Loss) Pretax	 <u><u>\$ 396</u></u>

6.4 Break-even Analysis

Based upon the April 30, 2002 Income Statement, JR's Classic CDs needs to have \$2,579 in sales per month to break even.

Fixed Costs + Cost of Goods Sold = Break-even in Sales
 $\$1,499 + \$1,080 = \$2,579$

6.5 Pro Forma Cash Flow

JR's Classic CDs							
Pro Forma Cash Flow Statement							
January 1, 2002 through June 30, 2002							
	Jan	Feb	Mar	Apr	May	Jun	Jan-Jun
Beginning Cash Balance	\$ 1,190	\$ 1,192	\$ 1,275	\$ 1,245	\$ 1,820	\$ 1,487	
Cash Receipts							
Sales	\$ 2,650	\$ 3,517	\$ 2,275	\$ 2,975	\$ 2,880	\$ 1,150	\$15,447.00
Receivables							
Interest Income							
Other							
Total Cash Available	\$ 3,840	\$ 4,709	\$ 3,550	\$ 4,220	\$ 4,700	\$ 2,637	\$23,656.00
Cash Payments							
Cost of Goods Sold							
Purchases	\$ 1,128	\$ 2,109	\$ 985	\$ 1,080	\$ 1,893	\$ 876	\$8,071.00
Material							
Other							
Labor							
Total Cost of Goods Sold	\$ 1,128	\$ 2,109	\$ 985	\$ 1,080	\$ 1,893	\$ 876	\$8,071.00
Variable Expenses							
Advertising	\$ 150	\$ 75	\$ 150	\$ 150	\$ 150	\$ 75	\$750.00
Shipping		\$ 80					
Packaging Costs							
Travel							
Miscellaneous	\$ 200						
Total Variable Expenses	\$ 350	\$ 155	\$ 150	\$ 150	\$ 150	\$ 75	\$1030.00
Fixed Expenses							
Insurance	\$ 75	\$ 75	\$ 75	\$ 75	\$ 75	\$ 75	\$450.00
Rent	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$ 500	\$3000.00
Utilities	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$ 35	\$210.00
Salaries	\$ 560	\$ 560	\$ 560	\$ 560	\$ 560	\$ 560	\$3360.00
Miscellaneous							
Total Fixed Expenses	\$ 1,170	\$ 1,170	\$ 1,170	\$ 1,170	\$ 1,170	\$ 1,170	\$7,020.00
Interest Expense							
Federal Income Tax							
Loan Payments							
Owner's Draw							
Total Cash to be Paid Out	\$ 2,648	\$ 3,434	\$ 2,305	\$ 2,400	\$ 3,213	\$ 2,121	\$16,121.00
Cash Balance	\$ 1,192	\$ 1,275	\$ 1,245	\$ 1,820	\$ 1,487	\$ 516	
Equity Deposits							
Ending Cash Balance	\$ 1,192	\$ 1,275	\$ 1,245	\$ 1,820	\$ 1,487	\$ 516	