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Date

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# Wishbone Pet Products

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## 1.0 Executive Summary

### **Company**

Wishbone Pet Products, Inc. is a start-up company that will design and market innovative pet products. This business plan has been developed to present Wishbone Pet Products, Inc. to prospective investors and assist in raising \$120,000 of capital needed to begin production and launch our first product.

### **Market**

The pet product industry is a large and expanding market. The most rapidly growing market segment is pet products and supplies, which represents 5.5% of the market. This segment is projected to increase from \$5.2 billion in 2000 to \$6.9 billion in 2005, according to the Business Communications Company Pet Industry study. The reason for this tremendous growth in pet products and supplies is the growing number of pet owners and pets.

According to a recent survey conducted by the American Animal Hospital Association, there were approximately 235 million households which owned pets. These households represent about 60% of all U.S. households, and 40% of these households own more than one pet, according to an American Pet Product Manufacturers Association (APPMA) study. Of these pet owners and pets, there are approximately 43 million dog owners who owned 62 million dogs. Another recent study found that the average household with pets spent about \$350 on their pets. The average American household spends more on pet food than it does on wine, over-the-counter drugs, candy, or television sets. It spends more on veterinary services than it does on coffee, books, video rentals, or computer software.

### **Need**

Recently dog owners have been criticized for leaving their dogs droppings in public places and on private property. Failure to retrieve dog waste is a matter of considerable concern due to public health risks, not to mention the inconvenience to the public. As a result, many communities have passed legislation requiring dog owners not only to clean up after their pet but also to carry a device for performing this task.

According to a Ralston Purina pet owner study, dog owners cite cleaning up after their dog as one of the primary challenges of owning a dog. Unfortunately, currently available dog waste clean-up products are crudely designed and cumbersome to operate, leaving many dog owners frustrated and less inclined to clean up after their dog. To address the needs of dog owners and their communities, a simple, clean, effective means of accomplishing this task is needed.

### **Solution**

Fetch™ is a unique dog waste clean up product designed so that the user's hands never contact the dog waste in any way. With a simple one-handed operation, Fetch™ encloses the dog waste in a bag inside of a sealed plastic case. Upon closing, the bag is automatically sealed. When Fetch™ is opened again, the liner bag and its contents are automatically discharged into a waste receptacle. Standard plastic liner bags can be deposited into an appropriate waste receptacle for disposal. Biodegradable liner bags can be deposited into a toilet for disposal. Its compact size makes it ideal for use when walking and the liner bag keeps the device from being contaminated.

### **Advantage**

Wishbone Pet Products is positioned to address this market need with an innovative, patented product and a management team with extensive product design and marketing experience. We have spent ample time on the development and research of Fetch™ to ensure that it will satisfy the market demand for a simpler and more effective dog waste clean-up product.

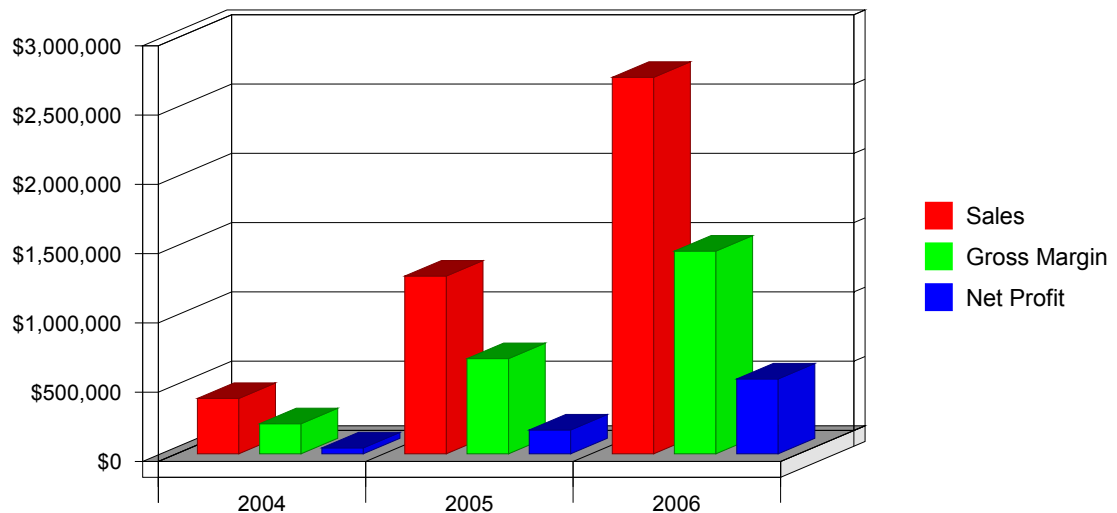
### **Financials**

Research and development work to date has been self-funded by the principal. Based on

# Wishbone Pet Products

detailed financial projections, if the company receives \$120,000 in funding to launch Fetch™, it will operate profitably within the first year with a net profit of over \$42,549.

## Key Financial Projections



## 2.0 Company Summary

Wishbone Pet Products, Inc. develops, manufactures, and markets pet products. Our mission is to develop products that help people enjoy their pets more. We combine intensive market research with world-class industrial design and engineering to create innovative products that address identified needs in the pet product market.

Currently, we are developing a product that makes it easier for dog owners to clean up dog waste. Fetch™, is a dog waste clean-up device that provides a simple, sanitary, and dignified way to accomplish this task. Fetch™ addresses the frustrations of dog owners, due to the shortcomings of existing dog waste clean-up products, with an innovative (patent pending) solution to this decidedly unpleasant task. Fetch™ automatically collects, bags, and disposes of dog waste, a capability not available in the market today.

# Wishbone Pet Products

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## 2.1 Objectives

- Develop a sustainable pet product business that designs, manufactures, and markets innovative pet products.
- Successfully bring Fetch™ to market by April, 2004.
- Achieve sales volume targets:
  - Year 1: 25,000 scoops, 40,000 boxes of bags (25 bags/box)
  - Year 2: 50,000 scoops, 175,000 boxes of bags (25 bags/box)
  - Year 3: 100,000 scoops, 420,000 boxes of bags (25 bags/box)
- Reach break-even point within 12 months.

## 2.2 Sustainable Competitive Advantage

### **Form and Function**

The pet product market is filled with crudely designed and manufactured products. The form and function of our products sets them apart from the competition. Our focus on industrial design and engineering results in products that look better and work better than their competitors and are, therefore, more likely to be purchased.

### **Marketing**

We will work with our advertising and marketing partners to develop clear marketing strategies for our products. This effort will set our products apart from a field of competitors that seems to lack a coherent marketing strategy. Marketing and advertising by competitors, even in trade magazines, is virtually nonexistent. Our competitors seem content to merely get their products in a store and then hope that the customer selects their product over the other choices available.

### **Operations**

Wishbone Pet Products operations strategy leverages limited resources by utilizing external resources for product development assistance, manufacturing, fulfillment, and marketing. With this operations strategy, we can quickly and efficiently develop new products, initiate manufacturing activities and distribute our product with minimal upfront and fixed costs, resulting in significant profits.

# Wishbone Pet Products

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## 2.3 Keys to Success

### **Quality Products**

Product sales are the primary income source for Wishbone Pet Products. To achieve sales goals, innovative products based on world-class industrial design, engineering, and manufacturing are essential.

### **Strategic Niche Marketing**

Wishbone Pet Products will market a small number of innovative products. Consumers in our targeted niche markets must be educated about their benefits in order for them to gain market acceptance and penetration. The marketing strategy must reflect this reality.

### **Strategic Partnerships**

Wishbone Pet Products will rely on assistance from strategic partners to manufacture, deliver, and market products. The establishment and maintenance of these partnerships is crucial.

## 2.4 Financial Requirement/Use of Funds

Wishbone Pet Products total start-up costs amount to \$120,000. Expenses incurred before the start of the plan include legal counsel (patent, trademark, and business), consultants (marketing, advertising), and research and development amounting to \$20,000. Assets required at the start of the plan include manufacturing tooling and initial product inventory amounting to \$75,000. Another \$25,000 is required to launch a marketing campaign, finance daily/monthly operations, and leave cash available for contingencies. A portion of the start-up costs has been financed by direct owner investment. The remainder of the start-up capital required will be provided by a combination of investment, SBA guaranteed loans, and lines of credit.

## 2.5 Company Ownership

Wishbone Pet Products is being founded by Kent Chase. Mr. Chase, a devoted dog owner, has over ten years of product design experience as a mechanical engineer and project manager. As a product design consultant, he has taken dozens of products from concept to production. Wishbone Pet Products will be incorporated as an S-corporation in January, 2004 with headquarters located in Madison, Wisconsin.

## 3.0 Product Description

Fetch™ is an innovative (patent pending) dog waste clean-up and disposal device marketed to dog owners. While many products are available to assist owners in cleaning up after their dogs, they are at best cumbersome and at worst ineffective. Many of these products require the user to touch, see, and smell dog waste during and after use and are also unsuitable for use when walking. Fetch™ offers the following benefits:

- Ease of use – simple one-handed operation.
- Ease of disposal – contents are automatically deposited into a waste receptacle for disposal.
- Compact – its size makes it ideal for use when walking.
- Clean – the liner bag keeps the device from being contaminated.
- Environmentally friendly – biodegradable liner bags can be disposed of in a toilet.

## 3.1 Competitive Comparison

There are four distinct types of dog-waste disposal products currently available.

### **Type 1 - Mechanisms With Bag**

Products in this group use a mechanism in conjunction with a bag to collect, carry, and dispose of dog waste. Most of these products utilize a long handle. The handle, while intended to allow the user to operate the product at a distance from the waste, makes operation difficult. Products with long handles are also cumbersome to carry. All of these products require the user to seal the bag by hand and many require the user to manually dispose of the bag. In practice these products are difficult to manipulate effectively and the manner of operation results in incomplete retrieval of the waste and/or unintended smearing of waste on the device. These operations are distasteful to many people and discourage the use of such products.

### **Type 2 - Mechanisms Without Bag**

Products in this group use some type of mechanism to collect, carry, and dispose of dog waste. While these products suffer the same disadvantages as the products in the first group, the primary disadvantage of these products is that they must be carefully cleaned of the residue of the collected waste before they are stored or it will result in offensive odors and dirt being brought inside from outdoors. This group also includes rakes and shovels.

### **Type 3 - Modified Bags**

Products in this group include paper or plastic bags that have features added (e.g., cardboard, stiff plastic) to keep the users hand from directly touching the dog waste and make it less distasteful to pick up dog waste. These products are often bulky and awkward, making transport and handling quite difficult. Moreover, these products present difficult cleaning problems and, accordingly, products of this type are objectionable from an aesthetic as well as functional standpoint. In addition, these bags are not biodegradable and cannot be disposed of in a toilet.

### **Type 4 - Bags**

This group consists of ordinary plastic bags, which are slightly modified or not modified at all. Modified bags include: scented bags, biodegradable bags, and bags with built-in ties. While use of a plastic bag is arguably the most commonly employed means for cleaning up dog waste, it is also one of the most objectionable. The user must come into direct tactile and olfactory contact with the dog waste, a most unpleasant prospect. In addition, the bag requires careful handling until a suitable waste receptacle is located.

# Wishbone Pet Products

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## 3.2 Detailed Description

Fetch™ is unique in a number of ways. Fetch™ is designed so that the user's hands never contact the dog waste in any way. With a simple one-handed operation, Fetch™ encloses the dog waste in a bag inside of a sealed plastic case. Upon closing, the bag is automatically sealed. When Fetch™ is opened again, the liner bag and its contents are automatically discharged into a waste receptacle. Standard plastic liner bags can be deposited into an appropriate waste receptacle for disposal. Biodegradable liner bags can be deposited into a toilet for disposal. Its compact size makes it ideal for use when walking and the liner bag keeps the device from being contaminated.

The elastic-edge liner bag is the key to Fetch's™ simple operation. When Fetch™ is closed the liner bag is automatically closed with the contents inside. Two different types of liner bags are available:

- Standard bags are made of 1 mil polyethylene film with an elastic edge. These bags should be disposed of in an appropriate waste receptacle.
- Biodegradable bags are made of 1 mil water-soluble film with an elastic edge. These bags can be disposed of in any toilet or appropriate waste receptacle.

## 3.3 Sourcing and Fulfillment

In accordance with the operations strategy, product manufacturing and fulfillment will be outsourced. Price quotes and invoicing terms have been obtained from these vendors. This information has been incorporated into the financial projections where appropriate.

## 4.0 Market Analysis Summary

The primary market for Wishbone Pet Products is dog owners. A study sponsored by the Pet Food Institute (PFI) confirmed that the number of pet dogs and cats in the U.S. has reached an all-time high. In 2000, there were 59 million pet dogs. The percentage of households owning dogs remained constant at approximately 37%. PFI began tracking the population of pet dogs and cats in the U.S. in 1981. Since that time, the number of pet dogs has grown by more than 5 million. Spending on pet products is also increasing, from \$5.2 billion in 2000 to a projected \$6.9 billion in 2005, according to the Business Communications Company Pet Industry study.

## 4.1 Market Segmentation

The pet product market is most easily segmented by age, as spending on pet products varies significantly with age. Older householders are the biggest spenders on pets. Married couples without children at home, most of them empty nesters, spend 30 percent more than the average household on pets. The best customers of the pet industry (the households that spend the most on pet products and services) are married couples with adult children at home. These "crowded" nesters spend 45 percent more than the average household on pets. Those aged 55 to 64 spend 26 percent more than average. Spending on pets is below average among householders aged 65 or older and also among those under age 35. Married couples with preschoolers spend less than the average household on pets, as do single parents and people

# Wishbone Pet Products

who live alone. The following tables provide a demographic profile of dog owners and growth projections for this market.

## Demographic Profile of Dog Owners:

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td><b>Gender</b></td><td style="text-align: right;"><b>%</b></td></tr> <tr><td>Male</td><td style="text-align: right;">34</td></tr> <tr><td>Female</td><td style="text-align: right;">66</td></tr> </table>	<b>Gender</b>	<b>%</b>	Male	34	Female	66	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td><b>Marital Status</b></td><td style="text-align: right;"><b>%</b></td></tr> <tr><td>Married</td><td style="text-align: right;">62</td></tr> <tr><td>Unmarried couple living together</td><td style="text-align: right;">3</td></tr> <tr><td>Single, never married</td><td style="text-align: right;">17</td></tr> <tr><td>Divorced/Separated</td><td style="text-align: right;">9</td></tr> <tr><td>Widowed</td><td style="text-align: right;">6</td></tr> <tr><td>Refused</td><td style="text-align: right;">3</td></tr> </table>	<b>Marital Status</b>	<b>%</b>	Married	62	Unmarried couple living together	3	Single, never married	17	Divorced/Separated	9	Widowed	6	Refused	3	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr><td><b>Region</b></td><td style="text-align: right;"><b>%</b></td></tr> <tr><td>Northeast</td><td style="text-align: right;">15</td></tr> <tr><td>Midwest</td><td style="text-align: right;">25</td></tr> <tr><td>South</td><td style="text-align: right;">37</td></tr> <tr><td>West</td><td style="text-align: right;">23</td></tr> </table>	<b>Region</b>	<b>%</b>	Northeast	15	Midwest	25	South	37	West	23												
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**Table: Market Analysis**

Market Analysis	Growth	2004	2005	2006	2007	2008	CAGR
Potential Customers							
Age 34 and under	0%	6,581,339	6,583,569	6,585,066	6,637,228	6,726,652	0.55%
Age 35 - 44	0%	6,853,963	6,768,024	6,684,963	6,561,209	6,419,631	-1.62%
Age 45 - 54	0%	7,026,073	7,177,077	7,318,521	7,432,621	7,518,721	1.71%
Age 55 - 64	0%	4,992,798	5,199,186	5,406,877	5,616,124	5,776,934	3.71%
Age 65 and older	0%	6,847,697	6,917,743	6,999,165	7,101,496	7,266,916	1.50%
Total	1.07%	32,301,870	32,645,598	32,994,591	33,348,678	33,708,854	1.07%

## 4.2 Target Market Segment Strategy

While Fetch™ is affordable and useful for all dog owners, our focus will be on middle-aged female baby boomers. This group represents the largest and most affluent segment of the pet product market in general and of dog owners in particular. This focus will primarily manifest itself in the type of marketing and advertising techniques we employ.

### Market Trends

The market for pet products has been growing rapidly with demographics driving the demand for pet supplies. Aging baby boomers are filling their empty nests with pets, while the number of households with children from 5 to 15, the core pet market, keeps climbing. A large category of current pet owners can be considered "pet enthusiasts," as characterized by the leading wholesaler PetSmart. PetSmart CEO Philip Francis calls pets "an affordable luxury," sales of which have not been dented by weakening consumer confidence. These consumers

## Wishbone Pet Products

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are "passionately committed to their pets" and regard their pet like "a family member." The strong commitment of these owners for their pets is shown by some of the 1998 statistics provided by the American Pet Association. These statistics show how millions of owners treat their pets much like their own children or other family members by buying them gifts, celebrating their birthdays or displaying their pictures. This commitment is especially strong for dog owners. More than half of all U.S. dog owners say they are more attached to their pets than to at least one other human being, and from 4-13 million say they are as attached to their dogs as they are to their best friend (13 million), children (6 million), or spouse (4 million).

### **Market Needs**

Dog owners consider cleaning up after their dog a major challenge. Unfortunately, currently available products offer dog owners little help as they are generally cumbersome to carry, crudely designed and manufactured, difficult to operate, and difficult to keep clean. Dog owners will welcome a product that can effectively address these problems.

### **Market Growth**

Demographic trends are positive for the pet industry. With many older couples turning to pets for companionship, and with the older population expanding with baby boomers, spending on pets is likely to rise. According to the U.S. Census, in 2000, baby boomers accounted for 35% of the dog owning population. By 2008 they will account for 40% of the dog owning population.

## **4.3 Industry Analysis**

According to the APPMA, the market for pet products and services was \$23 billion in 1998, \$27 billion in 2000, and \$29 billion in 2001. By 2005, the industry is expected to grow even more to \$33.5 billion, according to a study by Business Communications Company on The Pet Industry. Significantly, the most rapidly growing market segment is pet supplies, which represents 5.5% of the market. These supplies include dog and cat toys, collars and leashes, pet waste clean-up products, cages and habitats, and books. The pet product market, while massive, is highly fragmented at both the retail and wholesale level. This fragmentation provides an opportunity for new companies and products to compete and thrive.

### **Industry Participants**

While the superstores and discount stores account for over 50% of U.S. pet supply sales volume, many other retailers sell pet supplies. Among these other retailers are supermarkets, discount stores, other mass merchandisers, specialty pet stores, direct mail houses, Internet retailers, and veterinarians. In addition to being fragmented, pet product retailers cater to different demographics. Nationwide outlets such as Three Dog Bakery tend to carry "high end" products while supermarket-style stores like Pet Supplies Plus tend to carry lower price products. This differentiation makes it difficult for a single manufacturer to dominate the market and leaves niche markets open.

### **Distribution Patterns**

The pet product supply chain is as fragmented as the retail market. There are hundreds of pet product distributors with both regional and national coverage. While many pet stores buy primarily from these distributors, others buy directly from manufacturers. In addition, catalog sales and Internet sales comprise a significant portion of the market.

### **Buying Patterns**

Due to the healthy expanding economy of the 1990s, American pet owners have been able to "lavish unprecedented spending on their pets." Since these owners often consider companion animals such as dogs and cats as members of their family, companies have capitalized on this emotional bond. For instance, Funda Alp, a spokesperson for the American Pet Products Association stated that "love does translate into dollars." A study by Sloan Trends & Solutions

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in 1998 found that the average household with pets spent about \$350 on their pets in 1998. These expenditures are expected to grow at an average rate of 4.4%/year during the next five year period.

## 5.0 Strategy and Implementation

Fetch™ is positioned very carefully: this is an innovative product that addresses a major complaint of dog-owners better than any of the competitors. Our marketing strategy is primarily based on making this information available to our target market, visually via point-of-purchase displays and graphically via creative ad copy and graphics. This basic strategy should allow this product to stand out in a field of competitors that appear to employ no clear marketing strategy.

## 5.1 Competitive Advantage

None of the dog waste clean-up products currently available can do what Fetch™ does. Fetch™ fills a need as it provides an aesthetically pleasing, easily operated device which eliminates contact with the dog waste by the user and the reusable portion of the device while collecting and packaging the waste in a sealed container for convenient disposal.

The competitive advantages for Fetch™ are function and form. Quite simply, Fetch™ works better and is easier to use than any of its competitors. Careful attention was also paid to the aesthetic and ergonomic form of Fetch™. Nearly all of the competitive products are crudely designed and crudely manufactured. The following table provides a feature comparison between Fetch™ and currently available products. The product types are discussed in detail in the Competitive Comparison section. The priority column lists the level of importance consumers place on each feature.

Competitive Comparison:

Features	Fetch™	Type 1	Type 2	Type 3	Type 4	Priority
Easy to use	X		X	X	X	High
Automatically closes bag	X					High
Automatic disposal	X					High
One-hand operation	X		X			Moderate
Easy to carry before use	X			X	X	High
Easy to carry after use	X					High
Product remains clean	X					High
Biodegradable bags available	X				X	Moderate
Price	High	High	Moderate	Moderate	Low	

## 5.2 Marketing Strategy

The primary goal of our sales and marketing strategy is to simply and succinctly explain our product to our target market. An explanation of this innovative product is best accomplished by means of a visual demonstration. Focus group research within the target market shows that, while there is a significant amount of interest in this product based on a verbal description, this interest is greatly magnified by a visual demonstration. Retail product demonstrations will be accomplished with point-of-purchase displays that allow customers to try the product for themselves. In addition, the product itself is packaged in such a way that consumers can operate it and see for themselves how it works. The product website will also be used to visually demonstrate the product. Presentations on cable television home shopping channels are also being considered. These alternatives provide an ideal forum for demonstrating the product and reach a wide audience.

Creative application of print media will provide a product description for catalog and ad copy. We will be working with our advertising and marketing partner to develop ads for selected magazines. This effort alone should be sufficient to set this product apart from a field of competitors that appears to lack any type of marketing strategy. We are also planning a series of press releases timed to coincide with the product launch.

### 5.2.1 Value Proposition

The value proposition for Fetch™ lies with the dog owner. With Fetch™, the dog owner will have a simple, sanitary, and dignified means of cleaning up after their dog. Because dog owners identify this task as one of the most challenging aspects of owning a dog and because the target market has substantial disposable income, they will be willing to pay a premium price to acquire this superior product.

### 5.2.2 Positioning Statement

For affluent, suburban, middle-aged female baby boomers whose children have left home ("empty nesters") who lavish attention on their dog and who consider cleaning up after their dog an unpleasant and undignified task, Fetch™ provides a much-needed solution. Fetch™ addresses this need better than the competitors because it provides an aesthetically pleasing, easily operated device which eliminates contact with the dog waste by the user and the reusable portion of the device, while collecting and packaging the waste in a sealed container for convenient disposal.

### 5.2.3 Pricing Strategy

The manufacturers suggested retail price (MSRP) for Fetch™ is \$30. The MSRP for the bags is \$6.75 for a box of 25. These prices are based on a skimming strategy, which sets the initial price high to establish high perceived value. High perceived value is important, as the target market has substantial disposable income and is willing to pay for style and functionality. These MSRP's are based on a careful survey of competitive products prices. While these MSRP's are high for this product category, they are not the highest nor is this the only high-priced product in its category. There are several competitive products with similar prices.

Although the MSRP is intentionally set high, based on manufacturing costs for the scoop and

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the bags, these retail prices can be dropped substantially and still leave a reasonable margin. This allows for price flexibility and pricing strategy modification based on the response of the market.

### 5.2.4 Distribution Strategy

Product distribution will be accomplished by pet product distributors and the order fulfillment provider. The primary distribution channel for pet products is through regional and national pet product distributors. We are actively pursuing agreements with regional distributors and will be attending major industry trade shows to develop contacts with distributors in other regions of the country. The secondary distribution channel is through direct retail sales, specialty catalog sales, and website sales. We are also actively pursuing agreements with retailers and specialty catalogs. Once these agreements are in place, our order fulfillment provider will fill these orders.

### 5.3 Sales Strategy

Our initial sales strategy will focus on regional retail sales, specialty direct mail catalogs (e.g., Drs. Foster and Smith, Sharper Image, Brookstone), and e-commerce. This initial strategy is intended to control growth and keep sales in line with projections. As sales increase and more working capital becomes available we will begin to focus on national retail sales. Although 'big-box' retailers (e.g., Petco, Petsmart, Walmart) are key targets, most products enter these retailers via distributors. To get our product into these stores we will pursue agreements with distributors that already have relationships with these stores.

#### 5.3.1 Revenue Streams

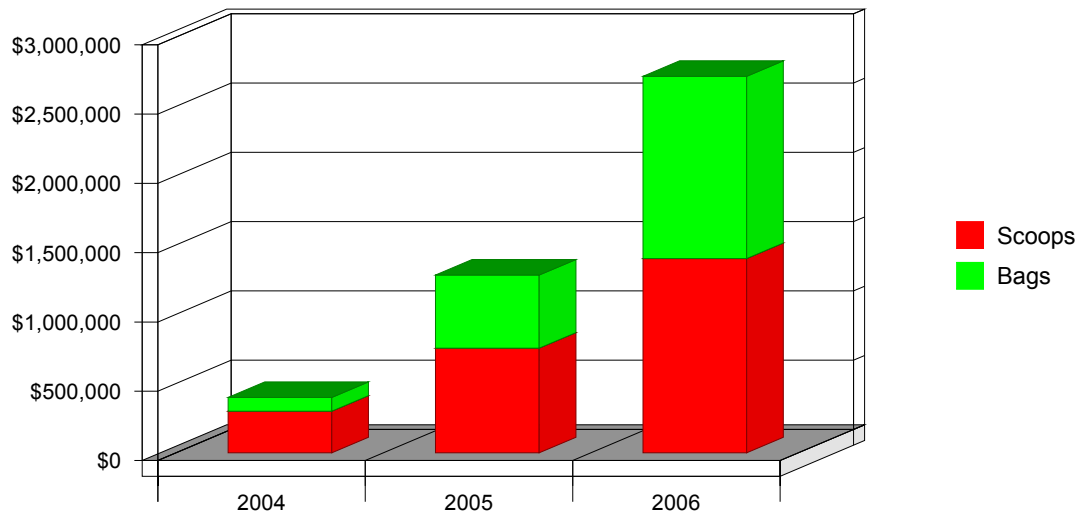
Because Fetch™ requires the use of a consumable item, two revenue streams are generated. The Sales Forecast graph illustrates the advantage of having a product that includes a consumable component. Although customers will only need to purchase Fetch™ once, they will need to continue to purchase liner bags to continue to using the product. By year three, bag sales are nearly equal to scoop sales. Eventually, bag sales will eclipse scoop sales. This will allow for more price flexibility as the scoop could then be sold primarily as a means of generating sales of the consumable. While there are some disadvantages to products that require replacement components (e.g., replacement components may not be available when required, retailers may be sold out) the advantages are clear. In order to minimize customer concerns about replacement bags, the primary focus of the website will be to provide online purchasing of replacement bags.

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## 5.3.2 Sales Forecast

The sales forecast includes sales of scoops and liner bags to wholesalers/distributors (75%) and retailers (25%). To keep the sales projections conservative, direct sales to customers via the website were not included in this forecast. Bag sales forecasts assume that for each scoop purchased, the liner bags will be used twice per week. This corresponds to one box of 25 bags being used every three months.

Sales by Year



## 5.4 Website Strategy

The target market for Fetch™ uses the Internet on a regular basis. As such, the website is an important part of the marketing plan. It's primary purpose is to provide users a convenient source for replacement bags. Fetch™ can also be purchased via the website. In addition, it will provide product information and service. The website will be simple, well-designed, and in keeping with the latest trends in user interface design. The graphic design of the website will correspond to the corporate/product identity graphic design.

### Website Marketing Strategy

Advertising on the Internet has not yet proven to be very effective and will not be aggressively pursued initially. Website awareness will be accomplished via more traditional forms of advertising and product purchases.

### Development Requirements

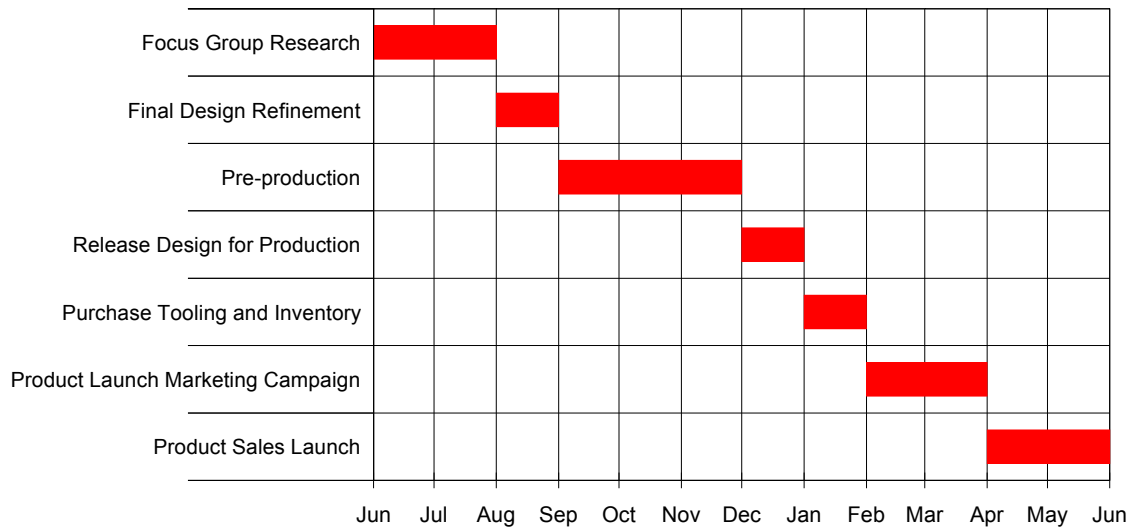
Development of these websites will be outsourced. We will work closely with the selected website developer to develop a simple and well-designed site that satisfies the needs of Fetch's™ target groups. Site hosting and e-commerce transactions will be handled by the order fulfillment provider.

# Wishbone Pet Products

## 5.5 Milestones

The following chart and table shows key milestones for start up and the first quarter of operations:

**Milestones**



**Table: Milestones**

Milestones	Start Date	End Date	Budget	Manager	Department
Milestone					
Focus Group Research	6/1/2003	8/1/2003	\$0	KBC	Engineering
Final Design Refinement	8/1/2003	9/1/2003	\$0	KBC	Engineering
Pre-production	9/1/2003	12/1/2003	\$0	KBC	Engineering
Release Design for Production	12/1/2003	1/1/2004	\$0	KBC	Engineering
Purchase Tooling and Inventory	1/1/2004	2/1/2004	\$15,000	KBC	Purchasing
Product Launch Marketing Campaign	2/1/2004	4/1/2004	\$60,000	KBC	Purchasing
Product Sales Launch	4/1/2004	6/1/2004	\$0	KBC	Purchasing
Totals			\$75,000		

## 6.0 Management and Organization Summary

To remain consistent with our overall strategy of minimizing fixed costs, Wishbone Pet Products does not intend to develop a large employee or operations infrastructure. Some of the product design activities and all of the manufacturing and distribution activities will be outsourced. This dramatically reduces the in-house requirements for manpower.

# Wishbone Pet Products

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## 6.1 Operations Strategy

Wishbone Pet Products is a pet product innovator and marketing company based on a lean and agile operations strategy. We will leverage limited resources by utilizing external resources for product development assistance, manufacturing, fulfillment, and marketing. We may also finance accounts receivable with a factor in order to minimize administrative work and guarantee a positive cash flow. With this operations strategy, we can quickly and efficiently develop new products, initiate manufacturing activities, and distribute our product with minimal upfront and fixed costs. This strategy allows us to remain lean, by leveraging the expertise that each external resource possesses and agile with respect to changing customer needs.

## 6.2 Personnel Plan

Wishbone Pet Products has adopted a relatively flat organizational structure. Mr. Chase will serve primarily as the general manager, providing direction and coordination for outside resources. Since development of the initial product line is nearly complete, Mr. Chase will focus on marketing and advertising strategy, coordinate the necessary outside resources to promote the product and handle administrative tasks. Prior to the product launch we will need one individual devoted to sales activities and another individual responsible for the continued monitoring of our production activities, coordinating the required manufacturing resources and monitoring fulfillment of orders.

**Table: Personnel**

Personnel Plan	2004	2005	2006
General Manager	\$18,000	\$35,000	\$42,000
Sales Manager	\$24,000	\$35,000	\$40,000
Marketing Assistant	\$0	\$24,000	\$28,000
Marketing Manager	\$0	\$40,000	\$45,000
Operations Assistant	\$0	\$24,000	\$28,000
Operations Manager	\$24,000	\$40,000	\$45,000
Total People	3	3	3
Total Payroll	\$66,000	\$198,000	\$228,000

## 6.3 Management Team

In keeping with our operations strategy, we have assembled a team of consultants to provide expertise and direction in key areas. We have also assembled an Advisory Board consisting of key individuals that will provide expert advice to our company when making strategic decisions. This board consists of individuals with particular expertise in engineering and new product development, entrepreneurship, and small business planning.

**Kent Chase:** Mr. Chase has a mechanical engineering background and has a special interest in new product development and entrepreneurship. He has been engaged in product design for the past six years, working on projects in the medical, commercial appliance, automobile, furniture, and consumer product industry. For the past five years, he has worked as a mechanical engineer and project manager for one of the largest product development companies in the United States. The new product development experience has developed his competence in taking product designs from concept through engineering and into manufacturing. The project management experience has increased his ability to manage people, budgets, and timelines. Prior to this experience, Mr. Chase spent four years in the machine design industry. He holds a Bachelor of Science and a Master of Science in mechanical engineering from the University of Wisconsin - Madison.

## 7.0 Financial Plan

Product sales generate the primary revenue stream for Wishbone Pet Products. As such, the financial projections are closely tied to the sales forecast. While we believe that the sales forecast presented is conservative and reflects a clear understanding of the market, we have considered scenarios in which sales lag or lead our projections.

### Lagging Sales

Rather than purchasing inventory in large lots we will purchase inventory approximately every three months on an as-needed basis. If actual sales volumes are less than projected, we can respond by reducing inventory purchases to reduce variable costs and maintain a positive cash balance. Our operations strategy is also an asset in this scenario as our fixed costs are very low with respect to our variable costs. If necessary we can further reduce our fixed costs by reducing personnel, as payroll constitutes the majority of our fixed costs.

### Leading Sales

If actual sales volumes exceed our projections we will respond by increasing inventory purchases. Our suppliers capacity greatly exceeds the estimates in our current sales projections. While we should be able to finance the increased inventory purchases with revenue generated from the increased sales, this scenario may require additional infusions of cash. We may also consider financing accounts receivable with a factor to make cash for inventory purchases readily available.

The following subtopics highlight the financial plan for Wishbone Pet Products.

# Wishbone Pet Products

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## 7.1 Assumptions

The table below presents the assumptions used in the financial calculations of this business plan.

**Table: General Assumptions**

General Assumptions	2004	2005	2006
Plan Month	1	2	3
Current Interest Rate	10.00%	10.00%	10.00%
Long-term Interest Rate	10.00%	10.00%	10.00%
Tax Rate	30.00%	30.00%	30.00%
Sales on Credit %	75.00%	75.00%	75.00%
Unit Sales - scoops	20,300	3,000	20,300
Unit Sales - bags (boxes of 25)	29,400	5,500	29,400

## 7.2 Break-even Analysis

Wishbone Pet Products revenues are generated from unit sales of Fetch™ (a one-time expense) and replacement liner bag sales (a recurring expense). The monthly break-even volume was determined to be 1,111 units using the sales forecast as a guide, and based on estimates for fixed costs and average revenue for Fetch™ and the replacement liner bags. We anticipate breaking even within the first year of operation.

Notes:

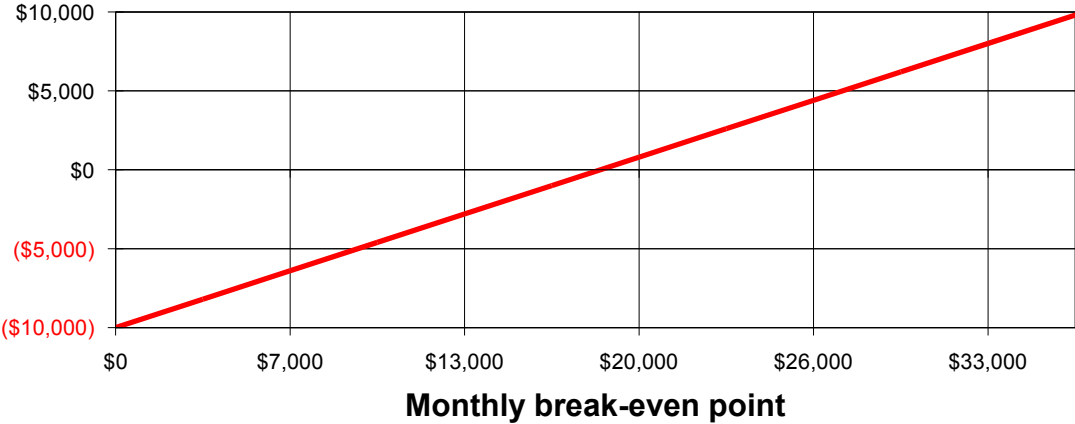
- One scoop and one box of liner constitute one unit.
- Average Per-Unit Revenue assumes only wholesale sales of one scoop and one box of bags.
- Direct sales to retailers and catalogs will increase average per-unit revenue to \$23.

**Table: Break-even Analysis**

Break-even Analysis:	
Monthly Units Break-even	1,111
Monthly Revenue Break-even	\$18,333
Assumptions:	
Average Per-Unit Revenue	\$16.50
Average Per-Unit Variable Cost	\$7.50
Estimated Monthly Fixed Cost	\$10,000

# Wishbone Pet Products

## Break-even Analysis



Break-even point = where line intersects with 0

# Wishbone Pet Products

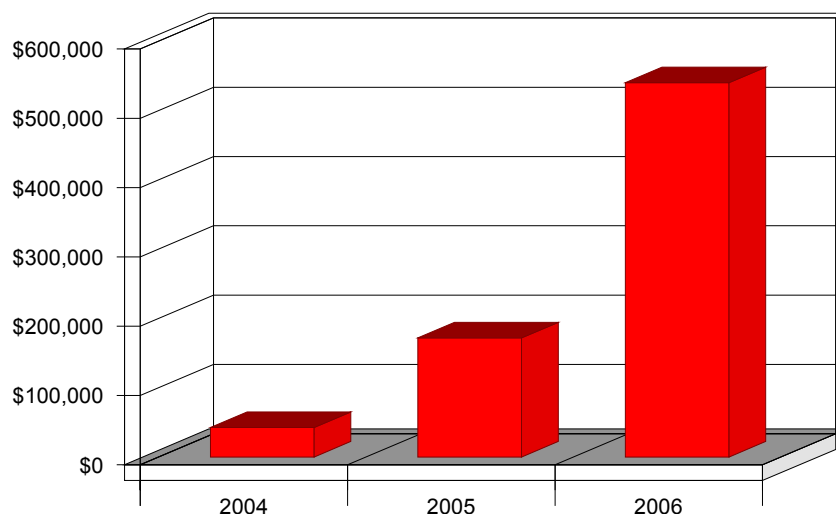
## 7.3 Projected Profit and Loss

Based on the sales projections and our low fixed cost operations strategy, Wishbone Pet Products will achieve profitability within one year. Profits in subsequent years will accelerate with an increase in anticipated sales volume, yielding approximately \$171,853 in net profit in Year 2 and \$540,152 in Year 3.

**Table: Profit and Loss**

Pro Forma Profit and Loss			
	2004	2005	2006
Sales	\$398,650	\$1,282,713	\$2,716,825
Direct Costs of Goods	\$165,900	\$541,650	\$1,154,700
Shipping and Handling - scoops	\$8,398	\$25,971	\$35,027
Shipping and Handling - bags	\$7,970	\$28,781	\$64,279
	-----	-----	-----
Cost of Goods Sold	\$182,268	\$596,402	\$1,254,006
Gross Margin	\$216,382	\$686,311	\$1,462,819
Gross Margin %	54.28%	53.50%	53.84%
Expenses:			
Payroll	\$66,000	\$198,000	\$228,000
Sales and Marketing and Other Expenses	\$59,798	\$192,407	\$407,524
Depreciation	\$0	\$0	\$0
Rent	\$6,000	\$6,500	\$7,000
Utilities	\$1,200	\$1,500	\$1,750
Insurance - liability	\$4,200	\$4,200	\$4,200
Payroll Taxes	\$9,900	\$29,700	\$34,200
Other	\$0	\$0	\$0
	-----	-----	-----
Total Operating Expenses	\$147,098	\$432,307	\$682,674
Profit Before Interest and Taxes	\$69,284	\$254,004	\$780,146
Interest Expense	\$8,500	\$8,500	\$8,500
Taxes Incurred	\$18,235	\$73,651	\$231,494
Net Profit	\$42,549	\$171,853	\$540,152
Net Profit/Sales	10.67%	13.40%	19.88%

Profit Yearly



# Wishbone Pet Products

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## 7.4 Projected Cash Flow

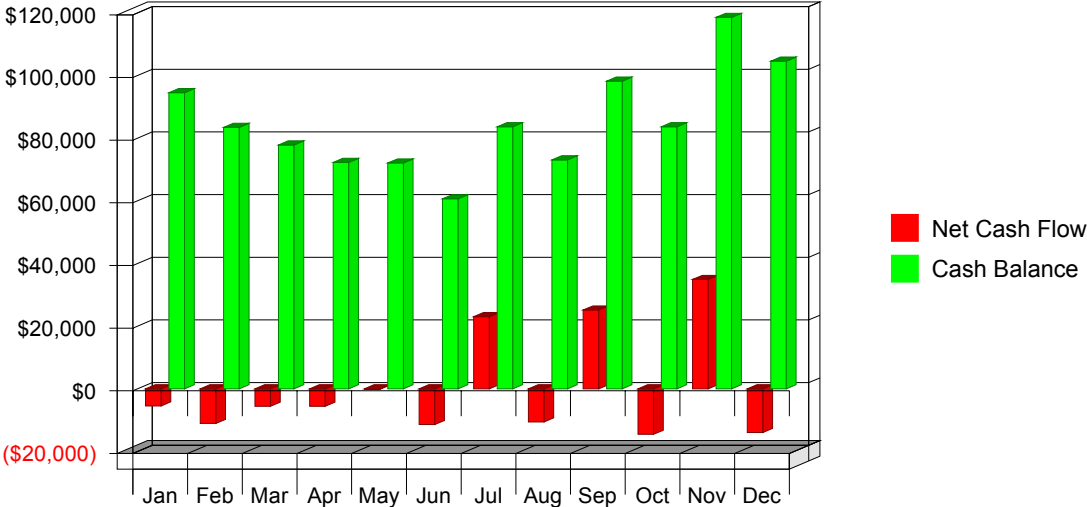
We expect to manage cash flow with an initial investment of \$120,000 and expect to be profitable by the end of Year 1, with occasional negative cash flows corresponding to inventory purchases.

**Table: Cash Flow**

Pro Forma Cash Flow	2004	2005	2006
Cash Received			
Cash from Operations:			
Cash Sales	\$99,663	\$320,678	\$679,206
Cash from Receivables	\$246,378	\$845,366	\$1,848,361
Subtotal Cash from Operations	\$346,041	\$1,166,044	\$2,527,567
Additional Cash Received			
Sales Tax, VAT, HST/GST Received	\$0	\$0	\$0
New Current Borrowing	\$0	\$0	\$0
New Other Liabilities (interest-free)	\$0	\$0	\$0
New Long-term Liabilities	\$0	\$0	\$0
Sales of Other Current Assets	\$0	\$0	\$0
Sales of Long-term Assets	\$0	\$0	\$0
New Investment Received	\$0	\$0	\$0
Subtotal Cash Received	\$346,041	\$1,166,044	\$2,527,567
Expenditures	2004	2005	2006
Expenditures from Operations:			
Cash Spending	\$66,000	\$198,000	\$228,000
Payment of Accounts Payable	\$275,479	\$880,433	\$1,896,070
Subtotal Spent on Operations	\$341,479	\$1,078,433	\$2,124,070
Additional Cash Spent			
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0
Dividends	\$0	\$5,000	\$7,500
Subtotal Cash Spent	\$341,479	\$1,083,433	\$2,131,570
Net Cash Flow	\$4,562	\$82,611	\$395,997
Cash Balance	\$104,562	\$187,173	\$583,169

# Wishbone Pet Products

## Cash Flow - 2004



# Wishbone Pet Products

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## 7.5 Projected Balance Sheet

As shown on the balance sheet in the following table, we expect a healthy growth in net worth, from approximately \$57,549 in Year 1 to more than \$757,053 by the end of the plan period. The monthly projections for Year 1 are in the appendices.

**Table: Balance Sheet**

Pro Forma Balance Sheet			
<b>Assets</b>			
Current Assets	2004	2005	2006
Cash	\$104,562	\$187,173	\$583,169
Accounts Receivable	\$52,609	\$169,278	\$358,536
Inventory	\$1,470	\$4,730	\$10,018
Other Current Assets	\$0	\$0	\$0
<b>Total Current Assets</b>	<b>\$158,641</b>	<b>\$361,181</b>	<b>\$951,724</b>
<b>Long-term Assets</b>			
Long-term Assets	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0
<b>Total Long-term Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Assets</b>	<b>\$158,641</b>	<b>\$361,181</b>	<b>\$951,724</b>
<b>Liabilities and Capital</b>			
Current Liabilities	2004	2005	2006
Accounts Payable	\$16,092	\$51,779	\$109,671
Current Borrowing	\$85,000	\$85,000	\$85,000
Other Current Liabilities	\$0	\$0	\$0
<b>Subtotal Current Liabilities</b>	<b>\$101,092</b>	<b>\$136,779</b>	<b>\$194,671</b>
Long-term Liabilities	\$0	\$0	\$0
<b>Total Liabilities</b>	<b>\$101,092</b>	<b>\$136,779</b>	<b>\$194,671</b>
Paid-in Capital	\$35,000	\$35,000	\$35,000
Retained Earnings	(\$20,000)	\$17,549	\$181,901
Earnings	\$42,549	\$171,853	\$540,152
<b>Total Capital</b>	<b>\$57,549</b>	<b>\$224,401</b>	<b>\$757,053</b>
<b>Total Liabilities and Capital</b>	<b>\$158,641</b>	<b>\$361,181</b>	<b>\$951,724</b>
<b>Net Worth</b>	<b>\$57,549</b>	<b>\$224,401</b>	<b>\$757,053</b>

## 7.6 Business Ratios

The following table presents common business ratios for reference. Wishbone Pet Products NAICS classification is 339999 (SIC, 3999) - Manufacturing Industries, NEC (Not Elsewhere Classified).

# Wishbone Pet Products

**Table: Ratios**

Ratio Analysis	2004	2005	2006	Industry Profile
Sales Growth	0.00%	221.76%	111.80%	-3.08%
<b>Percent of Total Assets</b>				
Accounts Receivable	33.16%	46.87%	37.67%	23.87%
Inventory	0.93%	1.31%	1.05%	22.83%
Other Current Assets	0.00%	0.00%	0.00%	27.81%
Total Current Assets	100.00%	100.00%	100.00%	74.51%
Long-term Assets	0.00%	0.00%	0.00%	25.49%
Total Assets	100.00%	100.00%	100.00%	100.00%
<b>Current Liabilities</b>				
Current Liabilities	63.72%	37.87%	20.45%	24.61%
Long-term Liabilities	0.00%	0.00%	0.00%	21.74%
Total Liabilities	63.72%	37.87%	20.45%	46.35%
Net Worth	36.28%	62.13%	79.55%	53.65%
<b>Percent of Sales</b>				
Sales	100.00%	100.00%	100.00%	100.00%
Gross Margin	54.28%	53.50%	53.84%	37.64%
Selling, General & Administrative Expenses	40.11%	36.61%	30.46%	20.59%
Advertising Expenses	0.00%	0.00%	0.00%	1.38%
Profit Before Interest and Taxes	17.38%	19.80%	28.72%	4.79%
<b>Main Ratios</b>				
Current	1.57	2.64	4.89	2.48
Quick	1.55	2.61	4.84	1.35
Total Debt to Total Assets	63.72%	37.87%	20.45%	6.29%
Pre-tax Return on Net Worth	105.62%	109.40%	101.93%	50.32%
Pre-tax Return on Assets	38.32%	67.97%	81.08%	12.65%
<b>Additional Ratios</b>				
	2004	2005	2006	
Net Profit Margin	10.67%	13.40%	19.88%	n.a
Return on Equity	73.94%	76.58%	71.35%	n.a
<b>Activity Ratios</b>				
Accounts Receivable Turnover	5.68	5.68	5.68	n.a
Collection Days	37	32	47	n.a
Inventory Turnover	21.45	174.73	156.59	n.a
Accounts Payable Turnover	18.12	17.69	17.82	n.a
Payment Days	27	10	15	n.a
Total Asset Turnover	2.51	3.55	2.85	n.a
<b>Debt Ratios</b>				
Debt to Net Worth	1.76	0.61	0.26	n.a
Current Liab. to Liab.	1.00	1.00	1.00	n.a
<b>Liquidity Ratios</b>				
Net Working Capital	\$57,549	\$224,401	\$757,053	n.a
Interest Coverage	8.15	29.88	91.78	n.a
<b>Additional Ratios</b>				
Assets to Sales	0.40	0.28	0.35	n.a
Current Debt/Total Assets	64%	38%	20%	n.a
Acid Test	1.03	1.37	3.00	n.a
Sales/Net Worth	6.93	5.72	3.59	n.a
Dividend Payout	0.00	0.03	0.01	n.a

# Appendix

**Appendix Table: Sales Forecast**

Sales Forecast												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$0	\$0	\$0	\$0	\$30,975	\$32,450	\$33,925	\$36,875	\$38,350	\$39,825	\$42,775	\$44,250
Scoops	\$0	\$0	\$0	\$0	\$7,088	\$7,425	\$7,763	\$8,438	\$15,863	\$16,538	\$17,550	\$18,563
Bags	\$0	\$0	\$0	\$0	\$38,063	\$39,875	\$41,688	\$45,313	\$54,213	\$56,363	\$60,325	\$62,813
Total Sales	\$0	\$0	\$0	\$0	\$38,063	\$39,875	\$41,688	\$45,313	\$54,213	\$56,363	\$60,325	\$62,813
Direct Cost of Sales												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Scoops	\$0	\$0	\$0	\$0	\$12,600	\$13,200	\$13,800	\$15,000	\$15,600	\$16,200	\$17,400	\$18,000
Bags	\$0	\$0	\$0	\$0	\$3,150	\$3,300	\$3,450	\$3,750	\$7,050	\$7,350	\$7,800	\$8,250
Subtotal Direct Cost of Sales	\$0	\$0	\$0	\$0	\$15,750	\$16,500	\$17,250	\$18,750	\$22,650	\$23,550	\$25,200	\$26,250

# Appendix

**Appendix Table: Personnel**

Personnel Plan	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
General Manager	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500
Sales Manager	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Marketing Assistant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Marketing Manager	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operations Assistant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operations Manager	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Total People	3	3	3	3	3	3	3	3	3	3	3	3
Total Payroll	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500

## Appendix

**Appendix Table: Profit and Loss**

Pro Forma Profit and Loss												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Sales	\$0	\$0	\$0	\$0	\$38,063	\$39,875	\$41,688	\$45,313	\$54,213	\$56,363	\$60,325	\$62,813
Direct Costs of Goods	\$0	\$0	\$0	\$0	\$15,750	\$16,500	\$17,250	\$18,750	\$22,650	\$23,550	\$25,200	\$26,250
Shipping and Handling - scoops	\$0	\$0	\$0	\$2,361	\$464	\$382	\$297	\$2,815	\$676	\$574	\$471	\$357
Shipping and Handling - bags	\$0	\$0	\$0	\$1,594	\$318	\$262	\$203	\$2,576	\$947	\$822	\$692	\$555
Cost of Goods Sold	\$0	\$0	\$0	\$3,955	\$16,532	\$17,145	\$17,750	\$24,141	\$24,273	\$24,946	\$26,364	\$27,162
Gross Margin	\$0	\$0	\$0	(\$3,955)	\$21,530	\$22,730	\$23,937	\$21,171	\$29,939	\$31,417	\$33,961	\$35,650
Gross Margin %	0.00%	0.00%	0.00%	0.00%	56.57%	57.00%	57.42%	46.72%	55.23%	55.74%	56.30%	56.76%
Expenses:												
Payroll	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
Sales and Marketing and Other Expenses	\$0	\$0	\$0	\$0	\$5,709	\$5,981	\$6,253	\$6,797	\$8,132	\$8,454	\$9,049	\$9,422
Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rent	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500
Utilities	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100
Insurance - liability	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350	\$350
Payroll Taxes	15% \$825	\$825	\$825	\$825	\$825	\$825	\$825	\$825	\$825	\$825	\$825	\$825
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Operating Expenses	\$7,275	\$7,275	\$7,275	\$7,275	\$12,984	\$13,256	\$13,528	\$14,072	\$15,407	\$15,729	\$16,324	\$16,697
Profit Before Interest and Taxes	(\$7,275)	(\$7,275)	(\$7,275)	(\$11,230)	\$8,546	\$9,474	\$10,409	\$7,099	\$14,532	\$15,687	\$17,638	\$18,954
Interest Expense	\$708	\$708	\$708	\$708	\$708	\$708	\$708	\$708	\$708	\$708	\$708	\$708
Taxes Incurred	(\$2,395)	(\$2,395)	(\$2,395)	(\$3,582)	\$2,351	\$2,630	\$2,910	\$1,917	\$4,147	\$4,494	\$5,079	\$5,474
Net Profit	(\$5,588)	(\$5,588)	(\$5,588)	(\$8,357)	\$5,486	\$6,136	\$6,791	\$4,474	\$9,677	\$10,485	\$11,851	\$12,772
Net Profit/Sales	0.00%	0.00%	0.00%	0.00%	14.41%	15.39%	16.29%	9.87%	17.85%	18.60%	19.64%	20.33%

## Appendix

**Appendix Table: Cash Flow**

Pro Forma Cash Flow	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cash Received												
Cash from Operations:												
Cash Sales	\$0	\$0	\$0	\$0	\$9,516	\$9,969	\$10,422	\$11,328	\$13,553	\$14,091	\$15,081	\$15,703
Cash from Receivables	\$0	(\$5,500)	\$0	\$0	\$0	\$28,547	\$29,906	\$31,266	\$33,984	\$40,659	\$42,272	\$45,244
Subtotal Cash from Operations	\$0	(\$5,500)	\$0	\$0	\$9,516	\$38,516	\$40,328	\$42,594	\$47,538	\$54,750	\$57,353	\$60,947
Additional Cash Received												
Sales Tax, VAT, HST/GST Received	0.00%	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Current Borrowing		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Other Liabilities (interest-free)		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Long-term Liabilities		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Other Current Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sales of Long-term Assets		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
New Investment Received		\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Received		\$0	(\$5,500)	\$0	\$0	\$9,516	\$38,516	\$40,328	\$42,594	\$47,538	\$54,750	\$57,353
Expenditures												
Expenditures from Operations:												
Cash Spending	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500
Payment of Accounts Payable	\$0	\$88	\$88	\$88	\$4,189	\$44,465	\$11,802	\$47,674	\$16,900	\$63,801	\$16,966	\$69,417
Subtotal Spent on Operations	\$5,500	\$5,588	\$5,588	\$5,588	\$9,689	\$49,965	\$17,302	\$53,174	\$22,400	\$69,301	\$22,466	\$74,917
Additional Cash Spent												
Sales Tax, VAT, HST/GST Paid Out	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Principal Repayment of Current Borrowing	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Long-term Liabilities Principal Repayment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Purchase Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Dividends	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal Cash Spent	\$5,500	\$5,588	\$5,588	\$5,588	\$9,689	\$49,965	\$17,302	\$53,174	\$22,400	\$69,301	\$22,466	\$74,917
Net Cash Flow	(\$5,500)	(\$11,088)	(\$5,588)	(\$5,588)	(\$174)	(\$11,449)	\$23,026	(\$10,580)	\$25,137	(\$14,551)	\$34,887	(\$13,970)
Cash Balance	\$94,500	\$83,412	\$77,823	\$72,235	\$72,061	\$60,612	\$83,638	\$73,058	\$98,195	\$83,644	\$118,531	\$104,562

# Appendix

## Appendix Table: Balance Sheet

### Pro Forma Balance Sheet

Assets	Starting Balances	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>Current Assets</b>													
Cash	\$100,000	\$94,500	\$83,412	\$77,823	\$72,235	\$72,061	\$60,612	\$83,638	\$73,058	\$98,195	\$83,644	\$118,531	\$104,562
Accounts Receivable	\$0	\$0	\$5,500	\$5,500	\$5,500	\$34,047	\$35,406	\$36,766	\$39,484	\$46,159	\$47,772	\$50,744	\$52,609
Inventory	\$0	\$0	\$0	\$0	\$0	\$17,325	\$825	\$18,975	\$225	\$24,915	\$1,365	\$27,720	\$1,470
Other Current Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Current Assets</b>	<b>\$100,000</b>	<b>\$94,500</b>	<b>\$88,912</b>	<b>\$83,323</b>	<b>\$77,735</b>	<b>\$123,433</b>	<b>\$96,844</b>	<b>\$139,379</b>	<b>\$112,768</b>	<b>\$169,270</b>	<b>\$132,781</b>	<b>\$196,995</b>	<b>\$158,641</b>
<b>Long-term Assets</b>													
Long-term Assets	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Accumulated Depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Long-term Assets</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
<b>Total Assets</b>	<b>\$100,000</b>	<b>\$94,500</b>	<b>\$88,912</b>	<b>\$83,323</b>	<b>\$77,735</b>	<b>\$123,433</b>	<b>\$96,844</b>	<b>\$139,379</b>	<b>\$112,768</b>	<b>\$169,270</b>	<b>\$132,781</b>	<b>\$196,995</b>	<b>\$158,641</b>
<b>Liabilities and Capital</b>													
<b>Current Liabilities</b>													
Accounts Payable	\$0	\$88	\$88	\$88	\$2,857	\$43,069	\$10,343	\$46,088	\$15,003	\$61,828	\$14,855	\$67,218	\$16,092
Current Borrowing	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000	\$85,000
Other Current Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Subtotal Current Liabilities</b>	<b>\$85,000</b>	<b>\$85,088</b>	<b>\$85,088</b>	<b>\$85,088</b>	<b>\$87,857</b>	<b>\$128,069</b>	<b>\$95,343</b>	<b>\$131,088</b>	<b>\$100,003</b>	<b>\$146,828</b>	<b>\$99,855</b>	<b>\$152,218</b>	<b>\$101,092</b>
<b>Long-term Liabilities</b>													
Long-term Liabilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Liabilities</b>	<b>\$85,000</b>	<b>\$85,088</b>	<b>\$85,088</b>	<b>\$85,088</b>	<b>\$87,857</b>	<b>\$128,069</b>	<b>\$95,343</b>	<b>\$131,088</b>	<b>\$100,003</b>	<b>\$146,828</b>	<b>\$99,855</b>	<b>\$152,218</b>	<b>\$101,092</b>
<b>Capital</b>													
Paid-in Capital	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000	\$35,000
Retained Earnings	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)	(\$20,000)
Earnings	\$0	(\$5,588)	(\$11,177)	(\$16,765)	(\$25,122)	(\$19,636)	(\$13,500)	(\$6,709)	(\$2,235)	\$7,441	\$17,926	\$29,777	\$42,549
<b>Total Capital</b>	<b>\$15,000</b>	<b>\$9,412</b>	<b>\$3,823</b>	<b>(\$1,765)</b>	<b>(\$10,122)</b>	<b>(\$4,636)</b>	<b>\$1,500</b>	<b>\$8,291</b>	<b>\$12,765</b>	<b>\$22,441</b>	<b>\$32,926</b>	<b>\$44,777</b>	<b>\$57,549</b>
<b>Total Liabilities and Capital</b>	<b>\$100,000</b>	<b>\$94,500</b>	<b>\$88,912</b>	<b>\$83,323</b>	<b>\$77,735</b>	<b>\$123,433</b>	<b>\$96,844</b>	<b>\$139,379</b>	<b>\$112,768</b>	<b>\$169,270</b>	<b>\$132,781</b>	<b>\$196,995</b>	<b>\$158,641</b>
<b>Net Worth</b>	<b>\$15,000</b>	<b>\$9,412</b>	<b>\$3,823</b>	<b>(\$1,765)</b>	<b>(\$10,122)</b>	<b>(\$4,636)</b>	<b>\$1,500</b>	<b>\$8,291</b>	<b>\$12,765</b>	<b>\$22,441</b>	<b>\$32,926</b>	<b>\$44,777</b>	<b>\$57,549</b>