1976

"The Briar Shoppe": A retail business plan

Larry Joe Hartman
The University of Montana

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"THE BRIAR SHOPPE:" A RETAIL BUSINESS PLAN

By

Larry J. Hartman

B.A., Indiana University, 1972

Presented in partial fulfillment of the requirements for the

Degree of

Master of Business Administration

UNIVERSITY OF MONTANA

1976

Approved by:

[Signatures]

Chairman, Board of Examiners

Dean, Graduate School

Date June 7, 1976
ACKNOWLEDGMENTS

I would like to thank the many individuals who have made this professional paper possible. Special thanks to Dr. Bernard J. Bowlen, Resident Administrator and member of my examining committee, for his continued guidance and interest. Appreciation is also extended to Dr. Larry D. Redinbaugh, my Advisor and Committee Chairman, and Dr. Clyde Neu, member of my examining committee, for their enthusiasm and thoughtful comments.

Special thanks is extended to Mrs. Smith, my typist, and Mrs. Gilmore, the AFIT Librarian, for their help in the preparation and research of this paper.

A special thank you is also extended to my wife, Penny, for her encouragement and patience during the research and writing of this paper.
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CHAPTER I

INTRODUCTION

The following is a complete retailing plan for the establishment of a pipe and tobacco specialty store in Great Falls, Montana. This plan is based primarily on the general retailing principles as formulated by Dr. Larry D. Redinbaugh from the Graduate School of Business, University of Montana. These fundamentals to a retail business plan are:

1. A written statement of the retailer's goals and objectives.

2. A determination of the potential market and a sales forecast for the first year of operation.

3. An evaluation of the retail store's location.

4. A determination of the interior layout and exterior design of the store.

5. A determination of resources from which the retailer will purchase merchandise for resale to the consumer and negotiations as to the terms of sale.

6. Establishment of procedures for handling merchandise.

7. A general pricing policy and pricing strategies to be used by the store to stimulate profitable sales volume.

---

8. Formulation of promotional policies and strategies to be used by the store.

9. Management's policies and practices for handling store personnel.

10. A financial analysis of the business.

11. A merchandise control system and control of stock losses.

12. An expense control system.

There are several critical assumptions which should be mentioned at this point and will be expounded upon as encountered in the plan:

First, the author, although having an intense interest in the development of a pipe and tobacco store, has no present or future plans for establishing such a business in Great Falls, nor was this plan done for the express use of any one potential entrepreneur. This was essential in order to gain access to financial information from various retail firms in the Great Falls area.

Second, due to a lack of published information on various consumer aspects of pipe retailing, the author has relied heavily upon personal expertise regarding popularity, quality of merchandise, and preferences of the average pipe smoker.

Third, there is currently no opening in Holiday Village Shopping Center to accommodate the Briar Shoppe. As this is the only location felt to be adequate to support the store, it is assumed that rental space in the shopping center is available. It was also assumed that the owner/entrepreneur has $35,000 which he will be able to invest in the business.
Finally, implementation of this retail business plan could be successfully accomplished, contingent upon the preceding assumptions, provided the entrepreneur/owner has sufficient business background (academic and/or extensive work experience) to understand the plan and make sound managerial decisions. Nearly as essential, there is the requirement that he possess a genuine interest in and devotion to the art of pipe smoking.
CHAPTER II

RETAIL BUSINESS PLAN

Goals and Objectives

The objective of the Briar Shoppe is to acquire $100,000 in gross sales during the first year of operation, which will yield a 33.2 percent return on the total investment required to start operations. This is a justified first year sales volume and a return on investment based on the projected potential market, and a financial analysis of the beginning year's operations.

Market Potential

Great Falls is located to the east of the Rocky Mountains at an altitude of 3,525 feet above sea level. It is one of Montana's largest cities, described as having a moderate climate with clean, pure air, low humidity, and long days of sunshine during the year.

Population has shown a slow growth over the past five years and is expected to grow moderately in the near future. Current statistics and projections are shown in Tables 1 and 2. Cascade County population should reach 102,000 by 1985 and 116,000 by the year 2000.\(^1\)

---

\(^1\)Great Falls City/County Planning Board, *Economic Base...*
### TABLE 1

**POPULATION PROJECTIONS**

<table>
<thead>
<tr>
<th>Year</th>
<th>Cascade County</th>
<th></th>
<th></th>
<th>Great Falls</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Most Likely Projection</td>
<td>High Projection</td>
<td>Low Projection</td>
<td>Most Likely Projection</td>
<td>High Projection</td>
<td>Low Projection</td>
</tr>
<tr>
<td>1970</td>
<td>82,100</td>
<td></td>
<td></td>
<td>60,351</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td>84,200</td>
<td></td>
<td></td>
<td>61,900</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>96,100</td>
<td>97,500</td>
<td>90,500</td>
<td>75,000</td>
<td>76,000</td>
<td>72,000</td>
</tr>
<tr>
<td>1980</td>
<td>99,000</td>
<td>103,000</td>
<td>85,500</td>
<td>78,800</td>
<td>82,000</td>
<td>70,500</td>
</tr>
<tr>
<td>1985</td>
<td>102,000</td>
<td>109,000</td>
<td>81,200</td>
<td>81,600</td>
<td>87,700</td>
<td>70,000</td>
</tr>
<tr>
<td>2000</td>
<td>116,000</td>
<td>126,900</td>
<td>81,750</td>
<td>96,000</td>
<td>104,000</td>
<td>70,000</td>
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</table>

**SOURCE:** Great Falls City/County Planning Board, Economic Base Study 1974, City of Great Falls and County of Cascade, THK Associates, Inc., October 1974, Figure 14.
<table>
<thead>
<tr>
<th>Sex</th>
<th>Age in Years</th>
<th>Census 1970</th>
<th>%</th>
<th>Census 1975</th>
<th>%</th>
<th>Census 1980</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>0 - 19</td>
<td>16,798</td>
<td>40.0</td>
<td>17,269</td>
<td>39.8</td>
<td>17,521</td>
<td>37.9</td>
</tr>
<tr>
<td></td>
<td>20 - 44</td>
<td>14,181</td>
<td>34.7</td>
<td>15,775</td>
<td>36.3</td>
<td>18,101</td>
<td>39.0</td>
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<tr>
<td></td>
<td>45 - 64</td>
<td>7,108</td>
<td>17.4</td>
<td>7,288</td>
<td>16.8</td>
<td>7,256</td>
<td>15.7</td>
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<tr>
<td></td>
<td>65 and over</td>
<td>2,878</td>
<td>7.0</td>
<td>3,085</td>
<td>7.0</td>
<td>3,399</td>
<td>7.3</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>40,965</td>
<td>100.0</td>
<td>43,417</td>
<td>100.0</td>
<td>46,277</td>
<td>100.0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Census 1970</th>
<th>%</th>
<th>Census 1975</th>
<th>%</th>
<th>Census 1980</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 19</td>
<td>16,532</td>
<td>40.6</td>
<td>16,987</td>
<td>28.8</td>
<td>17,225</td>
<td>36.7</td>
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<tr>
<td>20 - 44</td>
<td>13,568</td>
<td>33.2</td>
<td>15,251</td>
<td>34.9</td>
<td>17,262</td>
<td>37.5</td>
</tr>
<tr>
<td>45 - 64</td>
<td>7,144</td>
<td>17.6</td>
<td>7,528</td>
<td>17.1</td>
<td>7,701</td>
<td>16.4</td>
</tr>
<tr>
<td>65 and over</td>
<td>3,595</td>
<td>8.7</td>
<td>3,988</td>
<td>9.2</td>
<td>4,384</td>
<td>9.4</td>
</tr>
<tr>
<td>Totals</td>
<td>40,839</td>
<td>100.0</td>
<td>43,754</td>
<td>9.2</td>
<td>46,936</td>
<td>100.0</td>
</tr>
</tbody>
</table>

**County Totals**

|       | 81,804      | 87,171| 93,213 |

**SOURCE:** Research and Information Systems Division, Department of Community Affairs, State of Montana, Helena, Montana.
The general character of Great Falls and Cascade County is tied closely to agricultural production and military expenditures, with particular regard to Malmstrom Air Force Base. It is projected that the area will experience relatively rapid growth over the next four years and a moderate growth rate thereafter.\(^2\)

The dispersed population within the State of Montana provides a unique problem in identifying the sales trade area of Great Falls. When trying to determine the trade area of Great Falls for pipes and tobacco, one must consider the implications of having only two other major pipe and tobacco stores in the state. These are Bell's Pipe and Tobacco Shop in Missoula and the Tinder Box in Billings, located 169 miles and 220 miles, respectively, from Great Falls.

A pipe and tobacco store trade area could be outlined by applying parameters to the Great Falls trade area established for department stores and drugstores. This area is diagrammed in Figure 1. This total trade area encompasses sixteen counties and a small portion of Canada bordering on Montana. Great Falls, the selected location for the Briar Shoppe, serves as a major agricultural trade center as well as a center for retailing, wholesaling, and financial services.


\(^2\)Ibid.
Fig. 1. Outline Map of Montana
Indicating Trade Areas
This total retail area (excluding Canada) has a population of 225,000, comprising 73,200 households. The effective buying income is $953,366,000 and provided an estimated retail sales volume in 1974 of $589,215,000. Great Falls, the primary trade area, has 27,700 households comprised of 85,600 people. Retail sales projected for 1974 were $264,673,000, with a $371,859,000 estimated buying income.

The target segment of the population will be males age 22 and older. This can be narrowed somewhat to the age group 22 to 44. The reason for this is that the younger man is much more receptive to premium priced brands. According to the 1970 census data, there are 14,181 males in this primary market segment, with a projected 27.6 percent increase in 1980. The Briar Shoppe will carry a wide price range of merchandise having appeal for potential customers of most income levels. Primary emphasis, however, will be directed toward middle- to upper-income levels.

No national statistics have been compiled on total pipe and tobacco retail sales, according to Mr. Malcolm L. Fleisher, Managing Director of Retail Tobacco Dealers of


4Ibid., C-81.


6Great Falls City/County Planning Board, Economic Base Study, p. 2.
In addition to the lack of national figures, there is no comparable retail business in Great Falls from which market analysis information could be obtained.

The development of a detailed market potential would best be accomplished by a city market survey. The cost of such a study, however, is prohibitive. As an alternative to the primary market survey, the market can be estimated from secondary data.

There were two primary methods employed in determining the market for pipes and tobaccos in Great Falls, Montana. Both methods are types of comparisons of the Billings, Montana, market to the Great Falls market. The Billings area was used for several reasons—primarily the establishment of the Tinder Box, a pipe and tobacco franchise operation opened in late 1975. This business was ideal because of the availability of financial data and similarity of operations to those of the proposed Briar Shoppe.

Pipe and tobacco sales for Billings, Montana, was forecast at $150,000 per year. This assumption is based on a combination of the $120,000 first year forecast of gross sales for the Tinder Box and an additional $30,000 from competing "over-the-counter" pipe and tobacco sales. The latter figure is an estimate based on comparable-type sales

---

7 Telephone interview with Malcolm L. Fleisher, Retail Tobacco Dealers of America, New York, N.Y., January 1976.

figures that were available in Great Falls.

It should be noted that the total pipe and tobacco sales for Billings is an estimate of true sales and not of market potential. The resulting projections of sales for Great Falls will likewise be an estimate of sales that could reasonably be expected to occur.

The following is an explanation of the two methods and their assumptions as used to determine the pipe and tobacco market for Great Falls, Montana. Table 3 is a listing of data utilized in computations.

The first step (I-A) was to find a ratio of pipe and tobacco sales in Billings to the total retail sales in Billings. Applying this ratio to total retail sales in Great Falls gives the total retail sales for pipes and tobaccos for Great Falls of $123,258.

**Method I**

A. Pipe and tobacco sales (Billings)
   \[ \frac{\text{Total retail sales (Billings)}}{} = \text{Index of Pipe and Tobacco to Total Retail Sales} \]

   \[ \frac{150,000}{322,045,000} = 0.0004657 \]

   Total retail sales (Great Falls)
   
   \[ \text{Total retail sales (Great Falls)} \times \text{Index of Pipe and Tobacco to Total Retail Sales} \]
   
   \[ = \$123,258.21 \]

There are two points which must be noted here when using this figure. First, as mentioned earlier, this is an
**TABLE 3**

**SUMMARY OF DATA USED**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974 U.S. Total Retail Sales*</td>
<td>$558,883,349,000</td>
</tr>
<tr>
<td>1974 Billings Total Retail Sales**</td>
<td>$322,045,000</td>
</tr>
<tr>
<td>1974 Great Falls Total Retail Sales**</td>
<td>$264,673,000</td>
</tr>
<tr>
<td>Billings Total Retail Pipe and Tobacco Sales (Estimated)</td>
<td>$150,000</td>
</tr>
<tr>
<td>1974 Graduated Buying Power Index, PPP, Billings***</td>
<td>0.000508</td>
</tr>
<tr>
<td>1974 Graduated Buying Power Index, MPP, Billings***</td>
<td>0.000495</td>
</tr>
<tr>
<td>1974 Graduated Buying Power Index, PPP, Great Falls***</td>
<td>0.000400</td>
</tr>
<tr>
<td>1974 Graduated Buying Power Index, MPP, Great Falls***</td>
<td>0.000437</td>
</tr>
<tr>
<td>1974 Buying Power Index, Billings***</td>
<td>0.000485</td>
</tr>
<tr>
<td>1974 Buying Power Index, Great Falls***</td>
<td>0.000413</td>
</tr>
</tbody>
</table>


**Ibid., p. C-82.

***Ibid., p. C-81.
expected sales figure, not merely a potential figure. Second, the ratio of pipe and tobacco sales to total retail sales was assumed to apply to Great Falls. This is the most questionable assumption of this method as it does not account for the difference in consumer behavior between Billings and Great Falls. For this reason, a ratio of BPI (Buying Power Index) of Great Falls to Billings was applied. The Buying Power Index is a weighted index that converts three basic elements—population, Effective Buying Income, and retail sales—into a measurement of a market's ability to buy. The ratio of Great Falls to Billings should, therefore, provide sensitivity to the variation in consumer buying behavior between the two cities. The resulting expected sales for Great Falls by this method is $104,960.02.

B. A ratio of Buying Power Indexes, Great Falls to Billings, was applied to Pipe and Tobacco Sales (Great Falls), Method I-A, to reflect the variation in buying behavior.

\[
\frac{\text{BPI Great Falls}}{\text{BPI Billings}} = \frac{0.00413}{0.00485} = 0.851546
\]

\[
$123,258.21 \times 0.851546 = $104,960.08
\]

Method II

A. \[
\frac{\text{Pipe and tobacco sales (Billings)}}{\text{Total retail sales (Billings) \times GBPI (PPP)}} = \text{Index of (PPP) Pipe and Tobacco Sales}
\]

\[
\frac{\text{Total retail sales (Great Falls) \times GBPI (PPP) \times Index of (PPP) Pipe and Tobacco Sales}}{\text{Pipe and Tobacco Sales (PPP)(Great Falls)}}
\]

\[ \frac{150,000}{322,045,000 \times 0.000508} = 0.9168768 \]
\[ 264,673,000 \times 0.0004 \times 0.9168768 = 97,069.01 \]

B. Pipe and tobacco sales (Billings)

\[
\text{Total retail sales (Billings) x GBPI (MPP)}
\]

\[= \text{Index of (MPP) pipe and tobacco sales} \]

\[
\text{Total retail sales (Great Falls) x GBPI (MPP)} \times \text{Index of (MPP) pipe and tobacco sales}
\]

\[= \text{Pipe and tobacco sales (MPP) (Great Falls)} \]
\[\frac{150,000}{322,045,000 \times 0.000495} = 0.940956 \]
\[264,673,000 \times 0.000437 \times 0.940956 = 108,832.99 \]

C. Applying weights of 3 (MPP) to 2 (PPP) gives a weighted average of $104,127.40.

Method II provides an alternative means of determining pipe and tobacco sales for Great Falls with a comparison to the Billings' market. In steps A and B, Graduated Buying Power Indexes (GBPI's) for Premium Priced Products (PPP), and Medium Priced Products (MPP) were applied to total retail sales in Billings, respectively. This resulting product,

10 Graduated Buying Power Indexes are defined in Bill Communications, Inc., "1975 Survey of Buying Power" as "... designed to correlate product potential and buying power of households with LOW income (under $8,000), MODERATE income ($8,000-$14,999), or HIGH income ($15,000 and over) ... MPP for moderate-priced products has the following weights: 6 for households with income $8,000-$14,999, 3 for total retail sales, and 1 for three- and four-person households. PPP, for premium-priced products, has the following weights: 6 for households with income $15,000 and over, 3 for Apparel and Furniture-Household Appliance store sales, and 1 for households with head 35-64 years old."
representing the total retail sales on Premium Priced or Medium Priced Products, was divided into the pipe and tobacco sales for Billings to give a ratio of pipe and tobacco sales to total retail sales of PPP or MPP.

These ratios were then multiplied by the respective Great Falls GBPI's and total retail sales (Great Falls), to find the expected retail sales for pipes and tobaccos in Great Falls based on MPP or PPP class.

The determination of classification, medium-priced product or premium-priced product, is a subjective one. Due to the nature of the product, a weighted average of 3-MPP to 2-PPP was used. This gives an expected sales of pipes and tobaccos of $104,127.40 for Great Falls.

Anticipated pipe and tobacco sales for Great Falls of approximately $104,000 is substantiated by the fact that both Methods I and II achieve nearly identical sales.

Although $104,000 in sales could reasonably be expected, $100,000 is used as a first year sales figure in completing the financial analysis. This conservative figure is used to allow for the introduction of the Briar Shoppe, the anticipated phase-out of present pipe and tobacco retail outlets, and "convenience" sales which will occur at "over-the-counter" tobacco displays.

An improved forecast will be possible following the first year of operations. A continuing effort must be made to update the available information utilized in sales forecasts.
Competition

Personal interviews were conducted with the two establishments which carry pipes and tobacco. The Mall Stall is a variety counter display selling pipes and domestic tobaccos among numerous product lines. It is located in Upper Holiday Village Shopping Center and enjoys the benefits of a location in a high traffic area. Location was the major factor contributing to retail sales of $40,000 in 1975 for pipe, tobacco, and accessories sales. The Mall Stall did no advertising nor any other type of promotional activity for pipes and tobacco.\(^\text{11}\)

There are no plans for any type of expansion in this area and the future of the overall operation is in doubt due to possible retirement plans on the part of the owner. The inclusion of pipes and tobaccos into a vast array of merchandise was one of personal interest on the part of the owner and was not based on any formal market analysis. The exterior design and merchandise layout in no way promotes the sale of pipes. The impression projected is only slightly better than a straight pipe rack display as is found in a drugstore.

Due to the possible discontinuance of this business, lack of promotional activity, adverse atmosphere for pipe

\(^{11}\) Interview with Eva Chernick, Mall Stall, Holiday Village Shopping Center, Great Falls, Montana, February 1976.
sales, and lack of interest in any type of expansion, considera­tion of sales to this establishment would be negligible.

The second pipe retailer is found in a high quality men's store located in downtown Great Falls. Again, the pipe and tobacco sales grew from a personal interest in these products. No formal retail plan has been established with regard to pipe and tobacco sales. The store carries only imported pipes and high quality lines, although in limited numbers. Sales are related to traffic coming into the store for clothing purchases. No promotional activity for pipe and tobacco sales is done. The sales of pipe and tobacco products for 1975 were estimated at between $9,000 and $10,000.¹² No firm figure was possible as sales were included in a general "catch-all" account and could not be separated. The potential customer entering the store would be in the upper middle to high income bracket and this allows for the sale of higher priced pipes.

Although difficult to estimate, the possible sales lost to this store could again be assumed to be negligible because of lack of promotion, limited products line, and lack of merchandise effort with regard to pipes and tobacco. The store is in all respects a high fashion men's store, and pipe sales are of only a minor interest and would most likely be phased out upon establishment of the Briar Shoppe.

¹² Interview with Dick Millard, Kaufman's Men's Store,
The remaining pipe and tobacco sales in the Great Falls area came from "over-the-counter" pipe rack displays. Although several attempts to ascertain sales were made, no data were made available as they were termed "classified information." This type of business accounts for impulse purchases of domestic pipes and tobaccos and would have little impact on potential sales of the Briar Shoppe. The over-the-counter displays are found primarily in drugstores and discount retail stores. The character of these outlets is best described by Mr. Wes Myers, president of Venturi, Inc., in a statement to American Druggist: "I happen to believe that if drugstores sold prescriptions like they sell pipes, they probably would soon be out of the prescription business."  

Specific Store Location

Once market potential has been established, a specific location for the store must be selected. There are two general locations available: (1) the central downtown area, or (2) the Holiday Village Shopping Center.

The central downtown area offers an advantage for a location with regard to cost per square foot: $4.00 to $5.00 per square foot, plus $.80 per square foot for utilities.  

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Great Falls, Montana, February 1976.


14 Telephone interview with Robert Hicks, Reader's
This low cost is overshadowed, however, by several factors. First, although there has been a gallant effort to sustain the viability of the downtown business district, its long range retailing potential is questionable. The downtown location is rejected because of traffic congestion, inadequate parking facilities, necessity of walking long distances, being exposed to the elements (which can be severe in this area), and decreased pedestrian traffic.

Holiday Village Shopping Center, on the other hand, like other shopping centers across the nation has acquired a substantial share of retail sales. The reason for the rapid growth of shopping centers stems from the correction of the major problems plaguing the downtown areas. Shopping centers provide ample parking space, climate control shopping with a wide variety of stores in easy comfortable walking distance. Holiday Village Shopping Center does provide these general conveniences to consumers. It is, therefore, in the best interest of the Briar Shoppe to locate in the Shopping Center. Location of Holiday Village Shopping Center is indicated on Figure 2.

Although no current opening is available for store location in the Holiday Village Shopping Center, the assumption will be made that it is available in the lower mall on the main corridor for the purpose of this retail business plan. As this is only a plan, and there is no intent for

World, Great Falls, Montana, March 1976.
Fig. 2. Location of Holiday Village Shopping Center
implementation, this assumption is plausible, allowing for completion of the plan. Since the Holiday Village Shopping Center is the only location considered adequate for the Briar Shoppe, rejection of this assumption necessitates delay until space becomes available or the feasibility of establishing a pipe and tobacco store in Great Falls is rejected.

The cost of $6.00 to $7.00 per square foot plus $.50 per square foot for utilities for a prime location in the Shopping Center on the main aisle is required for the Briar Shoppe. An estimated cost of $7.00 per square foot will be used in financial analysis for the Briar Shoppe.

**Exterior Design and Interior Arrangement**

The atmosphere and image created by the Briar Shoppe will be a key factor in sales promotion and making the business a success. The exterior design will be of an Old English smoke shop, having a brick front and a twelve square foot bay window display area. The merchandise displayed will be a representation of the store and will be arranged in an attractive and appealing manner. A large wooden door will provide easy entrance and exit for customers, as well as a good view of the interior of the store to passersby. An exterior sketch is provided in Figure 3.

\[15\] Telephone interview, Robert Hicks.
Fig. 3. Exterior Store Design
The interior will be arranged as diagrammed in Figure 4. Maximum utilization of walls and display cases will be made for merchandise in keeping with the "Old World" decor. There will be a total of 148 square feet of display case merchandise plus pipe accessories on shelves and on the selling floor.

The atmosphere desired is that of a haven from the rush and pressures of the world, where a customer can discover the pleasures of pipe smoking. A rather novel aspect of interior design is the "Tobacco Bar." As illustrated in Figure 4, the bar will allow pipe smokers to sit down and sample various "Briar Shoppe" blends. This will encourage customers to spend time in the store looking at various pipes and talking of pipe care, thereby promoting a desired image for the Briar Shoppe.

Overall, this specific interior store design will accomplish several things: (1) give visibility of merchandise to potential customers, (2) provide an appealing atmosphere within which the customer can casually examine the pipes and find a Briar Shoppe tobacco blend suited specifically for him, (3) allow for strict control over inventory by keeping merchandise under the control of the salesman and providing constant visual observation of merchandise and ingress and egress of customers.

Resources

The Briar Shoppe will carry a wide variety of pipes, tobacco, and accessories. Although there is a tobacco vendor
Fig. 4. Interior Store Design

- floor display
- wall 'pipe' display cases
- pipe accessories
- tobacco bar
- register
- storage
- display window

- briar pipes
- meerschaum pipes
- briar pipes

- wall 'pipe' display cases
servicing the area, an alternative source of merchandise has been found through the Retail Tobacco Dealers of America, Inc. Membership fee is $15 and provides the following: (1) Tobacco Retailers' Almanac, an annual directory to pipes, tobacco, cigars, cigarettes, and sundries; (2) a three-day trade show convention; (3) news bulletins; (4) a central source of information concerning products and items of special interest to tobacco retailers; (5) educational brochures on merchandising tobacco products; and (6) a membership plaque.16

The Almanac provides an extremely wide variety of manufacturers and distributors of imported pipes and tobaccos in the United States. Purchasing directly will eliminate wholesale costs and will provide the Briar Shoppe with a greater variety and higher quality merchandise than could be provided by the local vendor.

Inquiries to major distributors have been made; however, there is a great reluctance to release selling price information until the store has been established. Although in general there are several types of discounts available to the retailer--trade, seasonal and quantity, for example--only a cash discount is expected to be available to the Briar Shoppe. Of those firms contacted, all offer cash discount terms of 2/10 net 30. The Briar Shoppe will most assuredly take advantage of this discount in purchasing. Shipment was

stated as FOB source. Quantity discounts may be possible on some accessories, but are not presently expected to be available for purchase by the store due to size of the required inventory.

**Merchandise Handling**

Once merchandise that has been ordered is delivered to the store there will be a standardized procedure for receiving, checking, marking, and placing it for sale. This will reduce operating expenses and improve the service to the customer—primary objectives of efficient merchandise handling. There will be no special facilities required for receiving due to the relatively small incoming orders. The storeroom may be used to place incoming merchandise until time permits incoming processing.

There are five basic steps that the Briar Shoppe will follow in processing new merchandise. Accomplishment will be authorized by any qualified personnel unless specifically stated otherwise. The processing should be done as soon as possible after receipt so as to minimize marking errors and losses due to having the merchandise behind the counter rather than on display.

The following are the required steps to the Briar Shoppe's merchandise handling procedure:

1. Determine the condition of boxes, containers and note any damage to merchandise. If there is no damage indicated, the carrier's receipt
may be signed; but if damage is detected, the receipt should be signed only after the receipt is marked "damaged." This will facilitate the filing of damage claims against the transportation agency, company, or others responsible and will serve as a means of proof. Part-time sales personnel will notify the sales manager of any damaged merchandise received.

2. Record incoming merchandise on the "Merchandise Control Sheet" (see Figure 5). The information recorded will include the date and hour of arrival; condition of shipment; weight; delivery charges; shipper's name; form of transportation; number of articles; amount of and number of the invoice. This record will prove essential in any disputes between a resource and the Briar Shoppe. It will also prevent payment of merchandise not yet received. At the time of receipt of the invoice, a three-digit identification number will be assigned to each pipe received. This will be used in marking the pipes for sale.

3. Perform a three-step check of all incoming shipments. First, the invoice will be checked against the purchase order. This will ensure the charges are for the merchandise ordered and the appropriate terms of sale are recorded. Second, the merchandise will be unpacked and a direct check against the invoice made. If no invoice is available, the container will remain unopened until the invoice is received. With the relatively small orders which will be received, this will be the most expeditious means of checking and allow the greatest ease of rechecking any discrepancies found in comparison to the invoice. A final step, quality check, will be accomplished by the sales
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>06-702</td>
<td>Savinelli, Inc.</td>
<td>6F76 - 1200</td>
<td>Good</td>
<td>81b</td>
<td>0</td>
<td>UPS</td>
<td>J. Doe</td>
<td>6</td>
<td>F76</td>
<td>6142.00</td>
<td></td>
</tr>
<tr>
<td>27-231</td>
<td>Peterson LTD</td>
<td>8F76 - 1300</td>
<td>Damaged</td>
<td>21b</td>
<td>0</td>
<td>UPS</td>
<td>J. Smith</td>
<td>4</td>
<td>F76</td>
<td>118.00</td>
<td>chassis fail</td>
</tr>
<tr>
<td>3-946</td>
<td>A. Oppenheimer</td>
<td>8F76 - 0830</td>
<td>Good</td>
<td>61b</td>
<td>0</td>
<td>UPS</td>
<td>J. Doe</td>
<td>4</td>
<td>F76</td>
<td>116.27</td>
<td></td>
</tr>
<tr>
<td>914-2</td>
<td>B. Miner Co.</td>
<td>8G76 - 0930</td>
<td>Good</td>
<td>8.4</td>
<td>0</td>
<td>PP</td>
<td>P. Dunn</td>
<td>6</td>
<td>G76</td>
<td>109.30</td>
<td></td>
</tr>
</tbody>
</table>

Fig. 5. Merchandise Control Sheet (Sample)
manager until such time as he feels the part-time sales personnel are qualified. The sales manager's experience and personal knowledge of quality valuation will be the basis in evaluating the quality of incoming merchandise.

4. The marking of merchandise will be accomplished by the sales manager until such time as he feels the part-time employees are qualified. The sales manager should perform random checks to ensure accuracy if he did not personally do the marking. General marking will be accomplished by gummed stickers with the retail price marked legibly and neatly in ink. On all pipes there will be a brand code and a number included on the sticker. This number will include the date the pipe is displayed and an identification code. An example would be: SF6001. This would be a Savinelli pipe, first displayed in June 1976, having an identification number of one. This number will be taken from the invoice along with the brand and date information which will provide information as to the style. This pipe code will be recorded upon the sale of the pipe as described in promotional policy. It will allow the sales manager to find sales patterns with regard to brand, style, turnover rate, total number of pipes sold, and better customer service.

5. Position the merchandise for sale to the customer. This should be accomplished as soon as possible following marking. The store manager will provide direction as to the location of the merchandise in the store.
Pricing Policy and Strategies

The pricing policy of the Briar Shoppe has three broad objectives: (1) to cover expenses, including the cost of the merchandise; (2) to be appealing to a wide range of customers; and (3) to maximize profits.

To achieve these objectives, the Briar Shoppe has a two-step process. First is the establishment of a general pricing policy. Second is the actual pricing of individual items in compliance with the established general policy.

The general pricing policy of the Briar Shoppe will be a "one-price" policy, set at about the same level as major competitors' prices. This policy will build customer confidence in the store by indirect assurance that he is not being charged more than another customer. This policy facilitates the routine sales transactions by minimizing the time and skill that might be required if one had to bargain with customers.

At present there are three exceptions to the general pricing policy which the Briar Shoppe will employ. First will be the importation of meerschaum pipes from Turkey. Buying directly from Turkey, with no current assessment of duty, will allow the Briar Shoppe a greater degree of freedom from direct price competition. These pipes are of a higher quality than most meerschaums carried and will consist of a greater variety of shapes and styles than most stores offer. Second will be the use of "The Briar Shoppe" brand of
tobaccos. This will also allow for a higher selling price and greater freedom from direct price competition. This blending will be done by Howard House Tobaccos. Third will be the discount price offered to store employees.

The Briar Shoppe will use an individual item pricing policy. Markup will be based on the particular item classification: i.e., briar pipes, meerschaum pipes, and tobacco. This will be a markup as a percentage of the retail selling price. For example, a briar pipe costing $25 and retailing at $50 would give a 50 percent markup:

\[
\text{Markup} = \frac{\text{Retail Price} - \text{Cost}}{\text{Retail Price}}
\]

\[
50 \text{ percent} = \frac{\$50 - \$25}{\$50}
\]

Three separate markups have been determined: (1) briar pipes will carry a 50 percent markup; (2) Turkish meerschaum pipes will carry a 50 to 75 percent markup for plain bowl and fancy bowl, respectively; and (3) tobacco will carry a 40 percent markup to ensure faster turnover and thus reduce waste due to desiccation. The remaining markups will be determined as pricing information becomes available.

The Briar Shoppe should not have to take markdowns due to inventory obsolescence of pipes. In most cases, the older the pipe, the more valuable it becomes. Tobacco, on the other hand, may require markdowns if it begins to dry. One final

\[\text{Redinbaugh, Retailing Management, p. 266.}\]
use of markdowns will be as a promotional tool. During various sales, as specified in promotional policy, selected merchandise will be lowered in price. The markdowns will be computed as follows:

For internal control:

\[ \text{Markdown} = \frac{\text{Dollar Markdown}}{\text{Actual Selling Price}} \times 100 \]

For advertising:

\[ \text{Markdown} = \frac{\text{Dollar Markdown}}{\text{Old Selling Price}} \times 100 \]

Promotional Policy

The Briar Shoppe will have an active promotional policy composed of two major areas. First, advertising through the mediums of the Great Falls Tribune, Yellow Pages, and the Minuteman will attract customers to the store. Second, in-store promotions, including the bay window display case, floor displays, personal selling, and pipe-polishing service will stimulate in-store, impulse purchases.

The atmosphere which the Briar Shoppe wants to establish is one of a haven from the rush and pressures of the world for the pipe smoker. The store will develop a reputation as a place where a pipe smoker could go to find a wide selection of high quality briar and meerschaums and receive the utmost personal attention in his selection. A theme of

\[18\text{Ibid., p. 268.}\]
"The only complete pipe and tobacco store in town: pipes for the novice and the connoisseur," will be established and carried throughout store operations.

There are restrictions placed upon the use of television and radio for advertising due to the nature of the products. Primary external promotion will be through the use of newspapers. The two main newspapers which will carry advertisements for the Briar Shoppe will be the Great Falls Tribune and the Minuteman, a weekly paper for Malmstrom Air Force Base.

Advertisements should be designed to be consistent with the store image. An example is given in Figure 6. Such an advertisement will run Monday through Friday, every week, unless special promotion is planned--such as Fathers' Day and Christmas--as specified in the promotional activities depicted in Figure 7. The rate for such advertisements is $4.84 per column inch, the regular rate for the Great Falls Tribune. A similar advertisement will be placed in the Yellow Pages of the telephone directory.

In-store promotion will be carried out in a number of ways. The Briar Shoppe will offer a free pipe-polishing service for customers who come into the store. This extra service promotes favorable customer relations and will allow the customer to look for a new pipe while his old one is being cleaned. Another in-store promotion will be the

---

19 Great Falls Tribune Rate Card No. 107, January 1976.
THE
BRIAR
SHOPPE

"The complete pipe and tobacco store for the novice and connoisseur"

Briar and Turkish Meerschaum Pipes
Domestic and Imported Tobaccos

Lower Holiday Village Shopping Center
Telephone 123-3456

Fig. 6. Sample Advertisement
Event | Promotional Theme
---|---
Grand Opening | Grand Opening
February: Valentine's Day | Pipe for Dad
June: Fathers' Day | Roses for you, a Meerschaum for him
August: Vacation Special | The Best Briar for the Best Dad
October: Fall Special | Settle Into Winter with a New Pipe
December | Hunter's Pal Special

Fig. 7. Special Promotional Activities.

"Tobacco Bar." This will allow customers to sit down and try various Briar Shoppe blends of tobacco.

An additional service is offered the customer upon purchase of pipe or tobacco. He is invited to fill out a card listing the pipe brand, style, pipe identification number, and/or the Briar Shoppe tobacco blend he purchased. An illustration of such an information card is represented by Figure 8. If the customer has a problem with the pipe, wants to get a replacement in a similar style, desires more tobacco but has forgotten the blend name, the Briar Shoppe tobacco-nist will be able to pull this information card and retrieve the data. This should prove to be an attractive service of the Briar Shoppe for pipe customers. It will also be a
valuable source of information for the sales manager, who will be able to take these cards and by cross referencing to the Merchandise Control Sheet, derive data concerning pipe and tobacco preferences; how long an individual pipe was on display before being sold; and from addresses, the market area from which the customer is patronizing the Briar Shoppe. It should be pointed out that if the customer does not desire to fill out a card, the salesperson should make note of the pipe identification number and the date of purchase, and indicate that the customer did not wish to use the service. Over a year's time, the sales manager should evaluate the service on the basis of cards voluntarily filled out and determine if the service should be continued.

---

**THE BRIAR SHOPPE**

Name ______________________

Address ______________________

Pipe Brand/Style ______________________

Tobacco Blend ______________________

Date ___________ Pipeline ___________

---

*Fig. 8. Pipe Purchase Identification Card.*
There will be display cases, both floor and wall models, as seen in Figure 4. Additionally, there will be a 12-square-foot bay window display case which will contain a various assortment of pipes and accessories and will be changed weekly. This display window and the unique exterior design should prove a great enticement for customers to enter the store.

A major part of the Briar Shoppe promotion will be through personal selling. It is extremely important that Briar Shoppe personnel be well versed in all aspects of pipe and tobacco. A potential customer will quickly lose the favorable image projected by store design and layout if he is met by a high pressure salesperson who knows little about pipes. This is the reason why a significant effort should be made in finding the correct part-time personnel. If receiving a standard wage, the person should not feel pressured to make a sale, and when he has completed the staff training program, he should be knowledgeable about pipe quality, breaking-in, and tobacco blending.

As this is such an extremely important aspect of promotion, the sales manager must be very observant of sales personnel to ensure that the proper image and attitude is being displayed at all times.

Store Management

The Briar Shoppe will begin operations with two part-time salespersons in addition to the owner/proprietor. The
The owner will act as sales manager and general manager. He must be knowledgeable of pipes and tobacco blending and have a personality suited to being a tobacconist. Pipe smokers frequent a smoke shop where questions can be answered and advice given on various pipes and tobacco blends by a reputable tobacconist. It is very important to have this primary tobacconist in the store as much as possible.

The part-time sales personnel will be trained by the proprietor and should become proficient in selling within one or two weeks, depending on his background and experience with pipes and tobaccos. Training will be conducted on an informal basis, as time permits, during working hours. This will necessitate that the owner work full time until the part-time salesperson is trained. An outline of the training plan to be covered is given in Figure 9. He must have characteristics, again, consistent with the image of the Briar Shoppe. His services will be utilized as required to supplement selling on weekends, peak periods, vacations, etc. A maximum of thirty hours per week is the expected workload for the part-time person at an hourly wage of $2.65 per hour. As an additional incentive, a 10 percent discount on the retail selling price is intended to promote an interest in pipe and tobaccos, and make the employee a more enthusiastic salesperson, ultimately creating more sales.

An accountant will be contracted to maintain the accounting records for the Briar Shoppe. Daily posting will be done by the sales manager.
Staff Training Plan

This is intended to be a general outline of information to be covered with new personnel. Consideration must be given to the individual's background and experience with pipes and tobaccos when presenting this training.

1. Store Image: Image desired of sales personnel, dress, mannerisms, conduct within the store. Time required: 1 hour.

2. Pipe and Tobacco: Information on construction of various types of pipes, their care, breaking-in, how one pipe varies from another; information on basic tobaccos, blends, special reference on Briar Shoppe blends and how to meet customers' desires for a particular type of tobacco. Time required: 8 hours.


Total time required: 15 hours

Fig. 9.

Financial Analysis

To a large degree, the potential profitability of the Briar Shoppe depends on analysis of sales, operating costs and investment requirements.

In previous discussion, it has been pointed out that the Briar Shoppe, with approximately 560 square feet of selling space, could generate $100,000 in sales during the first year of operation. These figures have been used in formulating
the pro forma income statement, balance sheet, and profit and loss statement.

The pro forma income statement, Figure 10, indicates an average gross profit margin of 45 percent. This is based on the 55 percent cost of sales of the Tinder Box Franchise for a store of this size. Operating expense margins were obtained from the Tinder Box Franchise. Mr. Tom McGree of Mountain Bell and Mr. G. Bell of Bell's Pipe and Tobacco Shop, Missoula, Montana, were also interviewed. Depreciation of equipment and fixtures were figured using the straight line method with a fixture life of ten years.

Tax Considerations

The income of a sole proprietorship is taxable to the owner rather than to the business. It is reasonable to assume that the taxable income to the owner would be approximately equal to the amount shown as "Income Before Taxes" in Figure 10, assuming the owner has little or no income from other sources. The owner would be entitled to any deductions and personal exemptions authorized by the Internal Revenue Code. If the owner is married, he would presumably file a joint tax return and benefit from the lower rates. These factors were considered when figuring federal and state taxes.

Investment Requirements

The investment requirements to start the Briar Shoppe are composed primarily of initial merchandise and fixtures
THE BRIAR SHOPPE  
PROJECTED INCOME STATEMENT  
(First 12 Months)

<table>
<thead>
<tr>
<th>Income</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>$100,000</td>
</tr>
<tr>
<td>Cost of Sales</td>
<td></td>
</tr>
<tr>
<td>Gross Margin</td>
<td>$45,000</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Variable Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages, Part-Time Personnel</td>
<td>$ 5,200</td>
</tr>
<tr>
<td>Supplies</td>
<td>500</td>
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<tr>
<td>Total Variable Expenses</td>
<td>5,700</td>
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</table>

<table>
<thead>
<tr>
<th>Fixed Expenses</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages, Owner's Draw</td>
<td>15,000</td>
</tr>
<tr>
<td>Advertising</td>
<td>3,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td>120</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>600</td>
</tr>
<tr>
<td>Rent</td>
<td>3,920</td>
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<tr>
<td>Utilities</td>
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<td>Insurance</td>
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<td>Tax &amp; Licenses</td>
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<td>Depreciation</td>
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<td>Accountant</td>
<td>400</td>
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<td>Telephone</td>
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<tr>
<td>Travel Expenses</td>
<td>1,000</td>
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<tr>
<td>Dues &amp; Memberships</td>
<td>500</td>
</tr>
<tr>
<td>Total Fixed Expenses</td>
<td>$27,645</td>
</tr>
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</table>

Total Fixed & Variable Expenses | 33,345  | 33.345 |

Income Before Taxes | 11,655  | 11.655 |

Less Federal Tax (Including Owner's Draw) | 5,600  |

Less State Tax (Including Owner's Draw) | 1,350  |

Net Profit After Taxes | $4,705  |

Fig. 10.
and equipment. The total investment required is outlined below:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Merchandise Inventory and Saleable Decor Items</td>
<td>$10,000</td>
</tr>
<tr>
<td>Initial Supplies</td>
<td>$500</td>
</tr>
<tr>
<td>Fixtures and Equipment</td>
<td>$20,000</td>
</tr>
<tr>
<td>Working Capital</td>
<td>$4,606</td>
</tr>
<tr>
<td><strong>Total Investment Required</strong></td>
<td><strong>$35,106</strong></td>
</tr>
</tbody>
</table>

The figures on Supplies, Inventory and Fixtures were obtained from the Tinder Box Franchise. Working Capital was derived by using two months of fixed expenses which should be considered an adequate initial working capital investment. Due to the relatively small initial investment, it was assumed that this could be met entirely by the retailer/owner. This is supported by the fact that the Tinder Box Franchise requires that the franchisee put up one-half of the franchise cost up to $35,000. The balance sheet shows the beginning assets and liabilities of the store (see Figure 11).

**Return on Investment**

The return on investment (ROI) as an initial measure of feasibility for the Briar Shoppe can be used, given the standard pipe markups, expenses and projected sales. If the return is too low, the entrepreneur would be better off investing his money in another venture; if it is too high, he may expect other competitors to enter the field. In general, the entrepreneur is looking for an ROI that will compensate his for money invested, time, effort, and the risks involved with
### THE BRIAR SHOPPE
#### BEGINNING BALANCE SHEET

#### ASSETS

<table>
<thead>
<tr>
<th>Assets Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td><strong>Current Assets:</strong></td>
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</tr>
<tr>
<td>Cash on Hand &amp; In Bank</td>
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</tr>
<tr>
<td>Notes &amp; Accounts Receivable</td>
<td>0</td>
</tr>
<tr>
<td><strong>Inventories:</strong></td>
<td></td>
</tr>
<tr>
<td>Pipes</td>
<td>$6,500</td>
</tr>
<tr>
<td>Tobacco</td>
<td>1,000</td>
</tr>
<tr>
<td>Accessories</td>
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</tr>
<tr>
<td><strong>Total Merchandise Inventories</strong></td>
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</tr>
<tr>
<td><strong>Other Current Assets (Supplies):</strong></td>
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<tr>
<td><strong>Total Current Assets</strong></td>
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</tr>
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<td><strong>Fixed Assets:</strong></td>
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<tr>
<td>Fixtures &amp; Equipment</td>
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<tr>
<td>Reserve for Depreciation</td>
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<tr>
<td><strong>Total Fixed Assets</strong></td>
<td>20,000</td>
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<tr>
<td><strong>Total Assets</strong></td>
<td>$35,106</td>
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#### LIABILITIES

<table>
<thead>
<tr>
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<td>Accounts Payable</td>
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<tr>
<td>Accrued Taxes</td>
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<tr>
<td><strong>Total Current &amp; Accrued Liabilities</strong></td>
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<tr>
<td><strong>Total Liabilities</strong></td>
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<tr>
<td><strong>Net Worth</strong></td>
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<td><strong>Total Liabilities and Net Worth</strong></td>
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</table>

Fig. 11.
store operations. The calculation of ROI is very simple for the Briar Shoppe as the owner has made the total investment and no outside financing is required. The formula for calculating the rate of return on investment is:

\[
\text{ROI} = \frac{\text{Net Profit}}{\text{Investment}}
\]

Based on the required investment of $35,106 and projected net profit of $11,655, the ROI is 33.2 percent. This may be higher if initial inventories can be purchased with quantity or trade discounts.

Breakeven Analysis

It is essential that the sales manager have a working knowledge of cost behavior patterns to assist him in management decisions. One means is through the use of a breakeven analysis formula, which examines interrelationships of changes in cost, volume, and profit:

\[
\text{BEP}^{20} = \frac{\text{Total Fixed and Variable Costs}}{\text{Average Gross Profit Margin}}
\]

\[
\text{BEP} = \frac{\$33,345}{.45} =
\]

Projected sales of $100,000 exceeds the $70,766.66 required to meet breakeven sales.

Merchandise Control and Stock Losses

Tobacco is the only aspect of the Briar Shoppe operation which would lend itself to considerable waste and expense. Once a package is opened, it will become dry and beyond use within one to two weeks. The sales manager will inform all salespersons of this fact during the training program. The "Tobacco Bar" will be one means of controlling this loss by providing an 8-ounce sample of each Briar Shoppe blend. These will be under the control of the salesperson for free sampling by customers, and should be resealed following use. No other tobacco containers will be opened for customer sampling.

The Pipe Purchase Card will be utilized in an analysis of pipe inventory control as described in promotional policy.

Loss of merchandise through theft should be minimized through interior store design and extensive use of display cases. Salesmen must be aware of the potential threat and maintain a constant vigil for shoplifters.

Expense Control

An essential part of any operating business is expense control. This is a means through which the Briar Shoppe will be able to increase its profits by: (1) maintaining a gross margin while reducing internal expenses, or (2) increasing the gross margin without a corresponding increase in expenses.
46

It is very important that the Briar Shoppe divide its expenses into established classifications. These classifications should be detailed enough to allow the manager to: (1) identify various trends in expenses—these trends would act as a warning device to management that a particular expense needs special attention; and (2) make comparisons of the Briar Shoppe expenses to established "like-business" norms, which will act as a guide for management and help identify any expenses that are out of line.

The Briar Shoppe will utilize the National Retail Merchants Association Natural Division of Expenses Classification System. The expense divisions which the Briar Shoppe expects to use are listed in Table 4.

Once the expenses have been classified, the manager should make a quarterly comparison to the expense budget, and any expense which is out of line with the budget must be identified. A sample quarter of the Briar Shoppe Expense Budget is given in Table 5. The sales manager may opt for a more detailed expense budget made monthly.

The final, and most important step is corrective action. The entire purpose of expense control analysis is to determine and limit expenses to maximize profits. Out of line expenses must be corrected by the manager if this purpose is to be met. Due to the relatively small size of the store, the responsibility of expense control rests solely with the sales manager.
### TABLE 4  
**NATIONAL RETAIL MERCHANTS ASSOCIATION NATURAL DIVISION OF EXPENSES**

<table>
<thead>
<tr>
<th>Expense Division</th>
<th>Illustrations of Costs Incurred</th>
</tr>
</thead>
<tbody>
<tr>
<td>01 Payroll</td>
<td>Salaries, wages, commissions, etc., received by all employees.</td>
</tr>
<tr>
<td>02 Fringe Benefits</td>
<td>Discounts to employees.</td>
</tr>
<tr>
<td>03 Advertising</td>
<td>Space costs in newspapers, direct mail and other media.</td>
</tr>
<tr>
<td>04 Taxes</td>
<td>Federal (excluding income taxes), state, county, city, unemployment, social security.</td>
</tr>
<tr>
<td>06 Supplies</td>
<td>All items consumed in operation of business such as stationery and wrapping, packing, and cleaning materials.</td>
</tr>
<tr>
<td>07 Services Purchased</td>
<td>Nonprofessional services by outsiders—delivery, repairs, etc.</td>
</tr>
<tr>
<td>08 Unclassified</td>
<td>All expenses not included in other natural divisions—net cash shortages, policy adjustment, want-ads, etc.</td>
</tr>
<tr>
<td>09 Traveling</td>
<td>Out-of-town travel expenses for all employees.</td>
</tr>
<tr>
<td>10 Communications</td>
<td>Postage, telegrams and cables, telephone service.</td>
</tr>
<tr>
<td>12 Insurance</td>
<td>All types of insurance coverage—fire, liability, and others.</td>
</tr>
<tr>
<td>13 Depreciation</td>
<td>Depreciation of book value of fixtures and equipment.</td>
</tr>
<tr>
<td>14 Professional Services</td>
<td>Services of a highly specialized and professional nature, such as legal fees and public accountants' fees.</td>
</tr>
<tr>
<td>15 Donations</td>
<td>Contributions to welfare, charitable, and educational institutions.</td>
</tr>
<tr>
<td>16 Bad Debts</td>
<td>Bad debts, bad checks, and fraudulent purchases less recoveries.</td>
</tr>
<tr>
<td>17 Equipment Costs</td>
<td>Costs of all equipment rented or leased (except communications equipment).</td>
</tr>
<tr>
<td>20 Real Property Rentals</td>
<td>Expenses incurred or rent paid for real estate used in the business.</td>
</tr>
</tbody>
</table>

TABLE 5
SAMPLE QUARTER EXPENSE BUDGET

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages:</td>
<td></td>
</tr>
<tr>
<td>Part-Time Personnel</td>
<td>$1300.00</td>
</tr>
<tr>
<td>Owner's Draw</td>
<td>3750.00</td>
</tr>
<tr>
<td>Advertising</td>
<td>750.00</td>
</tr>
<tr>
<td>Supplies</td>
<td>125.00</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>150.00</td>
</tr>
<tr>
<td>Rent</td>
<td>980.00</td>
</tr>
<tr>
<td>Utilities</td>
<td>70.00</td>
</tr>
<tr>
<td>Telephone</td>
<td>81.25</td>
</tr>
<tr>
<td>Accountant</td>
<td>100.00</td>
</tr>
<tr>
<td>Insurance</td>
<td>125.00</td>
</tr>
<tr>
<td>Tax-Licenses</td>
<td>125.00</td>
</tr>
<tr>
<td>Travel Expenses</td>
<td>250.00</td>
</tr>
<tr>
<td>Dues &amp; Membership</td>
<td>125.00</td>
</tr>
<tr>
<td>Depreciation</td>
<td>375.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$8316.25</strong></td>
</tr>
</tbody>
</table>

The rent, equipment depreciation, and promotional budget are accurate for the first year of business. The store manager must closely monitor the variable expenses such as utilities, supplies, discounts to employees, and tobacco samples expenses.

The Briar Shoppe will maintain the following basic records: Checkbook, Cash-Receipts Journal, Cash Disbursements Journal, and a petty cash fund. These records will provide sufficient documentation for expense control analysis.
CHAPTER III

SUMMARY/CONCLUSION

The establishment of a new business can be the most profitable and rewarding venture that an individual ever undertakes. This has been a detailed retail business plan for establishing a pipe and tobacco store, The Briar Shoppe, in Great Falls, Montana.

The success of this plan depends upon a prospective owner who possesses an acute interest in pipes and tobaccos and is able to channel his enthusiasm as a tobacconist into the proposed image of the Briar Shoppe. In addition, the establishment of the Briar Shoppe is dependent on the assumptions as follow:

1. There is currently no opening in Holiday Village Shopping Center to accommodate the Briar Shoppe. As this is the only location felt to be adequate to support a store, it is assumed that a place in the shopping center is available.

2. The owner/entrepreneur has $35,000 which he will be able to invest in the business.

3. The owner has sufficient business background (academic and/or extensive work experience) to understand the plan and make sound business decisions.
An equally critical assumption/forecast is the potential market and projected sales. Although methods of comparison of Billings sales to those of Great Falls give an acceptable projection, there is, as in all business ventures, an element of risk with regard to sufficient market potential.

Based on this retail plan, a return of 33.2 percent on an investment of $35,106 could be realized in the first year of operation of the Briar Shoppe. Expected sales for the first year are estimated at $100,000 with operations on a 45 percent average gross margin. This level of sales enables the owner to draw a $15,000 salary and the Briar Shoppe will maintain a before-tax profit of $11,655.

It is felt that the establishment of a pipe and tobacco store, such as the Briar Shoppe, is entirely feasible for Great Falls, and this retail plan would provide the sound business outline required for a successful operation.
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