Grocery/Convenience Store

Start-Up Profile

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Grocery/Convenience Store Start-Up Profile

by Katherine J. Henning

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Introduction and Purpose

Starting a new business can be both complicated and confusing for even an experienced entrepreneur. The purpose of this primer is to provide resources to facilitate the start-up process for a small grocery or a convenience store and to give support to existing stores. This booklet is intended to incorporate information based on the successes of other stores around the state.

Description of Grocery/Convenience Store

In the past, small family-owned grocery stores formed the basis of the supermarket industry. One family member minded the cash register, while another stocked the shelves, and another unloaded the delivery truck. However, many of the small independent grocery stores in rural Illinois communities have either experienced financial difficulties or the store has been forced to close.

Several factors contributed to the closures. First, many owner/operators of local stores have retired without a family member or another individual in place to continue the store's operations. Second, communities experiencing a decline in population lost grocery sales and the business was no longer vital. Third, residents in rural communities often commute to larger communities for employment and shop before returning home. Independents find it impossible to compete in price with large chains that have economies of scale. Fourth, independent grocers have also experienced competition from convenience/gasoline stores.

Convenience stores generally do not stock fresh meats or produce but, when located in a community with an independent grocer, they represent fierce competition. Because of decreased profits for small grocery stores in rural communities, individuals should consider the feasibility of a convenience store instead. However, for purposes of this project, the terms *grocery store* and *grocer* refer to either a grocery or convenience store and the proprietor.

The information contained in this booklet can be beneficial to those individuals currently in the grocery business, those who are considering starting or investing in a grocery, or a community wishing to attract or retain a grocery store.

Feasibility Study

Before starting any new business, it is necessary to know if it is feasible to invest both time and money into the venture. Unfortunately, not all good ideas make great businesses, or even make money. Determining the feasibility of starting a business may be one of the most crucial problems facing entrepreneurs. A feasibility checklist should be used to determine if an idea represents a real business opportunity to expand or create a new business. The checklist in **Appendix A** includes both personal and market considerations.

Market Analysis

The first step in a market analysis is to estimate the market and conduct a feasibility study. Usually small independent grocery stores are patronized by those who do not travel outside the community regularly or customers who are in a hurry. Customers are often willing to pay a few cents more for an item rather than drive several miles to a supermarket. Customers also appreciate the personal touch many independent grocers can provide. Also, a good supplier can help you with a market analysis.

Market Survey

The main reason for preparing a market survey is to determine a sales forecast. There are five basic steps:

1. Identify the trading area for the store and determine which items the store will carry.
2. Determine the potential spending characteristics for the population within the area.
3. Estimate the target area's spending power within the trading area.
4. Determine the proportion of the total sales volume (market share) that can reasonably be obtained. Talk to grocers in similar size towns with comparable stores.
5. Estimate the total of sales volume you can reasonably attract. Be aware that stores can either attract additional sales volume or simply redistribute business already there.

Some of this information is "primary data" that the grocer will compile. Other "secondary" information can be obtained from other sources who have already compiled the data. Census data show the number of residents in a specific area, the number of households, and income levels. Census data are available through several sources, including the Internet. Maps of major trading areas may be available through local industrial or economic development groups, city newspaper offices, state business data centers, university centers, and chamber of commerce offices. **Appendix B** lists several resources. Many sources provide free information and help.

Location and Site Selection

There are several factors to consider in determining a location. The store should be accessible to potential customers with ample parking. Proximity to other businesses and traffic density are both important. The history of the site and restrictive ordinances may make the site undesirable. The rent-paying capacity of the business, terms of the lease, or the rent-advertising relationship should also be considered. The final considerations in choosing a location are (1) the community in which to locate and (2) the specific site within the community.

Selecting a site location for a grocery store is extremely important for success. A location for any retail operation can cause failure. The cost of the store's location is often directly related to the store's success. Positioning a store away from high traffic counts reduces sales. Stores should not be positioned so as to depend on revenue from traffic along small highways if it is a possibility that an improved alternate route will be developed in the future. Also, consider the danger of establishing a store near a single large employer that may close or relocate. Zoning is another site consideration. Many communities have zoning restrictions on industrial, commercial, and residential properties.

Some communities are further zoned within those classifications such as to the number of commercial units in an area or the size and architecture of the building.

Community

The community selected must have a large enough customer base to support the store. The economic base of the community should be stable and the demographic characteristics compatible with the intended market. Entrepreneurs may want to contact wholesale food distributors for help in determining the probability of success in a community. Many distributors have store or real estate development specialists who can provide a formula based on “per capita weekly expenditures” used to estimate the probability for success. Distributors may use formulas to determine the expected income of the store based on profit margins expected. Generally, stores range in size from 2.1-2.8 square feet per capita to 4.0-4.5 square feet per capita with inventory averaging $17 per square foot. Weighing these considerations according to the business’s needs and goals will help in the decision process.

The following information helps in formulating a community’s economic base: (1) percentage of people employed full-time and employment trends, (2) average family income, and (3) per capita total annual grocery sales (if no information is available for the community, perhaps compare similar communities). It is also helpful to learn about the community by looking and listening. What does the local newspaper report about the community? How do residents feel about their community? Do high school and/or college graduates have to leave the area to find gainful employment? Are other new businesses opening in the area? Is there new construction? Is there a progressive chamber of commerce or a local economic development group?

Market Potential

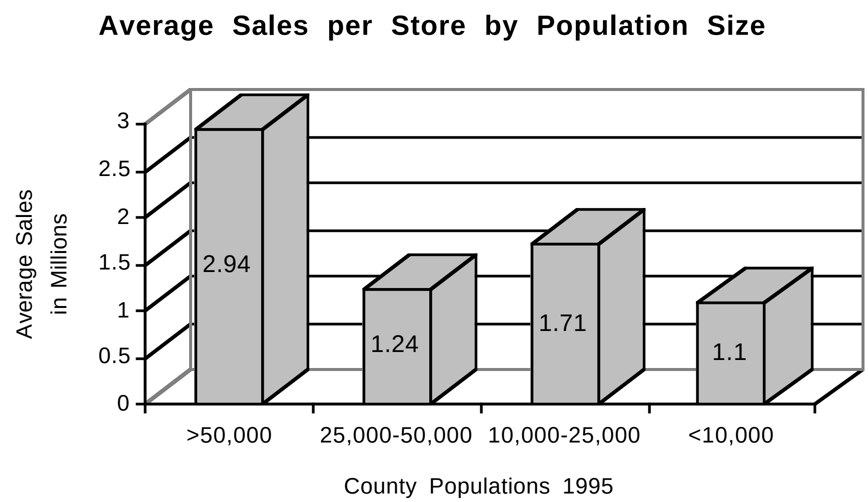
One way to approximate the potential markets for grocery stores is to examine the average sales, the average number of employees per store, and the average number of residents per grocery store. Classifying these ratios by size of county permits some insight into the extent to which the markets are already saturated. In other words, if a potential entrepreneur was interested in a county that is well above the average in concentration of grocery stores already, more time should be spent considering the viability of this area as a potential site. While the figures presented are grouped by county size, rather than cities, this is the most complete information available.

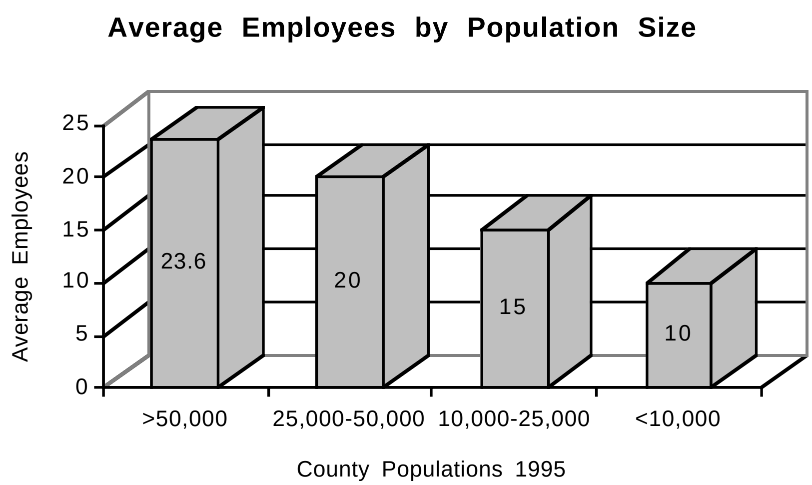
Illinois counties in 1995 ranged from an average of $2.94 per million per store annually in counties with a population of 50,000 and larger to an average of $1.1 million in counties smaller than 10,000 (**Figure 1**). These averages, of course, conceal many differences among stores. Location is especially important and the fact that a store already exists may make a store in a neighboring city not profitable. Reasons for the relatively low average sales per store in counties between 25,000 and 50,000 are not clear but a larger number of units in these cities, such as convenience stores, may be the explanation.

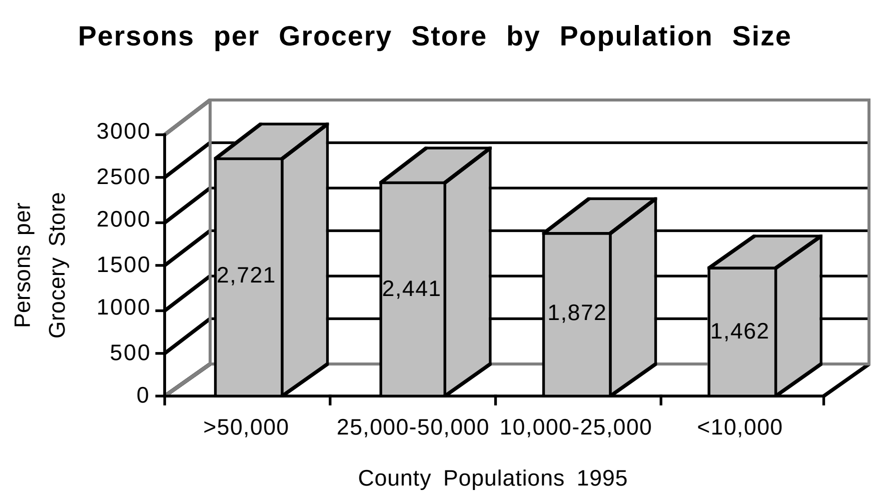
The average number of employees per store also varies by population size. In the smallest counties, the average store employs 10 workers compared with an average of 23.6 employees in counties larger than 50,000. There is a steady progression in staff size by county size. This information can provide potential business owners with an idea of the number of employees they may need to hire when starting a business. Detailed information by county is provided in **Appendix C**.

Another approach to determining store viability is to examine the number of stores per population. Regions with a larger number of persons per store are more likely to support an additional store. These comparisons, however, do not compare for size of store and therefore must be used carefully. In

Figure 1







Source: Dun & Bradstreet, *DB MarketPlace 3.0 CD Rom*, 1996.

counties larger than 50,000, the average store serves 2,721 residents compared with an average of 1,461 in counties smaller than 10,000.

While the market comparison information can provide broad insights into the feasibility of an additional business, more detailed data is necessary to make sound business decisions. This information is available from several sources. First, Dun & Bradstreet's Marketing Service can provide lists of businesses and limited information about output and sales volumes. This information can be obtained at the city level. Second, some information regarding sales tax receipts in broad Kind of Business categories is available from the Illinois Department of Revenue. Third, the Illinois Department of Commerce and Community Affairs has a network of Business and Industry Data Centers to assist the business community in locating information needed to start a business. These centers, combined with the Small Business Development Centers, can offer a range of useful services to help determine market feasibility. Fourth, more specific information about the number of stores a region can support is often available from professional groups and trade associations.

Facility

Size and Layout

Independent grocery stores range in size: A store of 1,800 to 2,400 square feet provides enough space to stock a variety of merchandise but small stores with only 400 square feet can also be successful in meeting certain market segments. When laying out the store, generally about 25 percent is devoted to the checkout-customer service area. The checkout should be within ten feet of the front door and contain impulse items such as candy, magazines, cigarettes, film, batteries, and razor blades.

The balance of the display aisles may be 60 percent. Position the aisles so that customers must walk through in-demand items to reach milk and other beverages in refrigerated coolers. Often inventory is relocated to avoid customers establishing "shopping routes" and therefore, additional items are often seen and purchased when customers seek regularly purchased items. The aisles should be as wide as possible with clean, no wax, no slip floors for easy maintenance—cleanliness is essential. Walls painted a light color or white make the store look larger and allow brightly colored signs to stand out.

Only 10 percent of the floor space should be devoted to receiving and storage, and 5 percent to office space. Remember customers are not in the back room or the office; although necessary, that area does not create profit. Receiving should be on the same side of the store as the milk and other refrigerated or frozen foods to avoid delays in refrigerating new stock. Generally, carbonated beverages and beer are delivered by the vendor and can be located on the opposite side of the store, creating a cross pattern of impulse buying for customers purchasing only a few items.[1]

Leasing

If a business owner does not own the real estate, leasing can be structured in several ways. New stores often do better with a short-term lease of only one or two years with a set renewal option of five years if the business achieves targeted profits. This set renewal option prevents a business owner from losing the lease after a short period of time at a desirable location.

[1]Entrepreneur, Inc. 1988. *Convenience Food Store Start-up Guide*. Irvine, CA: Entrepreneur, Inc.

Percentage leases require businesses to pay a portion of the gross revenue, in addition to a fixed monthly amount. This lease agreement provides landlords a definite base rent plus an additional amount as the business grows. Other issues to consider are who pays for remodeling; what alterations are allowed; snow/ice removal; lawn care; internal and external signs; and permission to expand or engage in additional lines of business.

A lease is a binding legal document. Money spent on competent legal counsel is well worth the expense. Negotiation is always an option. If the lease does not seem acceptable, look elsewhere and come back if there are no better offers or locations. Entrepreneur Inc. (1988), provides the following guide for leasing:

"Leasing Checklist"

- Is there sufficient electrical power? Are there enough outlets?
- Is there enough parking space for customers and employees?
- Is there sufficient lighting? Heating? Air conditioning?
- How large a sign and what type can you erect at the facility?
- Will the city building and zoning departments allow the business to operate in the facility?
- Does the city or county health department require one or two restrooms if there are both male and female employees?
- Will the landlord allow the alterations deemed necessary for the business?
- Must the store pay for returning the building to its original condition if the business moves?
- If the store has plate-glass windows, who pays for insurance? (This can be expensive.)
- Will the delivery and shipping of materials and goods to and from the building be easily accomplished?
- Is there any indication of roof leaks? (Heavy rain could damage fixtures and products.)
- Is the cost of burglary insurance high in the area? Also, can the store be secured at a low cost against the threat of burglary?
- Will the health department approve the business at this location?
- If hot water is required, is there a water heater?
- Will the fire department approve the operation of the business at this location?

Entrepreneur, Inc. 1988.

Phone and Utilities

Although single line telephones may serve the purpose, if the store will be sending and receiving faxes, using a computer to place orders with the supplier, or is simply busy, a multi-line system may be required. Telephone companies and other utilities require security deposits if a payment record of some type has not been established. Be sure the utility companies and service provided to the building can grow with business needs.

Equipment

Equipment and fixtures are a major portion of the start-up cost for a new store. It may well be worth the time to shop around. Also, consider a leasing-purchasing agreement for equipment to conserve capital. Suppliers of equipment can be found under "Store Fixtures" or "Restaurant Equipment and Supplies" in the Yellow Pages.

Suggested fixtures and equipment (Entrepreneur, Inc. 1988):

- Wall shelving and two-sided gondolas
- At least one multi-shelved hinged/sliding-door refrigerator
- Refrigerator/freezer
- Frozen food/ice cream case
- Dry storage shelving
- Checkout counter
- Cash register
- Shopping baskets
- Hand truck
- Bottle and stock carts
- Stepladder
- Security equipment (safe and/or surveillance)
- Pricing gun (if cash register doesn't scan bar codes)

Used Equipment

Buying used equipment, or a combination of new and used, can substantially reduce start-up costs. However, new equipment also contains warranty and service agreements. Again, shopping around may save money and also remember to check the "Business Opportunities" section of the newspaper. While the advantage of leasing is significantly less initial cash outlay, the disadvantage is that you do not acquire equity and build a balance sheet. A financial statement showing a healthy net worth is good for any business. Consult an accountant for help in making informed choices. Changes in tax laws regarding depreciation have made purchasing equipment more advantageous. If the equipment is needed short-term, a leased item ceases to be an expense when it is no longer needed.

Office Equipment

Used desks, chairs, file cabinets, and book shelves, can be purchased. Computers can be great time savers and software is available for special businesses. Stand-alone microcomputers are effective tools for billing and inventory in small businesses. A workable system must be devised before it can be computerized in order to justify the expense. Due to the changing nature of computer technology, care should be used when purchasing a system to make sure that it allows adjustments to changing technology.

Other general office equipment and supplies will be needed. Sales receipts can be printed or standardized forms can be used. A few hundred dollars should buy letterhead stationary, envelopes, business cards, bags, boxes, cash register tape, writing supplies, and other minor supplies.

Security

Small merchandise, office equipment, and cash attract more than paying customers. A well-lit store can be a deterrent to burglars and shoplifters. Store owners attempt to reduce costly shrinkage by adding mirrors, burglar alarms, and closed-circuit monitors for security. Costs for security systems vary widely; however, some security firms specialize in grocery and retail security.

Inventory

Small stores must carefully stock merchandise to maximize sales and profits per dollar of inventory. Generally, store stock ranges from 2,800 to 3,200 items in up to 400 categories. Entrepreneur, Inc. (1988), provides a suggested list of start-up expenses based on a hypothetical new convenience store of 1,500 to 2,000 square feet, with projected annual gross sales of $300,000-$450,000.

Start-up Expenses

Item	**Range**		
Rent (security deposit plus first and last month)	$3,375	-	$7,500
Initial Inventory	15,000	-	21,000
Equipment/Fixtures/Security	26,745	-	76,810
Leasehold Improvements ($10-$15/sq. ft.)	15,000	-	30,000
Licenses/Permits	125	-	250
Grand Opening/Advertising	1,350	-	2,500
Utilities/Phone Deposits	125	-	250
Accounting/Legal	450	-	750
Owner/Operator Salary	1,500	-	2,000
Payroll	3,100	-	3,900
Supplies	350	-	425
Insurance (first quarter)	750	-	1,200
Miscellaneous	200	-	325
Totals	**$68,070**	-	**$146,910**
Suggested Operating Capital	$20,000	-	$40,000

Entrepreneur, Inc. 1988.

Product Mix

A store owner, manager, distributor, and, most importantly, the customer determines what makes a good product mix. Location, competition, season, and availability of items are all important factors to be considered. Over time, the inventory can be fine-tuned by tracking what sells and what is left over. Non-movers should be marked down to help make space for faster moving items.

Grocers should also consider which categories provide the typical gross profit margins to sustain operations. Lower margin items such as baked goods and dairy products are stocked to provide a balanced product mix. Nonfood inventory such as health and beauty aids, magazines, and ice add to a balanced product mix. These items are typically available only through route vendors or rack jobbers who both supply the racks and maintain them for the stores.

Layout

Large supermarkets are organized differently from smaller stores. Customers who visit the smaller stores shop differently than in supermarkets. Small grocery stores have two types of shoppers: *destination* customers who know what they want and head directly for it, and *shopping* customers who move throughout the store gathering pre-specified items and goods that catch their interest.

Design the layout of the store with the general objective being to take advantage of merchandise exhibited with the customers' traffic patterns and to encourage additional traffic flow in other areas. Designation merchandise is placed in the rear of the store (milk and beverages). Slow selling merchandise is also placed near the rear of the store. Convenience goods are placed near the front of the store with the cash register and the impulse goods.

Suppliers

The types of items that customers purchase dictate the inventory selection and the number of suppliers needed. As in any business, supplier relationships are important. Solid relationships with some reliable suppliers are key to operations. Usually no one supplier can meet all needs. Most stores buy either through a manufacturer representative or through independents who represent several companies. Stores also buy from wholesalers or jobbers, known as distributors, who represent two or more manufacturers. Distributors are generally more expensive than manufacturers; however, they can supply stores with smaller orders from a variety of manufacturers. Generally, the only items stores can get from manufacturers are milk and bread. Moreover, wholesalers provide many services, such as store design, financing, and other retail support services that can help a retailer be competitive and profitable.

Margin and Markup

The *cost of goods sold* (cost of sales) is the cost of purchasing goods for resale. The cost of goods is segregated on the operating statement to provide a measure of gross profit margin compared with sales to measure profitability of a store.

Gross profit margin (gross profit/gross margin) is total sales less discounts and/or returns to create *net sales*, minus *cost of goods sold*. Gross profit margin is expressed in either dollars or as a percentage of net sales. Expressed as an equation: (Total Sales — Cost of Sales)) Net Sales. After all operating expenses are deducted from the gross profit margin, the remainder is net profit before taxes. The gross profit margin should be sufficient to create net profit and allow the store to succeed.

Margin is different from *markup*. Margin is a percentage of the selling price, while markup is a percentage of cost. The markup on an item is not the same percentage as margin. When markup on an item is computed, it is a larger percentage than margin. Expressed as an equation: (Total Sales - Cost of Sales)) Cost of Sales.

Sales and Profits

Since most stores operate on narrow gross profit margins of 29 to 33 percent, operating expenses must be watched closely. Inventory must be accurately priced and be current. Electrical expenses vary depending on the number of refrigeration and freezing units. Large signs should not be placed on the front of glass doors, forcing customers to open the door to make a selection. Given these types of factors, it helps to estimate sales and profits before the store opens. Projections can be adjusted once operating information is available.

The following steps can help in estimating monthly sales and profits (Entrepreneur, Inc. 1988):

1. Start with the store size in square feet.
2. Estimate the annual sales per square foot for the business based on sales per square foot for other businesses in the same trade area and similar businesses in other areas.
3. Calculate the total annual sales volume: dollars per square foot x square feet = total sales.
4. Estimate the seasonal sales patterns for the business, attributing varying percentages of the total volume to each month of the year.
5. Allocate the total annual sales calculated in step 3 to months: annual sales x monthly percentages = monthly sales.
6. Adjust these normal monthly sales totals to reflect the start-up period; this is strictly a value judgment.
7. Totals of goods sold deducted from the monthly sales. The remainder is your gross profit margin. Then deduct fixed and variable expenses. The remainder is net profit before taxes.

Most new stores face difficulties in starting and are able to achieve success only after several hurdles are overcome. Knowing ahead of time what to expect can help: Consider the failure factors listed below (Entrepreneur, Inc. 1988):

- Inefficient control over costs and quality of product
- Bad stock control
- Underpricing of goods sold
- Bad customer relations
- Failure to promote and maintain a favorable public image
- Bad relations with suppliers
- Inability of management to reach decisions and act on them
- Failure to keep pace with management system
- Illness of key personnel
- Reluctance to seek professional assistance
- Failure to minimize taxation through tax planning
- Inadequate insurance
- Loss of sales momentum
- Bad personnel relations
- Loss of key personnel
- Lack of staff training
- Lack of knowledge of merchandise
- Inability to cope adequately with competition
- Competition disregarded due to complacency
- Failure to anticipate market trends
- Loose control of liquid assets
- Insufficient working capital or incorrect gearing of capital borrowings
- Growth without adequate capitalization

- Bad budgeting
- Ignoring data on the company's financial position
- Inadequate financial records
- Extending too much credit
- Bad credit control
- Overborrowing or using too much credit
- Bad control over receivables
- Loss of control through creditor's demands.

Forms of Business Ownership

There are several legal forms of operation to consider: sole proprietorship, partnership, limited partnership, corporation, or an S Corporation.

Sole Proprietorship

Although a sole proprietorship is the simplest form of starting a business, there is a major disadvantage for the small business owner. If the business experiences financial difficulties, creditors of the business can seek and attach the owner's personal property. Therefore, personal credit can be adversely effected.

Partnership

A general partnership consists of two or more persons, each responsible for her or his own actions as well as the actions of the other partner(s). Any and all partners are personally responsible for debt assumed on behalf of the business, no matter which partner incurred the debt. Once an individual contributes assets to the business, personal ownership is lost as assets become equity of the business.

Limited Partnership

Limited partnership relationships are in addition to those individuals who hold the position of general partner. Limited partners are limited in their liability to the amount personally invested into the business. Limited partnerships are commonly found in real estate. Contact the office of the Secretary of State for information or to file for a limited partnership:

17 N. State (filing only)
Room 1137
Chicago, IL 60602
(312) 793-2872

Howlett Building
Room 357
Springfield, IL 62756
(217) 785-8960

Statewide TDD: (800) 252-2904 or (217) 524-1137

Corporation

A corporation is a separate entity from the owner(s) and, therefore, legally responsible only for the actions and debt of the business. Operating a corporation in the correct legal and financial manner insures protection from its liabilities. The disadvantage of a corporation is possible double taxation. The corporation must pay taxes on its net income, and the individual shareholders pay taxes on the dividends as well. Articles of Incorporation must be filed with the Secretary of State outlining the purpose of the corporation.

Contact the Secretary of State, Business Services:

17 N. State
Room 1137
Chicago, IL 60602
(312) 793-3380

Howlett Building
Room 328
Springfield, IL 62756
(217) 782-6961

Statewide TDD: (800) 252-2904 or (217) 524-1137

S Corporation

Illinois also allows for the formation of *S Corporations* when starting a business. An S Corporation does not pay taxes on its income, however. Instead, the income and expenses are divided among its shareholders. The shareholders must report the income and expenses on their own income tax returns. The disadvantage is that an S Corporation is limited to 35 shareholders. To request a copy of *Tax Information on S Corporations*, Publication 589 contact:

Internal Revenue Service (IRS)
Forms Distribution Center
P.O. Box 8902
Bloomington, IL 61702-8902
(800) 829-3676 or TDD (800) 829-4059

Bankers, Accountants, Attorneys

Several professionals can be helpful in providing assistance and business advice. Banks provide a necessary function of funds transfer. Banks may also provide assistance to businesses in the form of solutions for difficulties. The closer the relationship of the business with the proper bank personnel, the better the chances of obtaining loans and special attention in marginal situations. The U.S. Small Business Administration (SBA) has several services for small businesses including help in creating and/or updating the business plan.

Business Plan

The creation of a business plan is essential to obtaining financing and gives the business direction. The business plan is an excellent way to communicate to bankers, partners, suppliers, and other businesspeople. Creating a business plan gives the owner a realistic approach to short-term implementation of the business for the next three to five years. Contact the SBA for help and the location of the nearest Small Business Development Center:

500 W. Madison
Suite 1250
Chicago, IL 60661
(312) 353-4528
TDD: (312) 886-5108

511 W. Capital Avenue
Suite 302
Springfield, IL 62704
(217) 492-4416
TDD: (217) 492-4418

Business plans vary with the type of business for which the plan is prepared, in addition to the business's reputation and age. However, business plans generally follow a similar format. The aid of an accountant or the area Small Business Development Center is helpful in preparing a thorough plan. A Small Business Development Center business plan checklist is provided in **Appendix D**. Generally, a business plan includes the following components:

- Cover or Title Page
- Plan Summary

- Operating or Management Plan
- Market Analysis
- Marketing Plan
- Human Resource Management
- Financial Data
- Owner(s)' Experience and Expertise.

Recordkeeping, payroll, and accounting are all necessary for the success of the business. Recordkeeping and payroll are functions provided for or by the business. Accounting is the analysis of those functions. Accounting gives the owner a clear picture of the strength and status of the business. Accountants may assist in establishing the type and arrangement of books most suitable for the business. Accountants may also provide tax advice and reminders.

Attorneys generally cover a variety of specialties. It is important to hire one with the specific expertise needed. Among those most important are availability and time for clients, and expertise in the grocery or retail field. It is important to choose bankers, accountants, and attorneys wisely in order to utilize the services of these skilled professional consultants.

Operations

Registrations, Licenses, and Taxes

Most businesses in Illinois are required to register with the Department of Revenue. The department has a Business Registration Kit that includes the following:

- Illinois Business Taxpayer Application for Registration
- Notice of Sale/Purchase of Business Assets
- Retailer's Tax Booklet
- Income and Replacement Tax Accounts Information
- Illinois Income Tax Act Withholding Tax Guide and Tables
- Withholding Exemption Certificate
- Withholding Tax Payment Form.

Quarterly Illinois Withholding Tax Return and Business Classification Codes. Contact the **Illinois Department of Revenue** for more information, instructions for completing forms, or to receive a registration kit:

100 W. Randolph Suite C300 Chicago, IL 60601	101 W. Jefferson Street P.O. Box 19030 Springfield, IL 62794-9030

Statewide: (800) 732-8866 or TDD (800) 544-5304

The Illinois Department of Revenue also registers and licenses operations related to grocery and/or convenience store businesses, including Gas Revenue Tax, Liquor Tax, and Cigarette Tax. Contact the Department of Revenue's Miscellaneous Taxes Office for more information at (217) 782-6045.

Grocers are required to withhold state and federal income taxes and FICA (Social Security) from employees' wages to be remitted. Contact the IRS general information hotline for more information at (800) 829-1040. To register with the federal government, the IRS may be contacted at (800) 829-3676 to receive the following information:

- Your Business Tax Kit (YBTK)
- Employer's Tax Guide (Publication 15)
- A Tax Guide for Small Business (Publication 334).

Sole proprietorships use the owner's personal social security number unless she or he pays wages to one or more employees, or files any excise tax returns that include alcohol and tobacco. Otherwise, sole proprietors must apply with partnerships, corporations, and S Corporations for a Federal Employer Identification Number (FEIN). Application and form SS-4 can be received by calling the IRS Hotline at (800) 829-3676 or TDD (800) 829-4059.

Insurance

Proper insurance only helps manage risk, but no business can completely eliminate it. It is important to know what kind of insurance and how much to carry. Factors to consider are (1) probability of loss, (2) resources available to meet the loss, and (3) size of potential loss. Considering the size and frequency of loss to the store will help determine if insurance is required or if the loss should be considered part of normal business. Bad-debt losses and shoplifting are two examples. The store's financing source may have insurance guidelines or special requirements.

Types of coverage commonly considered (Entrepreneur, Inc. 1988):

- Fire and general property insurance—covering fire losses, vandalism, hail, and wind damage
- Plate-glass insurance—covering window damage
- Consequential—loss insurance covering loss of earnings or extra expenses when business is suspended due to fire or other catastrophe
- Burglary insurance—covering forced entry and theft of merchandise and cash
- Fidelity bonding—covering theft by an employee
- Fraud insurance—covering counterfeit money, bad checks, and larceny
- Public-liability insurance—covering injury to the pubic such as customer or pedestrian falling on the property
- Product-liability insurance—covering injury to customers arising from the use of goods purchased through the business
- Worker's compensation insurance—covering injury to employees at work
- Life insurance—covering the life of the owner(s) or key employee(s)
- Business-interruption insurance
- Malpractice insurance—covering owner against claims from customers who suffer damages as a result of services performed
- Errors and omissions insurance—covering the store against claims from customers who suffer injury or loss because of errors made, or things that should have been done but failed to be done.

Advertising and Promotion

The purpose of advertising is to provide a direct line of communication regarding the store's products or services to customers or potential customers. The information will help (1) convince customers that selection and products at the store are the best, (2) announce new products and services,

(3) create a desire for the store's products or services, (4) promote a positive image, and (5) draw customers into the store.

Effective retail grocery advertising is usually in the form of (1) newspaper, (2) magazines, (3) direct mail, (4) Yellow Pages, and (5) personal selling. Specialty advertising is effective for stores that have selected a target market. Specialty advertising includes such items as calendars, match books, pens and pencils, telephone pads, and magnets. Other media include using shopping bags, brochures, and samples.

It is important for stores to measure the effectiveness of advertising dollars to justify the advertising budget. Cost, frequency, impact, and selectivity should be considered:

- Cost—What is the cost per customer to reach prospective customers?
- Frequency—Should there be one powerful message or a series of messages?
- Impact—What medium can provide appeal to the proper senses?
- Selectivity—How direct can the medium target your market?

It takes a while to build an awareness of grocery item advertisements; therefore, frequency is important. Ads generally change weekly and require repetition to reach customers. Often, it is better to advertise regularly and frequently in a small space ad than to run a large onetime advertisement.

Hours

Setting hours of operation for a store is as important to customers as to the owner/operator. Residents who commute outside the community to work cannot shop if the store closes before they return home. Determine if the store hours need to provide for early morning shoppers on their way to work or customers wanting lunch items. Supper time is important for last minute items, and evening and weekend hours provide a service for those customers involved in work or other business during the day. However, long store hours must be covered by the owner or competent employees. Customers will not shop if they perceive they will not get the same good service during certain hours, if at all.

Service

High-quality service is extremely important in a small store. In order to compete with larger stores, the store should provide quality personal service and be continually looking for ways in which to improve. Small stores also can provide complementary services in addition to grocery-related service to add value to shopping. Ways to attract customer traffic may include gasoline, video rental, dry cleaning and shoe repair drop off, photo copying, film processing, banking services or ATM machines, deli or restaurant items, and bakery goods. Other ways to increase revenue may include catering or home delivery.

Vendors

Route vendors depend on a store to sell items they deliver. Good communication from customers can help the store determine what items and quantities are likely to sell. Every item a vendor wants to sell does not always move in every store. Remember that vendors also make more money depending on the number of stores they stock. Work closely with vendors; many have extra deals they can pass along to stores. Make sure a vendor spends sufficient time in your store and that items are carefully counted.

Additional Resources

Illinois Department of Commerce and Community Affairs (DCCA) has programs and publications available to help in opening and operating small businesses. The First-Stop Business Information Center of Illinois publishes the handbook *Starting a Business in Illinois.* This handbook provides general business start-up information, tax requirements, information for businesses with employees, poster display requirements, and information regarding business registration in Illinois. The handbook is available through the Internet (http://www.commerce.state.il.us/dcca/menus/fsm1.htm) or by contacting DCCA directly:

Illinois Department of Commerce and Community Affairs
620 E. Adams Street
Springfield, IL 62701
(800) 252-2923 or TDD (800) 785-6055

The Small Business Resource Center provides useful, free information for entrepreneurs. The reports are comprehensive and cover a variety of information regarding finding and starting a business and running a business more effectively. The reports are available on the Internet (http://www.webcom.com/seaquest/sbrc/reports.html) or by contacting the Small Business Administration (see page 12 for address). Additional resources are found in **Appendix B**.

Appendices

Appendix A: Feasibility Checklist

Perhaps, the most crucial problem you will face after expressing an interest in starting a new business or capitalizing on an apparent opportunity in your existing business is determining the feasibility of your idea. Getting into the right business at the right time is simple advice, but advice that is extremely difficult to implement. The high failure rate of new businesses and products indicates few ideas result in successful business ventures, even when introduced by well-established firms. Many entrepreneurs strike out on a business venture convinced of its merits, but they fail to evaluate its potential. This checklist should help you evaluate a business idea. It is designed to screen out ideas that are likely to fail before you invest extensive time, money, and effort in them.

Preliminary Analysis

You should realize your personal limitations and seek appropriate assistance where necessary (i.e., marketing, legal, financial). Few people have expertise in doing a feasibility study. A feasibility study involves gathering, analyzing and evaluating information by answering: “Should I go into business?” Answering this question involves a preliminary assessment of both personal and project considerations. Financial statistics are available from most businesses, trade and industry associations, private companies, banks, universities, public libraries and government agencies.

General Personal Considerations

The first series of questions ask you to do self-introspection.

Are your personality characteristics such that you can adapt to and enjoy small business ownership/management?

Do you like to make your own decisions?

Do you enjoy competition?

Do you have willpower and self-discipline?

Do you plan ahead and get things done on time?

Can you take advice from others?

Can you adapt to changing conditions?

[Do you like working with people?]

The next series of questions stress the physical, emotional, and financial strains of a new business.

Do you have the physical stamina and emotional strength to handle a business?

Do you understand that owning your own business means working 12-16 hour days, maybe six days a week and holidays?

Are you prepared to lower your standard of living for several months or years?

Can you afford to lose your savings?

Specific Personal Considerations

Do you know why you are considering this business opportunity?

Do you know which skills and areas of expertise are critical to the success of your business?

Do you possess these skills and know how to effectively utilize them?

Can you find personnel who have the skills, abilities, and expertise you lack?

Can you perform the feasibility study or have the time or money to do so?

Will this business opportunity effectively meet your career aspirations?

General Project Description

1. Describe the business you want to enter.
2. List the products/services you want to sell/offer.
3. Describe who will use your products or services.
4. Why would someone buy your product/services?
5. What kind of location do you need?
6. List product/service suppliers.
7. List your major competitors (who provide similar products or services).
8. List the labor and staff you require to provide your products/services.

Requirements for Success

To determine whether your idea meets the basic requirements for a successful new project, you must answer one of the following questions with a “yes.”

1. Does the product/service/business serve an under-served need?
2. Does the product/service/business serve an existing market in which demand exceeds supply?
3. Can the product/service/business compete with existing competition because of an “advantageous situation” i.e., better price, location, etc.?

Major Flaws

A “yes” response to these questions indicates the idea has little chance for success.

1. Are there any causes (i.e., restrictions, monopolies or shortages) that make required factors of production unavailable (i.e., unreasonable cost, scarce skills, energy, equipment, technology, material, process, or personnel)?
2. Are capital requirements for entry or continuing operations excessive?
3. Are there any extraordinary circumstances that would make financing hard to obtain (i.e., bankruptcy or bad credit)?
4. Are there potential detrimental environmental effects?
5. Are there factors that prevent effective marketing?

Desired Income

The following questions should remind you that you must seek both a return on your investment in your own business as well as a reasonable salary for the time you spend in operating that business.

1. How much income do you desire?
2. Are you prepared to earn less in the first 1-3 years?
3. What minimum amount of income do you require?
4. What financial investment is required for your business?
5. How much could you earn by investing this money?
6. How much could you earn by working for someone else?
7. Add the amounts in 5 and 6. If this income is greater than what you can realistically expect from your business, are you prepared to forego this additional income to be your own boss with only the prospects of more substantial profit/income in future years?
8. What is the average return on investment for a business of your type?

Preliminary Income Statement

You need to know the business income and expenses. Show profit/loss and derive operating ratios on income statements.

1. What is the normal markup in this line of business, i.e., the dollar difference between the cost of goods sold and sales, expressed as a percentage of sales?
2. What is the average cost of goods sold as a percentage of sales?
3. What is the average inventory turnover, i.e., the number of times the average inventory is sold each year?
4. What is the average gross profit as a percentage of sales?
5. What are the average expenses as a percentage of sales?
6. What is the average expenses net profit as a percent of sales?
7. Take the preceding figures and work backwards using a standard income statement format and determine the level of sales necessary to support your desired income level.
8. From an objective, practical standpoint, is this level of sales, expenses and profit attainable?

Market Analysis

The primary objective of a market analysis is to arrive at a realistic projection of sales.

Customer Base

1. Define the geographical areas from which you can realistically expect to draw customers.
2. What is the makeup of population in these areas, average family size, age distribution and per capita income?
3. What do you know about the population growth trend in these areas?
4. What is the consumer's attitude, shopping/spending patterns of business?
5. Is the price of your product or service important to your target market?
6. Can you appeal to the entire market?
7. If you appeal to only a portion of the market, is that segment enough to be profitable?

Competition

1. Who are your major competitors and their strengths/weaknesses?
2. Are you familiar with factors concerning your competitors' price structure, product lines (quality, breadth, width), location, source of supply, promotional activities and image from a consumer's viewpoint?
3. Do you know of any new competitors or competitor's plan for expansion?
4. Have any firms of your type gone out of business lately? If so, why?
5. Do you know the sales and market share and profit levels of each competitor?
6. Do you know whether the sales and market share and profits of each competitor are increasing, decreasing or stable?
7. Can you compete with your competition?

Sales

1. Determine the total sales volume in your market area.
2. How accurate is your forecast of the total sales? Is it based on concrete data?
3. Is the estimated sales figure "normal" for your market area?
4. Is the sales per square foot for your competitors above the normal average?
5. Are there conditions or trends that could change your forecast of total sales?
6. Do you plan to mark down products occasionally to eliminate inventories?
7. If you do not carry over inventory, have you adequately considered the effect of mark-down in your pricing? (Profit margin may be too low.)
8. How do you plan to advertise/promote your product/service?
9. Forecast the total market share you can realistically expect—as a dollar amount and as a percentage of your market.
10. Can you create enough competitive advantages to achieve the market share in your forecast of the previous question?
11. Is your sales forecast greater than the sales amount needed to guarantee your minimum income?

12. Are you optimistic/pessimistic in your forecast of sales?
13. Are you willing to hire an expert to refine the sales forecast if needed?

[This is what a good supplier can do for you.]

Supply

1. Can you make an itemized inventory list of operating supplies needed?
2. Do you know the quantity, quality, price ranges, technical specifications and name/location of potential sources of supply?
3. Do you know delivery schedule, credit terms and sales of each supplier?
4. Do you know the risk of shortage for any critical materials or merchandise?
5. Do you know if the price allows you to achieve an adequate markup?
6. Do you know which supplies have an advantage relative to transportation costs?

Expenses

1. Do you know your necessary expenses, rent, wages, insurance, utilities, advertising, and interest, etc.?
2. Do you know which expenses are direct, indirect or fixed?
3. Do you know how much overhead will be?
4. Do you know how much selling expenses will be?

Miscellaneous

1. Are you aware of the major risks associated with your product/business/service?
2. Can you minimize these major risks or are they beyond your control?
3. Can these risks bankrupt you?

Venture Feasibility

1. Are there major questions remaining about your proposed venture?
2. Do the above questions arise because of a lack of data, management skills, or a "fatal flaw" in your idea?
3. Can you obtain the additional data and management skills needed or correct the "fatal flaw" in your idea?
4. Are you aware that there is less than a 50-50 chance that you will be in business two years from now?

Reprinted from: First-Stop Business Information Center, Illinois Department of Commerce and Community Affairs. 1996. *Starting a Business in Illinois*. Springfield: Illinois Department of Commerce and Community Affairs, pages 25-28.

Appendix B:
Information References for Grocery Stores

Start-Up Information

How To Start & Manage a Convenience Food Store Business: Step-by-Step Guide to Business Success, Lewis & Renn Associates, ISBN 1-887005-29-3.

How To Start & Manage a Retail Grocery Store Business: Step-by-Step Guide to Business Success, Lewis & Renn Associates, ISBN 1-887005-49-8.

Trade Associations

American Institute of Food Distribution (AIFD), 28-12 Broadway, Fair Lawn, NJ 07410-3913; (201) 791-5570 or fax (201) 791-5222.

National Grocers Association (NGA), 1825 Samuel Morse Drive, Reston, VA 20190-5317; (703) 437-5300 or fax (703) 437-7768.

Illinois Food Retailers Association, 1919 South Highland Avenue, Lombard, IL, 60148; (630) 627-8100 or fax (630) 627-8106.

Trade Periodicals

America's Future Foods Report, TRA Information Services, 300 S. Riverside Plaza, Suite 1940 S, Chicago, IL 60606; (312) 876-0004 or fax (312) 876-1158.

Creative Marketing, Association of Retail Marketing Services, 3 Caro Court, Red Bank, NJ 07701; (908) 842-5070.

Grocers Report, Super Markets Productions Ltd., P.O. Box 6124, San Rafael, CA 94903; (415) 479-0211 or fax (415) 479-0211.

Grocery Distribution, Grocery Market Publications, 455 S. Frontage Road, Suite 116, Hinsdale, IL 60521; (708) 986-8767 or fax (708) 986-0206.

Grocery Marketing, Trend Publishing, 625 N. Michigan Avenue, No. 2500, Chicago, IL 60611; (312) 654-2300 or fax (312) 654-2308.

The Independent Grocer, Canadian Federation of Independent Grocers, 101 Duncan Mill Road, Suite 302, Don Mills, ON, Canada M3B 1Z3; (416) 449-1976 or fax (416) 449-7188.

Trade Shows

Midwest Grocers Trade Show, Offinger Management Co., 1100-H Brandywine Boulevard, Zanesville, OH 43701; (614) 452-4541 or fax (614) 452-2552.

Consultants

Creative Management Institute, 8920 Pershall Road, Hazelwood, MO 63042.

Statistical Sources

RMA Annual Statement Studies, Robert Morris Associates (RMA), 1 Liberty Place, Suite 2300, 1650 Market Street, Philadelphia, PA 19103-7398; (215) 851-9100 or fax (215) 851-9206.

The Food Channel, Noble Communications, 500 N. Michigan Avenue, Chicago, IL 60611.

IRI/Online, Information Resources, Inc. (IRI), 225 S. Sepulveda Boulevard, Suite 200, Manhattan Beach, CA 90266; (310) 376-8081.

Reference Works

Directory of Supermarket, Grocery, & Convenience Store Chains, Chain Store Guide Information Services, 3922 Coconut Palm Drive, Tampa, FL 33619; (800) 927-9292 or (813) 664-6700 or fax (813) 846-8047.

Grocers-Retail Directory, American Business Directories Inc., American Business Information, Inc., 5711 S. 86th Circle, Omaha, NE 86127; (402) 593-4600 or fax (402) 331-1505.

Progressive Grocer's Marketing Guidebook, Trade Dimensions, VNU Business Information Services, 263 Tresser Boulevard, Stamford, CT 06901; (203) 977-7600 or fax (203) 977-7645.

Reprinted from: *Small Business Sourcebook*. 1995. New York: Gale Research, Inc. and Illinois Institute for Rural Affairs.

Technical Bulletin: Grocery Stores

Grocery stores which buy through normal wholesale channels are licensed at the local level. Be certain to check with your local health department and city or county clerk for licensing requirements.

In addition, certain items being sold are subject to additional regulations.

Alcohol and tobacco sales are controlled by the U.S. Bureau of Alcohol, Tobacco and Firearms as well as the Illinois Liquor Control Commission. See the Technical Bulletin on Liquor Sales for additional information.

Deli-type operations are regulated by the Illinois Department of Public Health. See the Technical Bulletin on Food Services for additional information.

The sale of fresh or frozen fish is licensed by the Illinois Department of Natural Resources. For additional information contact:

Illinois Department of Natural Resources
524 S. 2nd Street
Springfield, IL 62701
(217) 785-3423

Sale of perishables such as fruits, vegetables, dairy products and meats are regulated and inspected by the Illinois Department of Agriculture. For additional information contact:

Illinois Department of Agriculture
P.O. Box 19281
Springfield, IL 62794-9281
(217) 782-2172

All retail or wholesale operations must register with the Illinois Department of Revenue for a Business Tax Number. Contact the Department of Revenue at the address shown on the following page.

Tax Numbers

Federal

Every partnership, corporation and S Corporation must have a Federal Employer Identification Number (FEIN). A sole proprietorship must have a FEIN if it pays wages to one or more employees or will be filing any excise tax returns.

State

Most businesses must obtain an Illinois Business Taxpayer Certificate of Registration (Business Tax Number) for submitting tax or informational returns. To determine if a Business Tax Number is required for your business, contact:

Department of Revenue
(800) 732-8866

101 W. Jefferson
Springfield, IL 62794
(217) 785-3707

100 W. Randolph Street
Chicago, IL 60601
(312) 814-5258

Employees

If the business will be hiring employees you will probably be required to make unemployment insurance contributions to the Department of Employment Security (DES). To determine liability, complete a "Report to Determine Liability" form and submit it to DES. The form and instructions for completion are available by contacting DES.

Department of Employment Security

401 S. State Street
Chicago, IL 60605
(312) 793-4880

555 S. Pasfield
P.O. Box 5657
Springfield, IL 62704
(217) 782-2790

Local Requirements

Many communities require businesses to be licensed or registered and to comply with local zoning requirements. Contact your city or county clerk for information on licensing, zoning, inspections, sign restrictions, and other local regulations.

Information and Resources

There are a variety of resources available as you start your business. The First-Stop Business Information Center of Illinois has a single, statewide resource to help individuals and businesses obtain comprehensive regulatory and permit information and referral assistance. First-Stop offers a detailed handbook, *Starting a Business in Illinois*. This handbook provides general business start-up information, tax requirements, information for businesses with employees, poster display requirements, and information regarding business registration in Illinois. The handbook is available through the internet (http://www.commerce.state.il.us/dcca/menus/fsm1.htm) or by contacting First-Stop directly:

The First-Stop Business Information Center of Illinois
620 E. Adams Street, 3rd Floor
Springfield, Illinois 62701
(800) 252-2923 (in Illinois)
(217) 786-0008

The Illinois Small Business Development Center Network and the Service Corps of Retired Executives (SCORE) offices can provide technical assistance in marketing, management, finance, international trade, government procurement, energy management, and commercialization of technology related products. Additional information is available through the Illinois Small Business Assistance Hotline at (800) 252-2923.

The Small Business Administration offers many publications for a minimal fee. A listing of these publications (SBA 115) is available through the Small Business Administration Answer Desk at (800) 827-5722.

Local libraries and Chamber of Commerce are excellent sources of information. Check at the local library for listings of associations and publications related to your type of business.

Table 1. Balance Sheet Data for Grocery Stores — SIC 5411S

	Average Dollars	As Percent of Total Assets
Assets		
Cash and Equivalents	$25,607	5.0
A/R—Trade (net)	33,126	6.5
A/R Progress Billings	0	0.0
A/R Current Retention	0	0.0
Inventory	200,030	39.3
Cost and Estimated Earnings in Excess of Billings	0	0.0
All Other Current	35,685	7.0
Total Current	294,447	57.8
Fixed Assets (net)	151,630	29.8
Joint Ventures and Investment	10,144	2.0
Intangibles (net)	0	0.0
All Other Non-Current	53,319	10.5
Total Assets	**$509**	**100.0**
Liabilities		
Notes Payable—Short Term	$17,380	3.4
Current Matured Long Term Debt	7,260	1.4
Accounts Payable—Trade	111,614	21.9
Accounts Payable—Retention	0	0.0
Billings in Excess of Costs and Estimated Earnings	0	0.0
Income Taxes Payable	6,191	1.2
All Other Current	41,303	8.1
Total Current	183,748	36.1
Long Term Debt	207,280	40.7
Deferred Taxes	0	0.0
All Other Non-Current	11,435	2.2
Net Worth	107,077	21.0
Total Liabilities and Net Worth	**$509,540**	**100.0**

Reprinted from: *Financial Profiles of the Small Business and Introduction to Financial Statement Ratios* (5th ed.). 1995. Folly Beach, SC: Halcyon Group, page 125.

Table 2. Ratios for Grocery Stores — SIC 5411S

Liquidity Ratios	**Median**
Current Ratio	1.6
Quick Ratio	0.3
Sales/Receivables	131.0
Days' Receivables	2.8
Cost of Sales/Inventory	17.3
Days' Inventory	21.1
Cost of Sales/Payables	30.9
Days' Payables	11.8
Sales/Working Capital	39.2
Days' Working Capital	9.3
Coverage Ratios	
Earnings Before Interest and Taxes/Interest	1.5
Cash Flow/Current Maturity Long Term Debt	6.5
Leverage Ratios	
Fixed Assets/Tangible Net Worth	1.4
Total Liabilities/Tangible Net Worth	3.8
Operating Ratios	
Percent Profit Before Taxes/Tangible Net Worth	10.5
Percent Profit Before Taxes/Total Assets	2.2
Sales/Net Fixed Assets	28.6
Sales/Total Assets	8.5

Reprinted from: *Financial Profiles of the Small Business and Introduction to Financial Statement Ratios* (5th ed.). 1995. Folly Beach, SC: Halcyon Group, page 125.

Table 3. Income Data for Grocery Stores — SIC 5411S

	Average Dollars	As Percent of Total Assets
Sales/Revenue	**4,338,506**	**100.00**
Variable Disbursements		
Cost of Goods/Cost of Contracts	3,452,566	79.60
Advertising	62,020	1.40
Bad Debts	2,883	0.10
Car/Delivery	2,351	0.10
Commissions	370	0.00
Freight	18,820	0.40
Taxes/Licenses	23,244	0.50
Travel and Entertainment	997	0.00
Total Variable Disbursements	**3,563,251**	**82.10**
Contribution	**775,255**	**17.90**
Fixed Disbursements		
Bank Services Charges	3,074	0.10
Amortization of Intangibles	2,324	0.10
Depreciation/Depletion	33,851	0.80
Dues and Publications	631	0.00
Employee Benefit Program	45,705	1.10
Insurance	21,707	0.50
Laundry and Cleaning	5,542	0.10
Leased Equipment	391	0.00
Legal/Professional	12,957	0.30
Office Expense	2,496	0.10
Outside Labor	2,361	0.10
Pension/P.S./Payroll Taxes	33,432	0.80
Rent	65,741	1.50
Repairs and Maintenance	19,338	0.40
Supplies, Operating	34,689	0.80
Utilities	53,363	1.20
Salaries—Officers	28,085	0.60
Payroll	371,881	8.60
Interest	21,053	0.50
Miscellaneous Expenses/(Income)	5,434	0.10
Total Fixed Disbursements	**764,054**	**17.70**
Pretax Profit	11,200	0.30
Dollar Sales Breakeven	767,822	

Reprinted from: *Financial Profiles of the Small Business and Introduction to Financial Statement Ratios* (5th ed.). 1995. Folly Beach, SC: Halcyon Group, page 126.

Appendix C: Market Characteristics

Market Characteristics of Counties with a Population Greater Than 50,000

County Name	Number of Stores	Total Employees	Average Employees	Total Sales (Millions $)	Average Sales (Millions $)	Population 1995	Persons Per Grocery Store
Cook	2,338	41,928	17.9	7,927.5	3.39	5,136,877	2,197.1
DuPage	188	7,132	37.9	131.7	0.70	853,458	4,539.7
Lake	164	5,270	32.1	121.5	0.74	572,431	3,490.4
Will	88	2,847	32.4	72.4	0.82	413,379	4,697.5
Kane	91	3,157	34.7	154.6	1.70	359,950	3,955.5
St. Clair	87	1,519	17.5	100.3	1.15	265,424	3,050.9
Winnebago	76	2,482	32.7	252.9	3.33	264,952	3,486.2
Madison	103	2,610	25.3	61.6	0.60	256,458	2,489.9
McHenry	58	2,019	34.8	37.0	0.64	224,677	3,873.7
Sangamon	57	1,802	31.6	1,04.5	1.83	184,731	3,240.9
Peoria	47	1,550	33.0	36.9	0.79	183,377	3,901.6
Champaign	53	2,660	50.2	52.8	1.00	169,096	3,190.5
Rock Island	48	2,041	42.5	1,034.1	21.54	149,830	3,121.5
McLean	26	1,035	39.8	47.0	1.81	139,274	5,356.7
Tazewell	28	2,226	79.5	392.8	14.03	127,602	4,557.2
Macon	29	897	30.9	7.7	0.27	116,414	4,014.3
La Salle	39	907	23.3	34.5	0.88	109,955	2,819.4
Kankakee	25	975	39.0	12.6	0.50	102,046	4,081.8
Vermilion	33	887	26.9	23.1	0.70	86,541	2,622.5
DeKalb	20	656	32.8	26.2	1.31	83,441	4,172.1
Adams	32	977	30.5	290.8	9.09	68,043	2,126.3
Jackson	26	598	23.0	17.3	0.67	61,502	2,365.5
Whiteside	23	493	21.4	9.2	0.40	60,352	2,624.0
Williamson	22	238	10.8	18.2	0.83	59,750	2,715.9
Knox	16	636	39.8	3.0	0.19	56,070	3,504.4
Coles	15	431	28.7	19.5	1.30	52,357	3,490.5
Henry	20	466	23.3	22.8	1.14	51,719	2,586.0
Totals	**3,752**	**88,439**	**23.6**	**11,012.5**	**2.94**	**10,209,706**	**2,721.1**

Source: Dun & Bradstreet, *DB MarketPlace 3.0 CD Rom*, 1996.

Market Characteristics of Counties with a Population Between 25,000 and 50,000

County Name	Number of Stores	Total Employees	Average Employees	Total Sales (Millions $)	Average Sales (Millions $)	Population 1995	Persons Per Grocery Store
Ogle	16	413	25.8	14.9	0.93	49,406	3,087.9
Stephenson	17	512	30.1	6.2	0.36	48,844	2,873.2
Macoupin	23	296	12.9	17.7	0.77	48,729	2,118.7
Kendall	11	356	32.4	8.0	0.73	45,398	4,127.1
Marion	27	331	12.3	25.2	0.93	41,997	1,555.4
Franklin	24	204	8.5	13.2	0.55	40,809	1,700.4
Livingston	13	353	27.2	19.9	1.53	40,404	3,108.0
Jefferson	26	448	17.2	54.8	2.11	38,998	1,499.9
Fulton	19	417	21.9	26.1	1.37	38,788	2,041.5
Boone	6	195	32.5	0.9	0.15	36,180	6,030.0
Morgan	14	416	29.7	53.7	3.84	36,171	2,583.6
Bureau	15	315	21.0	11.7	0.78	36,049	2,403.3
Lee	15	279	18.6	26.0	1.73	35,798	2,386.5
McDonough	10	345	34.5	5.4	0.54	35,519	3,551.9
Clinton	19	186	9.8	37.3	1.96	35,285	1,857.1
Grundy	10	354	35.4	29.1	2.91	35,159	3,515.9
Christian	10	357	35.7	18.7	1.87	34,920	3,492.0
Woodford	12	266	22.2	13.9	1.16	34,576	2,881.3
Randolph	15	157	10.5	12.6	0.84	34,296	2,286.4
Effingham	11	198	18.0	8.2	0.75	33,009	3,000.8
Iroquois	14	380	27.1	21.4	1.53	31,411	2,243.6
Logan	12	222	18.5	2.9	0.24	31,267	2,605.6
Montgomery	14	196	14.0	2.4	0.17	30,994	2,213.9
Saline	16	194	12.1	27.8	1.74	26,521	1,657.6
Totals	**369**	**7390**	**20.0**	**458.0**	**1.24**	**900,528**	**2,440.5**

Source: Dun & Bradstreet, *DB MarketPlace 3.0 CD Rom*, 1996.

Market Characteristics of Counties with a Population Between 10,000 and 25,000

County Name	Number of Stores	Total Employees	Average Employees	Total Sales (Millions $)	Average Sales (Millions $)	Population 1995	Persons Per Grocery Store
Monroe	15	302	20.1	16.1	1.07	24,719	1,647.9
Shelby	15	193	12.9	44.6	2.97	22,561	1,504.1
Jo Daviess	14	146	10.4	7.4	0.53	21,931	1,566.5
Perry	8	82	10.3	5.3	0.66	21,295	2,661.9
Hancock	10	92	9.2	2.8	0.28	21,292	2,129.2
Fayette	11	159	14.5	7.3	0.66	21,235	1,930.5
Jersey	8	133	16.6	6.5	0.81	21,188	2,648.5
Edgar	9	179	19.9	9.3	1.03	19,984	2,220.4
Crawford	6	31	5.2	18.2	3.03	19,911	3,318.5
Douglas	13	239	18.4	11.2	0.86	19,799	1,523.0
Warren	6	169	28.2	3.2	0.53	18,816	3,136.0
Union	6	70	11.7	2.6	0.43	18,114	3,019.0
Mercer	8	50	6.3	3.1	0.39	17,444	2,180.5
Pike	17	165	9.7	5.1	0.30	17,338	1,019.9
Wayne	10	157	15.7	4.3	0.43	17,208	1,720.8
Carroll	11	143	13.0	50.6	4.60	16,872	1,533.8
De Witt	4	103	25.8	9.0	2.25	16,824	4,206.0
Richland	7	171	24.4	13.7	1.96	16,788	2,398.3
Mason	7	127	18.1	16.9	2.41	16,691	2,384.4
Clark	11	133	12.1	11.6	1.05	16,284	1,480.4
Piatt	8	108	13.5	11.4	1.43	16,158	2,019.8
Lawrence	11	132	12.0	32.8	2.98	15,918	1,447.1
White	16	241	15.1	168.6	10.54	15,903	993.9
Bond	8	96	12.0	16.8	2.10	15,738	1,967.3
Greene	7	132	18.9	2.6	0.37	15,643	2,234.7
Massac	8	101	12.6	7.0	0.88	15,370	1,921.3
Washington	13	57	4.4	2.6	0.20	15,238	1,172.2
Clay	12	129	10.8	6.9	0.58	14,435	1,202.9
Moultrie	4	71	17.8	3.0	0.75	14,168	3,542.0
Ford	6	195	32.5	10.2	1.70	14,127	2,354.5
Cass	8	157	19.6	12.6	1.58	13,330	1,666.3
Wabash	8	276	34.5	16.3	2.04	12,929	1,616.1
Marshall	9	139	15.4	13.0	1.44	12,791	1,421.2
Johnson	7	137	19.6	12.3	1.76	12,426	1,775.1
Menard	6	87	14.5	0.7	0.12	12,284	2,047.3
Cumberland	3	25	8.3	3.5	1.17	11,110	3,703.3
Jasper	4	70	17.5	2.3	0.58	10,591	2,647.8
Alexander	5	90	18.0	7.6	1.52	10,180	2,036.0
Totals	**339**	**5087**	**15.0**	**579.0**	**1.71**	**634,633**	**1,872.1**

Source: Dun & Bradstreet, *DB MarketPlace 3.0 CD Rom*, 1996.

Market Characteristics of Counties with a Population Less than 10,000

County Name	Number of Stores	Total Employees	Average Employees	Total Sales (Millions $)	Average Sales (Millions $)	Population 1995	Persons Per Grocery Store
Hamilton	5	69	13.8	9.3	1.86	8,525	1,705.0
Henderson	9	69	7.7	11.4	1.27	8,432	936.9
Schuyler	3	48	16.0	2.1	0.70	7,798	2,599.3
Pulaski	6	43	7.2	4.8	0.80	7,464	1,244.0
Edwards	5	92	18.4	11.3	2.26	7,262	1,452.4
Gallatin	2	21	10.5	2.0	1.00	6,779	3,389.5
Stark	3	31	10.3	3.6	1.20	6,396	2,132.0
Brown	6	81	13.5	5.8	0.97	6,247	1,041.2
Putnam	3	30	10.0	2.2	0.73	5,718	1,906.0
Scott	3	31	10.3	3.1	1.03	5,629	1,876.3
Hardin	4	24	6.0	2.7	0.68	5,184	1,296.0
Calhoun	6	19	3.2	1.3	0.22	4,948	824.7
Totals	**55**	**558**	**10**	**59.6**	**1.1**	**80,382**	**1,461.5**

Source: Dun & Bradstreet, *DB MarketPlace 3.0 CD Rom*, 1996.

Appendix D: Business Plan Checklist

Title Page

___ List name of business and name of owner(s), business address, telephone and fax numbers.
___ Show date business plan was originally prepared and any revision dates to identify most current version.

Plan Summary (develop last; place first)

___ Identify the business as a new venture or expansion of current business. If existing business, summarize history.
___ Identify your products and/or services.
___ Summarize financial needs: state amount of loan requested, expected interest rate and length of loan, for what purpose(s) you will use the requested funds (e.g., real estate, equipment, inventory, working capital, etc.), and how loan will be repaid (usually from cash flow and retained earnings of business).

Management

___ Indicate legal structure of business organization.
___ Identify owners, officers, and other key personnel. List addresses, phone numbers, and percent of business ownership.
___ Describe responsibilities for all key personnel and emphasize management expertise.
___ Identify management consultant team: attorney, accountant or tax preparer, insurance advisor, other.

Marketing Plan

___ Describe industry history and trends. How might current trends affect your business?
___ Identify number and kinds of firms in your industry.
___ Show a basic understanding of the importance of appropriate target marketing. Describe your target market(s) and what criteria you used to select them.
___ Describe your geographic market area and projected market share.

Competitive Analysis

___ Identify your competitors and explain how you investigated them.
___ Estimate competitors' market share and financial resources.
___ Consider your competitors' strengths and weaknesses compared to those of your company as you discuss the following four categories:

Product/Service

___ Describe your product and/or service line(s).
___ What makes your product or service beneficial to the potential customer? Compare to competitors.
___ Analyze your product/service life cycle and identify current stage.
___ Discuss intellectual property rights (patents, copyrights, trademarks) or other legal or technical protection for your products/services.
___ Discuss plans for expansion of product lines or for new product development.

Place (Location/Distribution)

___ Analyze pros/cons of business location and physical features of the building relative to your competitors.
___ Indicate that you have investigated local zoning laws.
___ Describe facility location and general demographics of the neighborhood, city, or target market area.
___ Is site owned or leased (state terms of lease)?
___ Comment on location costs (rent, property taxes, utilities, maintenance).
___ Explain any planned capital or leaseholder improvements or expansion.
___ Explain how you will get your products and/or services to the customer. Show consideration of any alternative distribution systems.

Pricing

___ Describe pricing for each product/service.
___ Explain your sales terms and discounts.
___ Discuss your pricing policies and constraints—compare with competitors' pricing strategies.

Promotion

___ Identify your public relations and advertising strategies. Discuss which types of media (print, radio, television, direct mail, trade shows, etc.) you will use to promote your business and why.
___ Establish an advertising budget.

Operations

___ State hours of operation. Note any seasonal variations in sales or hours of operations.
___ Identify special equipment or materials needed to produce your products or deliver your services.

- ___ Explain plans for equipment acquisition, lease, and/or schedule of replacement. List approximate costs and methods of financing.
- ___ Describe production planning, methods, and specific procedures you will apply to maintain efficiency and technical competitive edge. Identify how physical store or plant layout supports this system.
- ___ Identify key suppliers, usual terms and conditions of delivery and payment, and projected dollar value of purchases per year.
- ___ Discuss importance of establishing and maintaining a positive purchasing/vendor relationship.
- ___ Describe your recordkeeping system. Identify who will prepare financial statements and tax returns (owner, employee, or accountant/ bookkeeper).
- ___ Explain your inventory management and control practices.
- ___ Explain your credit and accounts receivable policies.

Human Resource Management

- ___ Identify the key functions or departments in your business.
- ___ Describe staffing plan, number of employees, and key personnel. Prepare organization chart if structure warrants.
- ___ Identify which functions will be subcontracted and which will be handled by employees. Indicate who will prepare payroll and complete required reports (owner, employee, or accountant/ bookkeeper).
- ___ Discuss recruitment strategies and hiring time frame.
- ___ Specify proposed salary schedule.
- ___ Discuss commission structure (if applicable).
- ___ Outline employee benefits program.
- ___ Discuss employee training (initial and continuing).
- ___ Discuss employee evaluation and termination policies.
- ___ Demonstrate understanding of and compliance with government agencies which regulate human resource management practices.
- ___ Identify unions which may be affiliated with your business and how they may affect your operation.

Quality Control/Customer Service

- ___ Discuss your specific quality control standards and monitoring procedures for each product/ service.
- ___ Identify how you plan to overcome potential quality problems with raw materials or purchases.
- ___ What policies and procedures will you employ to avoid lawsuits?
- ___ Describe warranty/servicing and return policies for your products or services.
- ___ Indicate your intent to inform all employees about your quality control and customer service policies.

Regulatory/Environmental Issues

- ___ Identify any federal, state, or local agencies or industry programs that could regulate or impact your business.
- ___ Consider potential environmental impact.
- ___ If your business creates a waste stream, describe how you will handle it.

Financial Data (minimum requirements)

- ___ If currently in business, submit historical data for last three years or since inception—include income tax returns, income statement, balance sheet, monthly cash flows. Be prepared to furnish aging of accounts receivable/payable.
- ___ Determine initial startup or expansion costs.
- ___ Prepare minimum of three years' cash flow projections (first two years by month, third year annualized). Show sales seasonality (variations in income and expenses) if applicable to your business.
- ___ Document sources and uses of new funds.
- ___ Prepare personal financial statements for all owners/guarantors.

Appendices/Exhibits

This section should document any items that are not or cannot be addressed in the narrative, such as:

- résumés of owners, officers, and other key personnel
- pictures of unique products
- pictures of location exterior/interior
- copy of lease agreement
- copy of distribution or franchise agreement
- copies of patents and other intellectual property protection
- copies of contracts for the purchase of your product/service
- copies of operating licenses or permits

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Notes

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