

JOE'S QUALITY PAINTING

**4358 W. 224TH AVENUE
WOOD CITY, CA 93XXX
559-000-000 (T) – 559-000-000 (F)**

Owner

Joe Smith



Submitted To:

**Wood City Community Bank
2424 E. Cincinnati Blvd.
Wood City, CA 93XXX**

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EXECUTIVE SUMMARY

The purpose of this business plan is to support a request for a \$50,000, five-year bank loan to purchase equipment and inventory as part of the financing for a start-up sole proprietorship, Joe's Quality Painting. The business will be owned by Joe Smith and will be located at 4358 W. 224th Avenue, Wood City, CA 93XXX. The owner will provide a minimum of \$25,000 in initial equity.

The business will offer professional quality painting, stucco repair, sandblasting, drywall repair, textured coatings, waterblasting, and waterproofing for residential and commercial buildings. Based on the financial and competitive analysis presented in this plan, Joe's Quality Painting will be successful. The cash flow projection, Exhibit 3, One-Year Cash Flow Projection, indicates break-even including owner's draw of \$28,080 for the first year of operations.

It is anticipated that Joe's Quality Painting will become well known in the Wood City area within two years and will become known throughout the Central Valley in five years. Joe's Quality Painting's distinctive logo, its reputation for quality service and only the highest quality products, plus its slogan, "Joe's Quality Painting—don't settle for less!" will provide a distinctive competitive edge. The owner, Joe Smith, has founded two highly successful contractor businesses in the Wood City area. The owner holds an undergraduate business degree from the School of Entrepreneurship, California State University, Wood City.

Business Description

Joe's Quality Painting will be a start-up painting contractor business serving the Wood City and surrounding areas. Initially, Joe's Quality Painting will work out of leased space at 4358 W. 224th Avenue. Joe's Quality Painting plans to begin operations on April 1st of the year 20XX.

Joe's Quality Painting will be a sole proprietorship, owned by Joe Smith. Joe Smith has been in the residential and commercial painting business for approximately ten years. Additionally, Joe has first hand experience founding and operating start-up businesses. Joe Smith has started two successful contracting businesses in the Wood City area that have broken even after only four to six months. His first business venture, a residential painting service, became one of the most recognized names in residential painting in the area of Groves, Texas.

Joe's Quality Painting will offer high quality interior and exterior painting for residential, commercial, and industrial properties. Due to the continuous growth in population and construction in the Wood City area, Joe's Quality Painting will be highly successful and enjoy continuous growth. Joe's Quality Painting will go from the operation of a single crew of three employees, to multiple crews within two years.

Joe's Quality Painting's predicted success and growth is based upon extensive market research demonstrating the explosive growth trend in construction in the Wood City area. This trend, along with the limited competition in the Wood City area, offers a promising future for Joe's Quality Painting.

MARKET ANALYSIS

Americans spent an estimated \$119.1 billion in home improvements and repairs in 1996, according to the U.S. Census Bureau. Affluent Americans (those with incomes of \$100,000 or more) spend \$31 billion a year on home improvements. *(Source: Yankelovich Partners)* According to the U.S. Census Bureau, 78 percent of all home remodeling is done by professional sub-contractors. According to a survey conducted by Getting To Know You, the largest homebuyer welcoming program in North America, 79.4% of respondents plan to make major home improvements within the year. Among families with children, 86.8% cited a need to remodel.

Market analysis is very favorable toward the painting and overall construction and remodeling business in the Wood City area. Population, housing and commercial construction demands make Wood City an ideal location for this type of business. California's Central Valley is one of the nation's fastest growing regions as well as one of the more rapidly developing regions in the state. Wood City, with an historic growth of 66% since 1980, has been identified as one of the top ten expansion cities in the nation. The future will be defined by even more rapid expansion because 67% growth is projected through 2005 and 71% to 2020, as shown in Table 1. In addition, new home construction is predicted to grow at about 3.4 percent, opening up many opportunities for painting contractors. (Wood City Development Office) At least two factors are contributing to the Central Valley's faster growth. First, the Valley's population is growing faster than the state's during the current decade as homebuyers seek affordable housing in this location. This growing population needs a range of goods and services and that will fuel the regional economy. Second, businesses continue to relocate in this

location because of lower costs, favorable business climate and the overall positive quality of life. Much of this growth is "spillover" from California's costly and congested coastal urban regions.

TABLE 1—Population growth

	1995 Actual	1998 Actual	2005 Projection	2020 Projection
Wood City	109,500	114,349	152,726	214,097

Source: Wood City Development Office

In summary, the general industry analysis shows that Wood City is expected to experience substantial population, housing and commercial construction growth, which makes it a prime location for a painting contractor business. Wood City's cost of living is among the lowest in the state of California. (American Chamber of Commerce) Which is beneficial because the target market for this type of service is middle to upper income families. Table 2, ACCRA Cost of Living Index, 1997, provides informative statistics about the cost of living in the Wood City area.

TABLE 2

ACCRA COST OF LIVING INDEX, 1997	
Wood City	107.5
San Sacro	103.7
Angel City	117.6
Santego	120.4
Franklin Bay	174.6
SOURCE: American Chamber of Commerce Research Association	

VISION STATEMENT

In five years, Joe's Quality Painting will be an area leader in the painting industry in the Wood City area, and plans will be developed and implemented to serve surrounding cities.

VISION TRIGGER

The main vision trigger will be the slogan: "Joe's Quality Painting—Don't settle for less!" The vision trigger will emphasize the overall high level of quality provided by Joe's Quality Painting service. This high level of quality will include the best painting products, attention to detail, and total commitment to complete customer satisfaction.

MISSION STATEMENT

Joe's Quality Painting's mission statement is presented below:

We, the employees and owner of Joe's Quality Painting, make the following pledge to our valued customers:

We pledge to provide a professional quality painting service to both our residential and commercial customers in the Wood City area.

We pledge to go the extra mile in order to ensure your complete satisfaction.

We pledge to use only paint that is of the highest quality and environmentally safe, in order to better serve you and the community.

We also pledge to be open and responsive to your comments and suggestions.

BUSINESS OBJECTIVES

Joe's Quality Painting plans on doubling in size in the next three years. The business objectives for the next three years are:

1. Owner draw of \$28,080 by the end of Year 1.
2. Cash break-even by the end of the first year.
3. Owner draw of \$33,000 by the end of Year 2.

BUSINESS OPERATIONS

The business operations of Joe's Quality Painting will be described using the main functions of the business: marketing, competitive analysis, legal structure, management expertise, support personnel, and financial information.

Service

Exterior Painting:

New construction

Remodel paint jobs

Water proofing decks

Sand blasting, water blasting

Stucco repair

Graffiti removal

Interior Painting:

New construction

Remodel paint jobs

Drywall repair

Textured coats

Joe's Quality Painting will perform these services on commercial properties as well as residential properties.

Painting and Related Services

Joe's Quality Painting will perform the following services. New construction services will include painting interiors, exteriors, decks as well as waterproofing and applying textured coats. Remodel jobs will include matching the new stucco with the old stucco to insure that the colors match perfectly. Repair and preparation work that is needed will be completed as well. Water proofing will be done for apartment decks, garages, and private homes. Water blasting and sand blasting will be performed to clean areas that are going to be painted. Drywall preparation and texturing will also be included.

Price

Joe's Quality Painting will base its price on the industry average. The price of the paint will depend on the job. Exterior paint will cost between \$15.00 to \$25.00 a gallon. Each gallon will cover between 200 and 250 square feet of surface, a wall that is ten feet high by twenty feet long. Interior paint will cost between \$15.00 to \$20.00 a gallon.

Because interior surfaces are smoother, the area covered will be between 300 and 350 square feet of surface. This means that one-gallon will cover a wall that is eight feet by thirty-eight feet. Waterproofing sealant costs between \$20.00 and \$35.00 per gallon and will cover only 150 square feet, an area of about ten by fifteen feet. Wood deck sealant costs between \$15.00 to \$30.00 a gallon and covers between 200 to 250 square feet. Drywall textured coating will cover between 150 to 170 square feet per gallon. This product costs from \$5.00 to \$10.00 a bag for the mixture. Stucco repair will cost between \$50 to \$100 depending on the size of the repair.

The price per square foot to repaint an existing interior is \$0.35; new construction interior painting is \$0.40. The price per square foot for exterior painting is \$0.40 for either repaint work or new construction. Waterproofing cement decks and garages is \$0.55 per square foot. Waterproofing a deck will cost \$0.35 per square foot.

Place

The business will be located in Wood City just three blocks from the freeway. This will provide access to any location in Wood City in less than half an hour. The location will also provide access to three nearby cities: Firestorm, Woodranches, and Big City. The longest commute needed to reach any location in these three cities would be one hour.

The warehouse will be 3,000 square feet. It will store the two trucks as well as the paint, equipment and materials needed for the jobs. The office space will be in the warehouse. There will be a fax machine, telephone and computer. The cost of the lease is \$0.30 a square foot for a monthly rent will be \$900.

Promotion

Joe's Quality Painting will be doing very limited advertising. There will be a one eighth page ad in the Business Directory with the business logo and other pertinent information. This will include offering a free estimate for residential jobs, and information about the different services the business offers. The ad will have a red border with a white interior to make it stand out. The logo will be in full color.

COMPETITIVE ANALYSIS

The prospective owner conducted a personal survey to obtain the information presented in the following competitive analysis and in Exhibit 1, Competitive Analysis.

Roger Quest

Roger Quest Painting is a residential/commercial painting contractor located at 4545 E. Cincinnati Blvd. It offers a wide range of services in addition to painting. (See Exhibit 1) Roger Quest Painting has been in business in the Wood City area for over twenty years and is well respected. Their quality of work, length of time in business, and name recognition will make them a strong competitor. Roger Quest Painting does not do any stucco or drywall repairs. The business offers financing to qualified customers.

CJ's Painting

CJ's painting is located at 2675 N. Cedar Avenue and has been in business for about five years. The majority of their work is done in residential dwellings with some commercial work. The fact that they do not offer financing seems to be a liability, limiting their market to people can pay for services. Joe's Quality Painting has a competitive advantage because it offers a more complete line of services for its customers.

Flanders Painting

Flanders Painting is a residential and commercial painting business located at 3200 E. Cincinnati Blvd., approximately two miles west of Roger Quest Painting. They have been in business for over twenty years and are well respected by their customers and their competition. In addition to painting and repairs, Flanders Painting provides cabinet refinishing. Like CJ's Painting, Flanders does not offer financing and, therefore, limits its market.

Tex-Cote

Tex-Cote is another residential and commercial painting business located at 1201 N. Jefferson Avenue. Tex-Cote has been in business for just over ten years. It offers a wide range of services and differentiates itself from the competition by emphasizing the advantages of their specialized textured coats. Tex-Cote offers financing to qualified customers.

Exhibit 1, Competitive Analysis, compares important competitive factors of the painting businesses discussed above with Joe's Quality Painting.

LEGAL STRUCTURE

Joe's Quality Painting will be operated as a sole-proprietorship owned by Joe Smith.

MANAGEMENT EXPERTISE

The owner, Joe Smith, has founded two highly successful contractor businesses in the Wood City area. The owner has worked in the commercial painting business for over ten years. The owner holds an Undergraduate degree from the School of Entrepreneurship, California State University, Wood City.

Joe Smith's extensive business activities have used several reputable Wood City professionals who provide services to the business. These include Handley and Associates, CPA's and the Stanley, Finkle and Boeman Law. The owner has had a long-term relationship with Wood City Community Bank.

EXHIBIT 1
Competitive Analysis

Items	Joe's Quality	Roger Quest	CJ's Painting	Flanders Painting	Tex-Cote
Type of Service	Residential & Commercial	Residential & Commercial	Residential & Commercial	Residential & Commercial	Residential & Commercial
Prices					
Times Available	Monday-Saturday Days and nights	Monday-Saturday Days and nights	Monday-Saturday Days only	Monday-Saturday Days only	Monday-Saturday Days and Nights
Financing Available	Yes	Yes	No	No	Yes
Years in Business	Start-Up	Twenty	Five	Twenty	Ten
Additional Services	Stucco repair Sandblasting Drywall repair Textured coats Waterblasting Waterproofing	Waterproofing Textured coats Sandblasting Waterblasting	Stucco Repair Sandblasting Textured coats	Cabinet refinish Drywall repair Waterblasting Sandblasting	Sandblasting Texture coats Stucco Repair
Licensed & Insured	Yes	Yes	Yes	Yes	Yes
Free Estimates	Yes	Yes	Yes	Yes	Yes

SUPPORT PERSONNEL

The business will operate using local, qualified painters. Each crew will be led by a foreman with at least four years painting experience, and a record of quality customer service. The majority of the employees will work full-time with some employees working only seasonally, or according to demand. Employees will be paid \$7.00/hr. initially with an opportunity for pay increases. The foreman will be paid 10% above prevailing salary levels to ensure top quality crew leaders.

FINANCIAL INFORMATION

Financial Objectives

The following objectives are for the first two years of Joe's Quality Painting:

1. Owner draw of \$28,080 by the end of Year 1
2. Cash break even by the end of Year 1
3. Owner draw of \$33,000 by the end of Year 2

Monthly Living Expenses for Joe Smith

Exhibit 2, Monthly Cost of Living – Joe Smith, shows the amount required by the owner to pay for living expenses and compute draw.

One-Year cash Flow Projection

The items in the Exhibit 3, One-Year Cash Flow Projection, have been arranged in a specific way: sources of cash (cash receipts), cash needed to purchase assets (equipment), cash needed to pay expenses (rent), cash needed to pay liabilities (payroll taxes), and owner's draw.

Sources of Cash

1. **Personal Funds.** The owner will invest \$25,000 into the business.

EXHIBIT 2
Monthly Cost of Living – Joe Smith

Regular Monthly Payments							
	Rent of house payment (including taxes)					620	
	Car payments (including insurance)					310	
	Appliance payments					30	
	Loan Payments					120	
	Health, life and other insurance premiums					110	
	Miscellaneous					140	
	Total						1330
Household Expenses							
	Telephone					25	
	Utilities					140	
	Miscellaneous					125	
	Total						270
Personal Expenses							
	Clothing, cleaning, laundry, shoe repair					80	
	Medical and Dental					75	
	Education and training					35	
	Automobile expenses					140	
	Spending Allowances					100	
	Total						430
Food Expenses							
	Food at Home					260	
	Food away					50	
	Total						310
Tax Expenses							
	Federal and State					160	
	Personal property					60	
	Other taxes (except house)					0	
	Total						220
Total personal monthly cost of living expenses							2560
Subtract monthly income from sources other than the business							220
Grand Total - the minimum monthly draw needed from the business							2340

EXHIBIT 3
One-Year Cash Flow Projection

1. Personal Funds						25,000	
2. Loan Proceeds						50,000	
3. Cash Receipts from the Business (Gross)						500,000	
Total Sources							575,000
Uses of Cash							
4. Equipment						20,000	
5. Vehicle Lease						8,400	
6. Security Deposit						9,500	
7. Cost of Goods Sold						160,000	
8. Telephone and Utilities						4,800	
9. Rent						10,800	
10. Business License Fee						4,350	
11. Insurance Premiums						25,000	
12. Office Expense						1,500	
13. Legal and Accounting						7,000	
14. Advertising and Promotions						2,000	
15. Miscellaneous Expenses						10,000	
16. Payroll Taxes and Benefits						45,000	
17. Payroll						225,000	
18. Loan Payments						10,000	
19. Owners Draw						28,080	
Total							571,430
Net Cash Flow for the Year (sources minus uses)							3,570

2. **Loan Proceeds.** The owner will borrow \$50,000 from the Wood City Credit Union. Interest will be charged only on the amount actually borrowed with principal payments of 20% of the amount borrowed due annually.
3. **Cash Receipts From Business.** \$500,000 in cash receipts net of sales taxes is estimated. This projection assumes thirty paint jobs. This is a conservative estimate of cash receipts. The industry average for a company of this size is about \$550,000.

Uses of Cash

4. **Equipment.** Basic equipment cost estimate is \$20,000. This expense includes: airless sprayers, brushes, rollers, buckets, ladders, extension poles, electrical cords, drop cloths, cleaning solvents, and other miscellaneous preparation items.
5. **Vehicle Purchase/Lease.** Two large vans will be leased from Wood City Motor Sales at a cost of \$700 a month for a total of \$8,400.
6. **Security Deposits.** Security deposits and other deposits will include \$6,500 for lease-related deposits, \$1,000 for utilities, and \$2,000 for miscellaneous deposits for a total of \$9,500.
7. **Cost of Goods Sold.** Cost of good sold is based on the sales projection of \$500,000 and is estimated to be an average of 32% of sales totaling \$160,000.
8. **Telephone and Utilities.** Wood City Power and Gas, and Telephone Company estimate telephone and other utilities at \$400/month for an annual total of \$4,800.
9. **Rent.** The rent of the warehouse will be \$900 per month. The location is 3,000 square feet. It will have approximately twenty square feet of office space.
10. **Business License Fee.** The fee for the business license based on business revenue (2% of gross revenue) will be \$4,350.

11. **Insurance Premiums.** Steel Insurance Agency, Wood City, estimated annual premiums at \$25,000. These premiums will cover business liability, property damage, workman's compensation, and all other types of insurance.
12. **Office Expense.** This item includes all office-related expenses including copying and paper supplies. Joe Smith will perform office duties. The total is estimated at \$1,500 annually.
13. **Legal and Accounting.** Handley and Associates, CPA's and the Stanley, Finkle and Boeman law firm will provide basic bookkeeping, accounting and legal services. The total estimated cost is \$7,000.
14. **Advertising and Promotions.** \$2,500 will be allocated to advertising and promotion.
15. **Miscellaneous Expenses.** \$10,000 has been estimated for miscellaneous expenses based on information provided from the industry.
16. **Payroll Taxes and Benefits.** These are estimated to be \$45,000, 20% of wages.
17. **Payroll.** Wages total \$225,000. This total includes the two crews of four men needed to work March through October and the one four-man crew needed to work November through January.
18. **Loan Payments.** All of the \$50,000 loan allocation will be used during the first year of operation. Interest at 10% totals \$5,000. In addition, according to the loan agreement, a principal payment of \$10,000 was also required. One semi-annual payment of \$5,000 will be made during the fiscal year while the second payment will be made at the beginning of the second fiscal year. The total payments for this category will be \$10,000 (interest and principal).

19. **Owners Draw.** This information was obtained from Exhibit 2, Monthly Cost of Living-Joe Smith, and is \$2,340 per month or \$28,080 annually.

SUMMARY

Joe's Quality Painting will be a great success. This business plan has established that Joe's Quality Painting is a feasible business. All of the critical information such as market analysis, competitive analysis, financial analysis, management expertise and the industry trends support this conclusion.