Executive Summary

Walkabout Shoe Company will sell specialty dress, casual, and athletic shoes. This shoe store will target customers looking for comfortable orthopaedic shoes that will fit their specific foot needs. Besides specialty shoes, Walkabout will carry other accessories, including OTC inserts, foot care products, and possibly some travel accessories.

Walkabout Shoe Company will target the growing population of the Herriman/Riverton area. This area is currently unoccupied by shoe store specialists, so no direct competition would be encountered in this area. The shoe store industry is expected to grow at 5% annually, so now is a perfect time to start a new specialized shoe store.

Indirect competition might come from other general shoe stores like Payless and Famous Footwear. However, Walkabout Shoe Company will have a distinct advantage in specialized shoes by offering supportive and orthopaedic shoes that are general shoe stores do not carry. Walkabout will target customers looking for shoes that offer better support and more comfort than shoes at regular shoe stores. Walkabout will attempt to attract customers who have foot pain and specific foot needs with specialized shoes not found in other department stores.

In order to start the company, an initial investment of about $75,000 will be needed for inventory and start-up expenses (see financial requirements for specifics and explanation). Walkabout will look to turn their $50,000 worth of shoe inventory 4 times and their $5,000 foot care accessory inventory 4 times as well. This will result in a net profit of around $16,750 at the end of one year after all overhead costs and expenses.

Because this net profit is fairly low for all the money invested in the company, we have two suggestions for alternative business plans that pose less risk and would likely require less money. First, this specialty shoes store could be a joint business venture with Skip Chandler who is thinking about opening a similar specialty shoe store in the area. He has already had success in running a shoe store, and being in business with him would likely increase chances of success in the specialty shoe store market. Second, Walkabout could be an online-based business. Walkabout could house inventory in a small warehouse or even be located in a home. Customers could order shoes online without having to enter a store. An online only business would eliminate the chance for customers to try on shoes and get the exact fit they desired, but these are just two possible alternatives to consider if opening up a fully operative and self owned specialty shoe store seems unachievable.

As of right now, the business is in the developing and creative stages. The idea has been presented, and the point of this business plan is to show the plausibility and possibility of success for Walkabout.
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Important Information: This document does not constitute a public offer or invitation to the public. Investments in unquoted securities are speculative, carrying high risk as well as the potential for high rewards. There is no ready market for the realization of that investment, or its valuation, or the risks to which an investment is exposed. The figures stated are purely illustrative and do not constitute a forecast. Before investing in a project readers are strongly advised to verify all material facts and information for themselves and seek advice from a person authorized under the Financial Services Act.
Introduction to the Business and its Management

Walkabout Shoe Company will sell specialty dress, casual, and athletic shoes. This shoe store will target customers looking for comfortable orthopaedic shoes that will fit their specific foot needs. Besides specialty shoes, Walkabout will carry other accessories, including OTC inserts, foot care products, and possibly some travel accessories.

Management
Erin Elkins will be the store manager. As manager, she will be overseeing the store from a management perspective. Erin will not want to be on site at the store all the time; rather, she will want to check in every once in awhile to be sure the store is running smoothly. She will want to have an assistant manager who is on site, and the assistant manager will have between one and three employees who help customers answer shoe question, help customers fit shoes, stock and track inventory, and run the cash register. For the sake of financial data and analysis, we have used the salary of 1.5 employees getting paid $10 an hour working 6 days a week from 9 to 5.

Employees will have special training in fitting the individual in the correct shoe for the appropriate shoe manufacture.
Products and Services

Consumers looking to buy shoes often do not get the support or comfort they need in a shoe when they buy from retail shoe stores. Walkabout will offer shoes that cater to consumers looking for casual dress shoes that offer appropriate support and desired comfort.

Walkabout Products

Walkabout Shoe Company will sell specialty shoes, focusing mostly on the dress casual shoe type. This shoe store will target customers looking for comfortable orthopaedic shoes that will fit their specific foot needs. Besides specialty shoes, Walkabout will carry other accessories, including OTC inserts, foot care products, and some travel accessories.

The top five brands of shoes for men are as follows: Clarks, Merrells, New Balance, Asics, and Ecco. The top five brands of shoes for women are as follows: Dansko, New Balance, Clarks, Merrells, Ecco.

It is common for 80% of total sales to come from about 20% of inventory, so we will want to stock these top five brands deeper than the rest of the shoes in the inventory. For the financial projections, we used these top ten brands of shoes to create our data.

Other shoe brands that we will possibly carry are as follows: Aravon, Brooks, FitFlop, Keen, MBT, Memphisto, Mizuno, Naot, Propet, Reebok. We will not need as many of these brands in our inventory because they will not move as fast as our top five brands.

The following are brands that we may not carry until Walkabout is an established and flourishing business: Aetrex, Alegria, El Naturalista, Finn Comfort, Saucony, Wolky.

Walkabout will carry over the counter (OTC) inserts including green Superfeet, blue Superfeet, and red box top Powersteps. We will also carry socks, moleskin, felt pads, toe spacers, and travel shoe bags.

A price list of the above noted products has been attached in an excel document.

The Need Being Served

Walkabout will not be competing with retail or designer shoes stores. Walkabout will not be attempting to have the latest styles or the newest fads; rather, Walkabout will offer shoes that cater to consumers looking for casual dress shoes that offer appropriate support and desired comfort. Walkabout will offer comfortable and supportive yet stylish shoes that consumers cannot buy from retail shoe stores.
Accessories such as orthotics and foot care products are also products that most regular shoes stores do not offer. This can be a helpful way of generating sales because accessories often have higher gross margins that shoes do. We estimated a 50% mark up on foot care accessories for our financial projections.

Pricing Strategy
The average sale price of each pair of shoes is $121.82 from the list you gave us. Shoes stores, especially specialty shoes stores, have an average mark up price of 40 percent, which means that the average cost per pair of shoes would be $87.01.

If we stock $30,000 of inventory like you wanted, that would give us 345 pair of shoes total in inventory at a time. If we stock 16 sizes, including half sizes, we would have sizes 4 through 11 or 5 through 12 for each type of shoe. If we only stock the top five brands for men and top five for women with one style in each brand, that would give us 160 pairs of shoes. With $30,000 of inventory, you could get approximately 2 different styles of shoes with one pair in each size 5 through 12, including half sizes, if we have ten different brands total. Of course we would want to carry more of the brands that sell the most and less of the slower moving inventory, but this is simple math that shows how little $30,000 of inventory will really get us.

With $30,000 of inventory, our total revenue would be $42,000, with a gross profit of $12,000. If we turned our inventory four times, which is an achievable goal, we would earn $168,000, with a gross profit of $48,000.

We recommend $50,000 of inventory to begin. That would give us 575 pairs of shoes to work with. That would give us $70,000 in revenue (gross profit of $20,000) if we turned our inventory once. If we turn our inventory 4 times, which we are aiming for, we would earn $280,000 in revenue for the year (gross profit of $80,000). The financial projections we have attached are based on the assumption that we turn our inventory 4 times.

The price list explaining the sale price of our inventory has been attached. We used the typical sale prices of shoes as per store manager, Erin. For gross margins, see below.

Gross Margins
According to research gathered, gross margins are usually between 30 and 40 percent in the shoe store industry. These are for shoes stores in general, so there could be a possibility of making closer to 40 and 50 percent for specialized shoes like the ones Walkabout will be selling. Customers looking to buy specialized orthopaedic shoes will be willing to pay more money than the average customer at a regular shoe stores who are merely looking or the best prices. Because Walkabout will be focused on specialty shoes, we decided to calculate our financial data using an average of 40 percent gross margin. This means there will be an average mark up of 40% per pair of shoes.
As stated in the previous section, our average cost per pair of shoe will be $87.01. The average amount we will be making per pair of shoes is $121.82. So we will be making around $34.81 per pair of shoes for the average 40% mark up on price.

For complete financial projections, refer to the financial projections section and the Proforma document attached.
The Market

Market Size and Segmentation
Our target market defined by cities will be Riverton and Herriman. The Herriman area had a population of 21,785 in 2010 and is growing rapidly. The Riverton area had a population of 40,420 in 2009 and is also continuing to grow.

First we will want to specifically target women between the ages 30 and 80 because they will be a large part of our customers. In regular shoe stores, women between the age of 18 and 49 make most of the shoe decisions. While our store will focus less on the new stylish trends and more on the comfortable and supportive shoes, we will want to cater to women middle aged an above because they will be making most of the decisions in buying shoes.

Second, we will want to target middle-aged men and above who are looking for comfortable, supportive shoes.

Market Growth Trends
The shoe store industry is a growth industry. The market is expected to grow at an annual compounded rate of 5 percent each year from 2011 to 2015. This would be a perfect time to enter the shoe store industry and capitalize on this potential growth.

Competitors
Our main competitor is not currently in our desired location, which is the Herriman area. The closest competitor is on Chandler’s Walk Shoppe in Sandy. The owner there is thinking about opening a store in the Herriman/Riverton area, so this could possibly pose a threat if the owner wanted to do this. Looking into opening a specialty store in conjunction with Skip Chandler is a future possibility to be explored if he is serious about opening a store in the Herriman area.

Other shoe stores in the Riverton, Herriman area include Famous Footwear, Payless, and Shoe Carnival. These shoe stores pose little to no threat because most of them do not carry the specialty orthopaedic shoes that Walkabout will sell. Walkabout will have more of a boutique feel than any of these large chain stores.
## SWOT Analysis (Internal & External)

The Internal Strengths & Weaknesses of the company, and the External Opportunities & Threats it faces, can be summarized as follows:

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<thead>
<tr>
<th>STRENGTHS</th>
<th>OPPORTUNITIES</th>
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<tbody>
<tr>
<td>• Superior knowledge of product</td>
<td>• New shoe products that are not yet offered in Herriman/Riverton area</td>
</tr>
<tr>
<td>• Growing market – 5% expected growth</td>
<td>• Possible online shoe ordering system after business is established</td>
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<tr>
<td>• Ability to expand production online for low costs</td>
<td>• Possible joint business venture with Skip Chandler</td>
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<tr>
<td>• Low staffing needs</td>
<td></td>
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<tr>
<td>• Entering area that is previously unoccupied by specialty shoe stores</td>
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<tr>
<th>WEAKNESSES</th>
<th>THREATS</th>
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<tr>
<td>• Lack of market experience</td>
<td>• Chandler’s Walkshoppe could be a possible competitor if they enter area</td>
</tr>
<tr>
<td>• Lack of investors – start up costs would be provided by owner alone</td>
<td>• Shipping issues with shoe suppliers who are located overseas</td>
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Marketing Plan

Walkabout will need a marketing plan to get the word out about this new specialty shoe store. Here is a list of possible options for marketing this specialty shoe store.

First, creating a website for Walkabout would be absolutely vital. Whether or not the company would offer online sales, a website showing brands of shoes available, store hours, location, and any other basic store information is necessary for a successful marketing plan. Creating a website that shows up on Google when searched is also important. That could be a focus once the website and company is more established.

Second, the South Valley Journal would be a great place to start. Getting our name out in newspapers and journals would be greatly important as many of our customers are older people who would likely still subscribe to newspapers and journals. This would be an important segment of our marketing plan to target older customers who are looking for specialty shoes. We could offer some type of incentive or coupon like 5% percent off in newspapers, local magazines, or coupon books.

Third, getting our name in the phonebook and online version of the phonebook is important for people who search for shoe stores using Yellowpages or other versions of phonebooks. This would give us much of the business for people in Riverton/Herriman area searching for specialty shoe stores.
Sales and Distribution

The shoes will be sold directly to individuals via the retail outlet store or via the internet.

The shoe distributors are located on the east and west coasts. There will be inherent shipping expenses that will be passed on in the price of the shoes. The typical gross margins from our distributors will be between 35% and 55%. Each of the distributors offer normal shoe warranties that will be honored in the shoe store and passed on to customers.

Another opportunity that may exist is the co-oping of certain inventory brands with another shoe retailer who services a different shoe clientele in other cities. They may carry brands we don’t and vice-a-versa. This would assist both of us in being able to offer the shoes without both of us having to stock the deep inventories required to carry the shoe for sale.

As the selling cycle hits holidays and specials occasions, the distributors usually offer special promotions like free shipping, discounting, and special dating terms, which will help with the cash flow and added profit margins.

Lastly, returns of unsold products are customary as long as shoes are still being produced, are a current SKU, and the shoes are in new sellable condition. The returns policy is usually based on a percentage of purchases through the manufacturer. Therefore, it would be imperative that the majority of shoes are purchased through a handful of vendors to take advantage of the special promotions and returns.
Financing Requirements

Start-up Costs
Financial requirements for Walkabout will include shoe inventory, foot accessory inventory, and start-up expenses. For total shoe inventory, we would need about $50,000 to fill a one-year supply of inventory. If we are aiming to turn our inventory 4 times, we will need $200,000 worth of inventory throughout the year. However, we would begin with $50,000 worth of inventory and order more as needed. Foot care inventory would be estimated at $5,000, and we would like to aim at turning that inventory 4 times each year as well. Total inventory, including shoes and foot care accessories, would amount to $55,000 to start the company.

It is also recommended to have enough money to finance the expenses for the first 3 months without a net profit on sales, which amounts to $21,120. Adding the $21,120 to the $50,000 needed for inventory amounts to $76,120, which would be the total needed for start-up costs.

Attaining Financial Requirements
Financing can be attained through several different avenues. First, financing can be received from personal savings. Using your savings is the easiest option.

It is also advisable to seek angel investors. Angel investors are people with extra money looking to invest in profitable companies. Angel investors usually want something like 10 - 15% of profits, but they can be very helpful in gathering the funds to start a company.

Third, family members can be consulted in investing in the company.

Lastly, loans from banks or credit unions can be helpful in acquiring the finances necessary to begin the start-up process.
Key Financial Data and Financial Projections

Basic Information
For our financial projections, we based our conclusions on $50,000 worth inventory. We understand that is a lot, but with $30,000 of inventory, we would not have enough money to pay our expenses even if we turned our inventory 4 times a year, which is a lofty but achievable goal.

Our numbers are based on the average we would be paying for each type of shoe. We did not do specifically by shoe brand and price because we didn’t have a set amount of brands you wanted to carry. These numbers would get more specific as the business narrowed down the types of shoes that would be carried. For now, we used the top 5 brands of each shoe in men’s and women’s.

For shoe inventory, we assumed that 60% would be women’s shoes and 40% would be men’s shoes. These numbers are based on the fact that women buy more shoes than men, and women also make more of the shoe decisions than men do.

Monthly and Yearly Projections
The financial data shows projections for one calendar year by each month. You will notice that revenue and cost of sales are higher during April, August, and December. Market analysis shows that shoe sales increase during Easter, end of summer, and the holiday season at the end of the year. We have adjusted our income according to this data. This means that 40% of our income would come during April, August, and December. The rest, or 60% of sales, would come during the other 9 months of year. This is just something to be aware of when looking at the finances.

Inventory Turnover Ratio
The average inventory turnover ratio for the shoe store market is about 1.7. If your inventory ratio was 1, this means that you would sell all $50,000 worth of inventory once throughout the year. If we turned our inventory 2 times, which is around the average, this would leave the company with about $40,000 net loss at the end of year. In order to break even or even barely make a net profit, we would need to have an inventory turnover ratio of 4. After expenses and cost of sales, we would make around $16,750 as our net profit for the year as seen on the projection sheet. Aiming for an inventory turnover ratio of 5 or 6 would make for a profitable and successful company, although this may be an unreachable goal until the company has established itself.

Expenses
Salary expenses are based on a $10.00 per hour pay scale for 1.5 employees who work 8-5 six days a week. Rent, phone and Internet, and pay roll expenses like Medicare are based upon market averages and data collected from market experts. Supplies, repairs and maintenance, advertising, travel, accounting, utilities, and insurance costs have all been estimated to give you an idea of what total expenses
would be. We will begin with $50,000 worth of shoe inventory and order more inventory as needed. Total shoe inventory expense has been estimated at $200,000 per year if we turn our inventory 4 times, which we are attempting to reach. Foot accessory inventory expenses have been estimated at $5,000 to begin. We will also look to turn our foot care accessory inventory 4 times, totalling $20,000 worth of accessory inventory if we meet our goals by the end of the year. These estimates for the year have been used for the financial projections.