

A Business Plan For:

Micro Service and Sales

APRIL 1, 1994

500 North Mulberry Avenue

Irvine, California 91455

(714) 567-7654

Rob Bradford, Owner

Statement of Purpose

Micro Service and Sales, a computer sales and service firm, is a successful business that seeks financial aid to expand and continue building its profitable clientele base. The expansion would include a new location, additional inventory, and additional advertising.

The owner, Rob Bradford, desires to sell a portion of his interest in the business for the sum of \$50,000. This figure includes all the money that the principal has put into Micro Service and Sales for the service equipment, spare parts, office furniture, service contracts, customer list, dealerships, and reputation.

Mr. Bradford, as well as Mrs. Bradford, would be willing to continue working for the business, building its clientele base and its reputation. Mr. Bradford seeks a salary of \$2,500 per month to oversee the service and sales departments as well as the overall operation of the business, Mrs. Bradford seeks \$1,000 per month to continue doing the bookkeeping, billing, and overseeing the advertising and marketing of the business on a part-time basis.

Micro Service and Sales is a successful business that needs a new location and more inventory in order to grow as it is capable of growing. The principal has put much time and effort into building the business and maintaining the highest possible reputation for honesty and hard work. An initial investment, in addition to buying out the equity of Mr. Bradford, of \$56,500 for startup costs in a new location would put Micro Service and Sales on the road to becoming "the" computer store in Orange County for sales and service.

Description of the Business

Micro Service and Sales officially began operations January 1, 1991, at 500 North Mulberry Ave. It is a sole proprietorship, owned by Rob Bradford. It is a computer sales and service operation that is open Monday through Friday, 9:00 a.m. to 5:00 p.m. However, with a relocation, Micro Service and Sales (called MSS hereafter) would be open for business Monday through Friday from 10:00 a.m. to 7:00 p.m. and Saturday from 10:00 a.m. to 5:00 p.m.

MSS is a retail business that also specializes in providing the best computer repair for the best price. Along with computer repair, MSS also provides programming, consulting, and systems analysis services.

At present, the location of the business and lack of advertising funds is its only drawback. The environment is not conducive to sales and does not accommodate large numbers of people. When the business was first put into operation, the location was adequate because originally, MSS was devoted to computer repair only. However, as business increased, MSS became more and more involved in sales, programming, and consulting. MSS has also become involved in more and more service and presently has service contracts with Irvine School District and California Technical College Drafting Department. MSS has grown into a successful and thriving business, and to continue its growth it must be relocated.

A large part of the business comes from repeat customers for sales and service, which include Bills Lock and Safe, Patzi's of California, Lopger Paint and Glass, PLM Systems, WK Imaging, Sunstate Equipment, Harding and Associates, GTE Phone Directories, Irvine School District, California Regional Adolescent Center, and the Orange County School District, to name just a few. California Credit Service Corporation has also been a customer for the past year and has served as a sales outlet for MSS since July 1991.

MSS continues to build its customer list every day, and to date MSS has customers in Arizona, New Mexico, Colorado, Texas, Oregon, Washington, and California.

The reason why MSS has been so profitable (in its first full year of operation it grossed \$226,735 in sales) is the dedication and hard work of its owner. The philosophy of MSS has been and continues to be that the customer deserves the very best service, whether it is in repairing computers, selling computers, or providing customer support after the sale. Repeat business is what keeps all businesses operational, and MSS has capitalized on its ability to bring back repeat customers because the customers have received such good service. With the expansion, MSS will better serve even more of the public.

May 1, 1994, is the date by which MSS would like to be relocated and open for business. With a new location, more inventory, and a sales staff MSS will be one of the fastest-growing businesses in Orange County. MSS will capture a large percentage of the market share for computer sales and service because it is well organized, efficiently run, and has state-of-the-art hardware and software.

The location chosen for relocation is slated to be the best location yet in Orange County, and it offers customer-oriented service. MSS wants to be a place where people can come in for free advice and where they can feel comfortable about asking questions. MSS wants to be the place where people come to learn what is going on in the computer industry with regard to both hardware and software.

In the past Mr. Bradford has spent a great deal of time on the phone answering questions and giving advice. He does not receive monetary compensation for this type of service, but he is paving the way for future business. When those he has helped decide to buy a computer, or have problems with one they already own, they will remember the willingness to help and the positive attitude Mr. Bradford displayed.

We believe that a good majority of these people will come to MSS because of the free advice given and time spent with them by Mr. Bradford. Hopefully they will also send in their friends. "Word of mouth" is by far the very best way to advertise, and that is something that cannot be forced. A business must earn trust and respect and that is what MSS will continue to do.

The previously mentioned investment capital of \$55,000 will help MSS relocate to an ideal location that will produce foot traffic and generate more sales. The money will also help to buy inventory and set up MSS as a strong competitor with stores such as I-CON Computer Mart, Computers USA, and Computers of America. MSS plans to set up inventory in a showroom and make it accessible for people to use.

Many times people have in mind certain software that will only run on certain machines, and they want to see for themselves whether they are making a good purchase. At present, MSS allows anyone interested in purchasing a machine to try any software they have to see if it will run. This policy has allowed MSS to sell quite a few more systems than it would have without this practice.

MSS wants to make all the systems it sells available to the public for a "test drive." A computer is a major purchase, and people want to make sure they are getting the exact model they need. With the ability to try out the systems and the helpful atmosphere created by the employees, MSS will be a unique computer outlet and will be highly successful.

When a customer decides which system he or she wants and what peripherals he or she wishes to purchase, an employee will take the order. At the time the order is taken, the customer is required to pay 50 percent of the purchase price as a down payment. This deposit is nonrefundable in most cases. It is the responsibility of the employees at MSS to explain fully what the customer is paying for before he or she makes a purchase.

MSS will take orders because this practice will allow MSS to keep costs down; the customer will not have to "pay" for the cost of keeping the extra inventory, which would be reflected in the price of each system. Also, ordering allows customers to get exactly what they want with all the specific options they desire. At present, MSS is able to fill orders within one week from order date and plans to continue offering this time frame. Payment in full is required on delivery. The current policy of MSS is to extend no credit, thus keeping costs down.

Computer Market Analysis

The computer industry continues to grow and change every day. One of the latest innovations to hit the market is the development of the 80486-based computers. The 80486 computers are almost 20 times faster than the AT computers and almost ten times as fast as the 386 computers now available. The 80486 computers are slated to become the hottest selling items and will quickly become the industry standard. A forecast by Dataquest of the demand for 80486 computers in *Info World* estimates that yearly shipments of 80486 machines will grow from 60,000 in 1991 to 800,000 in 1995 and will reach 1.1 million by 1996 (*Info World*, November 10, 1993). MSS plans to sell these machines to businesses and the general public. (Please see Appendix A-1.)

Although the 80486 is predicted to become the industry standard, the worldwide U.S.-business-office installed base of personal computer systems of all processor types (286 and 386) is also estimated to rise. The installed base of all PCs is expected to rise from 30 million in 1992 to 64.7 million by 1995 (*Info World*, November 10, 1993). (Please see Appendix A-2.)

In addition, the number of laptop units shipped worldwide is estimated to quadruple the number shipped in 1993. In 1985, 169,000 units were shipped worldwide. That number more than doubled, to 397,000 in 1986. The number of units shipped in 1987 was 680,000. In 1991, 5.78 million laptop computers were sold (*Info World*, January 19, 1994). (Please see Appendix A-3.)

Worldwide demand for software is also estimated to rise dramatically. *Info World* predicts, "A special report by International Data Corp. of Framingham, Massachusetts, shows the worldwide market for personal computer software from U.S. vendors growing at an average annual rate of 28% up to 1995 . . ." (*Info World*, December 15, 1993). Sales of software in 1991 in the U.S. reached \$10.5 billion. By 1994, sales are expected to reach \$25.5 billion. (Please see Appendix A-4.)

MSS has a contract to repair the hardware of local area networks supplied by a company called LanFix that services the Novell systems. The growth of local area networks (LANs) looks very promising as well. Before 1984, according to a study done by International Data Corp., only 15,000 LANs were installed nationwide, and they estimate that in 1993 that number increased to more than 915,000 (*Info World*, January 19, 1994). (Please see Appendix A-5.)

The November 1993 issue of *Info World* predicts the total number of personal computers shipped will almost double in the next three years. In 1994, 20.12 million are expected to be shipped. A slight increase in educational use is expected, while business and home use will stay relatively the same. "Although there may be twice as many personal computers in 1994 as there were in 1992, they will perform the same functions."

It is clear from these reports that computer use and computer sales are expected to continue rising. The United States is a technologically-oriented society, and more and more people and businesses are seeing a need to implement computer systems. The expected growth of the computer industry combined with the expected growth of Orange and surrounding counties, addressed below, make Irvine an ideal place to exploit the computer market. MSS is the business that can take advantage of this growth and profit by it.

Customer/Local Market Analysis

The market that MSS targets for sales is men and women 25 to 45 years old, with an annual income of \$35,000 or more per year. MSS also targets the local student population at University of California at Irvine and California Technical College because more and more students are being required to use computers for their classes.

California Credit Service Corporation (CCSC) is MSS's link to the student population at the present time because CCSC lends money to students who wish to purchase a computer. Basically, the markets for MSS consist of (1) men and women who are able to purchase computer systems on their own and (2) students who borrow the money to buy the systems. These are two distinct markets that are reached through two different ways. To reach the students, MSS relies mainly on CCSC but occasionally advertises in the *Daily University Chronicle*. To reach the general public, MSS advertises in the Yellow Pages, on the radio, and through direct mailers.

Both of the markets continue to grow. National Decision Systems has estimated that the general population within a 6-mile radius of the proposed relocation of MSS will increase 74,551 by 1995. The number of households within the same radius is estimated to increase 34,924 by 1995. Currently, the student population at U.C. Irvine is approximately 28,264. New students make up 23 percent, integrating with the market. An additional 4 percent represents new students enrolled during the winter semester, according to U.C. Irvine.

The student market as well as the general public market is continuing to grow every year, and combined with the increase in computer sales, the possible market share to be captured also grows. With relocation, MSS plans to capture a larger market share by being the best-priced and most service-oriented computer store.

Concentrating on service, whether actually repairing a computer or selling a system, MSS will have a unique selling advantage. The market will accept MSS, as it already has, because of the friendly service available and the comfortable atmosphere for learning it will offer in its new location. To some people, computers seem unfriendly or hard to use, and MSS wants to bridge the gap between the public and the computers with a helpful learning environment.

MSS wants any person of any age to be able to come in and learn all they need to know about any computer and how to operate any system effectively. This policy will bring in the customers, and MSS will capture the largest market share of potential computer buyers and present computer owners and users.

MSS will also be price-conscious because Orange County tends to be very price-oriented. People want to feel that they are getting a good deal, and most people in Irvine shop around and compare prices. For this reason, MSS will also be competitively priced with the other computer stores in the area and will generally be \$15 to \$35 lower in price. The computer stores in the area mark up their products between 25 percent and 35 percent. MSS plans to mark up its products only 25 percent. This way, MSS will be competitively priced, thus promoting the fact that MSS's products are of comparable quality and, at the same time, have some of the lowest prices available in the valley.

MSS has, in the past, discounted for package buys. For example, a customer who buys the 386 compatible system, a printer, a modem, and a hard drive will pay less for the whole package than a customer who buys these goods at different times. MSS plans to continue this practice because it moves more inventory and makes more money for the business.

The market that MSS targets for service is mainly businesses and schools. The businesses targeted include accountants, lawyers, engineers, travel agencies, medical clinics, computer-

aided design firms, and computer software firms. To reach these businesses, MSS sends out direct mailers. To reach the various schools in the area, MSS sends out letters to each principal. At present, MSS already handles the service contract for the Irvine School District and has done quite a bit of work for schools in the Costa Mesa School District.

With the markets that MSS targets for both sales and service, there is a potential to make a large amount of money. The potential of MSS, with the appropriate funds, is excellent. The principal, as well as other respected industry colleagues, believes MSS will rival any computer operation already in Orange County and any potential competition.

A greater market could be reached and maintained for sales and service with a new, more visible, more easily accessible location. Walk-in traffic, as well as advertisement response, needs a showroom area to promote sales and to "test drive" computer equipment and software. A new location would also give Micro Service and Sales the professional, competent image it seeks for growth.

Competition Analysis

In analyzing the four main competitors, one can see that MSS will definitely have an advantage over the competition, because it will be set apart from all of the above-mentioned businesses. It is not uncommon to walk into the local retail stores and find the salespeople talking to each other and more interested in each other than in the customers. Generally speaking, the employees also lack the knowledge to really help customers. Although some of the computer stores are priced right and the employees are helpful, they lack adequate knowledge to answer technical questions.

MSS has the right prices, the right atmosphere, and the right personnel to answer questions about hardware or software. MSS has the best combination and has learned from its competitors what is desirable and what is undesirable. The only thing that any of the competition has over MSS is location. MSS has everything these stores have and more, but its location is not easily accessible, nor is it highly visible, as are the locations of our competitors.

MSS will also carry a full line of the most popular products and not devote itself to merely one type, such as IBM. MSS will be a store where anyone, whether they want to purchase an IBM, an IBM Compatible, or a Macintosh Computer, can find the product they need.

Location Analysis

To bring in more revenue and build even more business, MSS should be relocated in the PlumTree Shopping Center. PlumTree is a new shopping center located at 1984 West University Drive in Irvine, California. Its target date for opening is May 1, 1994. PlumTree will have two anchor stores in the mall, one being Food-4-Less and the other being Shopko. Additional tenants are a video store, beauty shop, bakery, restaurant, and a 6-plex Cinema Theater. Extensive research has gone into this project, and the developers of PlumTree optimistically plan to make this shopping center "the hub of activity."

According to the 1993 Department of Transportation Report, 49,975 vehicles travel University Drive every day, and an additional 14,185 vehicles travel 1984 West and 7550 South. Therefore, an average of 64,160 vehicles pass by the location of this shopping center every day. University Drive is probably one of the most heavily-traveled streets in all of Irvine, and PlumTree is highly visible to this heavy traffic.

From 1985 to 1990, the population within a two-, three-, and five-mile radius of PlumTree has increased 43 percent. According to National Decision Systems' 1990 Census the population increase since 1970 is as follows:

	2-mile radius	3-mile radius	5-mile radius
1995 projection	370,187	310,792	353,599
1990 Census	365,345	302,810	339,861
1980 Census	160,406	194,648	225,870
1970 Census	144,153	167,386	130,822

Over the past six years, median household income has increased 30 percent. According to National Decision Systems' 1990 Census, the figures are as follows:

	Median Household Income		
	2-mile radius	3-mile radius	5-mile radius
1995 estimate	\$42,473	\$42,887	\$43,441
1990 Census	37,571	37,779	38,106

PlumTree is designed to be an easily accessible shopping center, and MSS wants to be a part of it. A move to PlumTree could realistically double, if not triple, the business that MSS already handles because of increased customer flow. The anchor store, Food-4-Less, has already signed a sixty-year lease and is expected to bring in 5500 cars per day, according to studies done in other areas where Food-4-Less is located. According to the placement of MSS in relation to the position of Food-4-Less, most of the traffic will have to pass by MSS. MSS can also be seen by those traveling University Drive.

By virtue of the fact that the shopping center is new, many people will come to see what it offers and MSS can capitalize on this. There will also be a huge grand opening for the mall and MSS will benefit from the advertisements and publicity of the newest and best location in the valley. This location will be ideal for MSS because the mall will have a grocery store, a restaurant, a video store, a bakery, and a beauty salon. These businesses will draw customer traffic from which MSS will benefit. Once people know where MSS is located and have experienced the friendly, helpful attitude of its employees and compared the prices, MSS will have a substantial clientele and customer base.

The actual physical location will be on ground level with glass as its face. It will have 3700 square feet and will have heating, electricity, and air-conditioning, as well as a bathroom for employees. The carpet and walls will reflect relaxing and nonthreatening colors. Background music will also be relaxing, promoting the comfortable feeling MSS seeks for its atmosphere. The office furniture will all be new and state-of-the-art. There will also be plants in decorative pots and decorative pictures on the walls to make people feel welcome. Smoking will not be allowed.

There is ample parking at PlumTree and accessibility to MSS will be very easy. Parking stalls will afford approximate and convenient access to the store. (Please see Appendix D for the actual layout of MSS and its position in relation to Food-4-Less.)

The location will be acquired by lease. The lease can be for one year or up to sixty years. The price is \$11.50 per square foot per year. The developers estimate an additional \$2.30 per square foot per year will include the utilities, landscaping and maintenance of the parking lot, fire insurance, parking-lot lighting, and garbage removal.

The increased cost of this location will be reflected in a minor price increase. However, even with the price increase, MSS plans to be as low if not lower on most items than any of its competitors. (Please see price comparisons under Competition Analysis.)

The location is yet to be completed, so the developers will work with the intended occupants to make adjustments as needed. Partition walls are needed for office and service areas and will be provided by the developers. The service area will be for repairing computers and the office will be for the secretary to do the paperwork. The developers have a set budget on what they will spend on improvements, and additional improvements must be paid for by the occupant. MSS only needs the partitions put up, so there should not be too great a cost involved in the improvements.

Management Expertise

Rob Bradford, the owner, has been acting as chief technician, salesman, and office manager for MSS since it opened in 1991. Mr. Bradford has been involved with the computer industry since 1978. He has attended the University of California at Irvine where he studied electronic technology and also attended San Jose College where he again studied electronic technology. In 1982, Mr. Bradford went to work for IBM as a field technician. During the summer of 1984, Mr. Bradford was approached by Senior Management of IBM to become the Director of Field Operations for the Southern California Region. Mr. Bradford continued as the Director of Field Operations for IBM until he started MSS.

Mr. Bradford's expertise is mainly in IBM, IBM-compatible, Commodore, and Apple computers, as well as printer and terminal repair, although he is not limited to these by any means. Aside from computers, Mr. Bradford has repaired VCRs, video cameras, televisions, and stereos. He is a capable and competent technician and manager. He has successfully managed two different businesses, the most recent being MSS.

Support Personnel

Mrs. Bradford has served many functions at MSS. She has kept all of the books, handled the advertising and marketing, and taken care of the accounts receivable and accounts payable. She graduated from Stanford University in 1986 with a degree in advertising and sales. She has worked for various organizations including a boys' club, a theater, and Stanford University. She had no previous experience in bookkeeping but has become quite adept in maintaining orderly books. Her area of expertise is advertising, but a limited budget has not allowed her to use her talents as she would have liked. However, with an appropriate advertising budget she could increase business dramatically for MSS.

Appropriation of Funds for Relocation/Expansion

Initial Investment:

Equipment	\$18,390
IBM system	
AT&T system	
Commodore 128	
AT clone	
Letter quality printer	
NEC monitor	
Cable system	
Toshiba printer	
Laptop system	

Advertising	\$7,350
Ads in <i>Daily Universe</i>	
Ads in <i>Daily Herald</i>	
Giveaway items for Grand Opening	
Radio remote and ads	
Mailers/coupons	
Furniture	3,100
Chairs	
Computer desks	
Magazine racks	
Manuals	
Plants	
Signs	2,000
Van	
Building	
Accessories for sale	500
Diskettes	
Cables	
Surge protectors	
Paperwork	100
Sales books	
Repair books	
Pens	
Stamps	
Postage stamps	
Staples	
First month's rent (includes utilities)	2,000
Three months' wages	10,500
Manager at 2,500	
Secretary at 1,000	
Operating capital	8,000
Phone startup cost	575
Three-month shipping cost	3,000
First-month business insurance	200
First-month van insurance and gas	285
Miscellaneous (checking account)	500
Initial Total Cost	56,500
Monthly Costs	
Rent (includes utilities)	\$2,000
Wages	5,000
Advertising	1,000

Phone (local, long distance, Yellow Pages ad)	415
Shipping	1,000
Business insurance	200
Paperwork	50
Van insurance and gas	285
Total Monthly Cost	\$9,950

Summary

Micro Service and Sales is a successful, thriving business that is suffering at the moment from its location. It has a good reputation for being honest and fair. MSS has strong customer backing, but to grow as it potentially could, it needs a new location. The reason PlumTree has been chosen as its first priority for its new location is because PlumTree is a new shopping center; it is going to open with a bang, and MSS wants to be a part of it.

The developers of PlumTree feel that this shopping center is going to be better than the Mall at Orange, and they expect more than 5500 cars per day to come through the center. MSS needs this kind of exposure. People who have brought their computers to MSS to be serviced and those who have bought their computer systems from MSS have been very pleased with the service they have received. Growth would be achieved by exposing more of the public to this kind of desirable service. Location in PlumTree shopping center would allow MSS to grow to its full potential and would pave the way for opening subsequent stores in other areas of the country.

Existing Inventory

	cost	make	model	serial #
10 printers	\$5,500.00	Silent Scribe	DP-962OA	N012210
12 desks	2,200.00			
6 computer desks	1,000.00			
1 cash register	350.00	MAX	RE 1011	G84B38459
12 computers	18,000.00	Beltron	386	M101,M102
1 phone/answering	150.00	Panasonic	KX-T2415	5ECHF121768
Test equipment	10,000.00			
4 oscilloscopes		BK Precision	1479 B	12924
misc. tools				
5 meters				
Work benches	250.00			
Spare parts	12,000.00			
Chairs	425.00			
Total	\$49,895.00			

Break-Even Analysis

New Location Only:

Total monthly fixed costs	\$9,950.00
Approximate total monthly variable costs	250.00
Total	\$10,200.00

To break even every month, MSS would have to sell:

64 — IBM Compatible 386 systems or	\$ 158.18 profit
29 — 386 Laptops or	\$ 348.00 profit
18 — IBM AT systems or	\$ 557.00 profit
15 IBM systems, 15 printers,	\$ 235.00 profit
11 XT compatibles, 1 IBM AT,	
2 AT compatibles	

This includes sales of hardware only. Of course there are numerous combinations of hardware, software, and service that will allow MSS to break even every month. The hardware mentioned above is merely an example of what could be sold to break even. However, MSS plans to do much more than simply break even every month.

Partial Customer List

California Technical College
California Credit Service Corporation
Irvine Lock and Safe
Patz's of California
Logger Paint and Glass
LanFix
PLM Systems
WK Imaging
Strate Western
McClellan Clinic
Sunstate Industries
Planned Management
Rollins, Brown and Gunnell, Inc.
Robyn Reed, International
Harding and Associates
University of California at Irvine Personnel Department
Cubco
GTE Phone Directories
Irvine School District
Regional Adolescent Center
Travel Station
Ford Construction
Riverside School District
Peripheral Equipment
Telum, Inc.
Thornhill Corp.
Frameworks
Multipoint

This list includes businesses and schools only; individuals have not been included. (Please see Appendix B for letters of recommendation.)

Job Descriptions

On the Payroll

Service Manager The service manager oversees the operation of the service department, making sure all the repairs are done on a timely basis and that the cost of repairs is kept down for the customer. The service manager also functions as the chief technician, repairing the machines as well as overseeing the operation of the department. This is a full-time position.

Technician The technician handles the service work and the service calls that the chief technician is unable to attend to. The technician also handles customer support where necessary. This can be a full-time or part-time position.

Secretary The secretary takes care of all the bookkeeping, billing, bank deposits, and keeping the office inventory of staples, postage stamps, etc., up to date. This is a part-time position.

Independent Contractors

Advertising Director The advertising director makes the media buys as well as implements an advertising campaign. The advertising director is also responsible for the marketing of MSS. This position has been combined with the position of secretary in the past. This is a part-time position, and if a separate advertising director is hired, payment would be by the job.

Sales Manager The sales manager oversees the sales department, making sure customers are treated well and that sales prices are competitive. This is a full-time position.

Salespeople The salespeople sell the computer systems and software. These are part-time positions.

To begin, MSS would need a service manager, who would also act as chief technician; a secretary, who would also act as the advertising director; and a salesperson, who may be promoted to sales manager at a future date. The service manager and secretary would be paid salaries, while the salesperson would work strictly for commission. Additional salespeople hired in the future would also work strictly for commission. The reason the salespeople are not paid salaries is because commission-based pay tends to make people work harder and more efficiently, and top salespeople can make money for MSS as well as making a nice sum for themselves.

Salaries

Service manager	\$2,500 per month
Secretary/advertising director	\$1,000 per month
Future technician	\$700 per month

Commissions

Sales manager	12 percent retail
Salespeople	10 percent retail
Advertising director	By the job

Memberships

MSS is a member of the United States Chamber of Commerce, the Better Business Bureau, the National Federation of Independent Businesses, and the Orange County Chamber of Commerce. These memberships allow MSS certain privileges and also give customers confidence that MSS is a dependable and reputable business.

Future Plans for Micro Service and Sales

In the future, MSS would like to add four to six 80386-compatible systems to its inventory for instructional use and for renting to students or the general public. A rental fee of \$10 per hour for the computer is a competitive price with U.C. Irvine; although it is not much, it would bring in additional potential customers. These units may also be used for instructional purposes, and classes could be held nightly, weekly, or monthly to teach anyone who is interested in how to use a computer. An additional use for these units would be to let people come in and try out software they have already purchased or may purchase in the future. MSS would be a learning environment as much as anything else, and the customer would be the center of attention and importance.

Future plans would also include opening additional locations throughout the country. A possible second location in Orange County would be in Costa Mesa. In California other possible locations would be San Bernardino, Riverside, Santa Barbara, San Diego, and San Francisco. A possible location in Arizona would be Phoenix. Eventually, MSS would like to be located in all of the western states. The first chain location could be opened within two years of the relocation of MSS.

Profit and Loss Sheet for 1993

January	Loss	\$2,673.11	
February	Profit	710.63	
March	Loss	3,282.30	
April	Profit	1,842.30	
May	Profit	2,721.34	
June	Profit	2,069.71	
July	Profit	3,351.57	
August	Profit	2,988.40	
September	Profit	4,324.12	
October	Profit	5,528.06	
November	Loss	225.98	
December	Profit	9,466.62	
Total credits for 1993		\$226,735.90	
Total debits for 1993		\$193,733.15	
Total profit for 1993		\$26,821.36	
Average profit each month in 1993		\$2,750.23	(including salaries)

Sales Forecast for Remainder of 1994*

New Location

month	gross sales	gross cost	gross profit	fixed costs	net profit
May	\$60,000	\$43,000	\$17,000	\$10,200	\$ 6,800
June	60,000	43,000	17,000	10,200	6,800
July	50,000	35,000	15,000	10,200	4,800
August	50,000	35,000	15,000	10,200	4,800
September	61,000	43,825	17,175	10,200	6,975
October	61,000	43,825	17,175	10,200	6,975
November	62,000	44,650	17,350	10,200	7,150
December	72,000	51,650	20,350	10,200	10,150
Total	\$476,000	\$339,950	\$136,050	\$81,600	\$54,450

To arrive at the figures above, the gross sales achieved at MSS's present location were doubled. MSS began sales in January 1991. From January 1991 to December 1991, average gross sales per month were \$30,000. This figure was simply doubled, giving the base figure of \$60,000. The markup used for these calculations was 25 percent. The commission of the salesperson has also been figured into these estimates. The net profit forecasted for 1994 is \$54,450.

Sales Forecast for 1995*

New Location

quarter	gross sales	gross cost	gross profit	fixed costs	net profit
First	\$202,025	\$146,170	\$55,855	\$40,800	\$15,055
Second	202,025	146,170	55,855	40,800	15,055
Third	202,025	146,170	55,855	40,800	15,055
Fourth	202,025	146,170	55,855	40,800	15,055
Total	\$808,100	\$584,680	\$223,420	\$163,200	\$60,220

These numbers reflect a 41 percent increase in sales from 1994, which is the estimated increase of sales according to Dataquest (*Info World*, November 10, 1991). The salesperson's commission has been figured into these estimates. The net profit forecasted for 1995 is \$60,220.

Sales Forecast for 1996*

New Location

quarter	gross sales	gross cost	gross profit	fixed costs	net profit
First	\$292,401	\$210,528	\$81,472	\$48,500	\$32,972
Second	292,401	210,528	81,472	48,500	32,972
Third	292,401	210,528	81,472	48,500	32,972
Fourth	292,401	210,528	81,472	48,500	32,972
Total	\$1,169,604	\$842,112	\$325,888	\$194,000	\$131,888

These figures reflect a 30 percent increase in sales from 1995, which is the estimated growth in sales according to Dataquest. The salesperson's commission has been figured into these estimates. The net profit forecasted for 1996 is \$131,888.

Numbers have been rounded to nearest whole number

Return on Investment

New Location

year	net profit
1994	\$ 54,450
1995	60,220
1996	131,888
Total net profit at end of 1994	\$246,558

Initial investment (equity buyout of Rob Bradford) \$ 50,000

New equipment and relocation costs \$ 56,500

Total \$106,500

Net profit minus initial investment: \$246,558 - \$106,500 = \$140,058

The actual net profit for the investor at the end of 1994 is \$140,058 which is 31.5 percent interest on the initial investment of \$106,500. The investor would have to wait almost three years to make money on this investment, but at the end of this time the investor could make 31.5 percent interest on his investment.

Tentative Advertising Plan, May 1994-April 1995

June

Daily Universe, 3 days/week, 2 x 3, 4 weeks, \$351.36

Daily Herald, 7 days, 2 x 3, \$388.08

120D Printer giveaway, \$190.00

July

Daily Universe, 3 days/week, 2 x 3, 4 weeks, \$351.36

WordPerfect giveaway, \$180.00

Coupons/mailers

August

Daily Universe, 3 days/week, 2 x 3, 4 weeks, \$351.36

Daily Herald, 7 days, 2 x 3, \$388.08

Dac Easy Accounting giveaway, \$80.00

September

Daily Universe, 5 days/week, 2 x 4, 4 weeks, \$958.40

PC Paint/Mouse giveaway, \$130.00

Coupons/mailers

October

Radio

Modem giveaway, \$95.00

November

Daily Herald, 7 days, \$388.08

Dac Easy Accounting giveaway, \$80.00

Coupons/mailers

December

Coupons/mailers

Print Shop giveaway, \$30.00

Daily Universe, 3 days/week, 2 x 3, 4 weeks, \$458.64**January***Daily Universe*, 5 days/week, 2 x 4, 4 weeks, \$958.40

Modem giveaway, \$95.00

Daily Herald, 7 days, \$388.08**February**

Radio

Modem giveaway, \$95.00

March*Daily Universe*, 3 days/week, 2 x 3, 4 weeks, \$458.64*Daily Herald*, 7 days, \$388.08

Diskette holder giveaway, \$8.00

April*Daily Universe*, 3 days/week, 2 x 3, 4 weeks, \$458.64

Coupons/mailers

Head cleaner kit giveaway, \$12.00

This is merely a tentative plan for advertising. It is dependent on how these particular media perform and whether or not they bring in customers. The budget for all months except September and January is \$1,000. The budget for September and January is \$1,500 to reflect additional advertising to the returning students at U.C. Irvine. All the advertising listed above is within the advertising budget for the month. Some figures have not been included because exact costs cannot be determined at this time; however, the total cost for the month will not exceed the budget. Advertising is a variable cost and MSS would go with what does best. In the past, MSS has found that the ads placed in the *Daily Universe* have drawn in students and MSS would expect the same thing to happen with additional advertising in the *Daily Universe*. The radio station to be used is not specified; it would be up to the discretion of the advertiser, because radio stations frequently change their formats and research of the station at the time of advertising is required to make sure the proper buy is made.

The giveaways will bring in additional customers who want to win the item to be given away. These giveaway items will not cost MSS too much, and at the same time they have the potential of bringing in numerous potential customers. The rules of the drawings will be: "No purchase necessary, 18 and older, must be present at the drawing, participants may enter as often as they wish, winners cannot be any employees or relatives of employees of MSS, the drawing will be held the last Friday of every month at 6 p.m., winners' names will be posted following the drawing to verify there was a drawing and a winner."

There will be a special display set up with the item to be given away as well as a box for entry slips. A free drawing for these items is a gimmick that should bring in many people who may be potential customers.

Plan Summary

Micro Service and Sales is a profitable and successful business. Although MSS has done well in its present location, a move to the new PlumTree Shopping Center would enable MSS to grow as it should and would allow sales to increase dramatically. This is an ideal opportunity for someone who wants to own a successful business, see it grow, and make money on his investment.

MSS started under very humble circumstances with only a desk, a chair, and a phone. Under the direction of its present owner, Rob Bradford, MSS has grown into a successful and highly respected business in Orange County. Starting with absolutely nothing, not even a computer, MSS has acquired loyal clientele in the public community as well as service agreements with local businesses and schools. MSS could become bigger and better than any computer retail outlet in Orange County and has the potential of growing into a chain that would certainly rival the larger computer stores.

MSS is set apart from the rest of the competition because it offers real service. From repairing the actual machines to giving customer support after the sale, MSS is dedicated to giving the customer the very best service. Mr. Bradford at the present time spends many hours every week just talking to potential customers and giving support to those who have bought equipment or those who have used MSS to service their system. MSS will also be different from its competition because with the proper backing, MSS will have all the popular brands of computer hardware and software and individuals will be given the opportunity to "test" the equipment and the software before purchase.

There are numerous possibilities available to MSS, from sales and service to programming, but it needs a new location and money to make it into a better-recognized computer store of Orange County.

Micro Service and Sales has all the ingredients for a successful business except location and appropriate funds. MSS already has the reputation, the contacts, the dealerships, and the clientele. All MSS needs is a more-visible, more-easily accessible location, and appropriate funds.