

When should you EXPAND

...When you have the



resources, when you see potential, and when you're not needed in one place every day.

by Dan Sautner
Padgett Business Services

CASH FLOW STATEMENT

	Pre-opening	1st mo.	2nd mo.	◆◆◆ 12th mo.	Total
Service	-0-	850	1050		31000
Products	-0-	25	75		2200
Cash in	-0-	875	1125	4150	33200
Expenses:					
Accounting	-0-	100	100	100	1200
Advertising	250	350	400	250	3600
Bank fees	25	25	25	25	325
Maintenance	-0-	25	35	45	250
Memberships	250	250	25	0	250
Other	250	250	250	125	2000
Rent	-0-	1000	1000	1000	12000
Supplies	-0-	75	100	100	1300
Telephone	-0-	55	55	60	755
Utilities	-0-	100	100	100	1150
Wages	500	1050	1300	1400	18225
Cash pd.out	1025	3055	3390	3205	41055
Cash from operations	-1025	-2180	-2265	945	-7855
Opening cash	-0-	10,975	8445	2350	-0-
+/- Cash from operations	-1025	-2180	-2265	945	-7855
Less:					
Equipment buys	15000		1000		17000
Deposits	2000				2000
Supply inventory	2500				2500
Loan payments	-0-	350	350	350	4200
Leasehold improvements	3500				3500
	23,000	350	1350		29200
Plus:					
Bank loans	10,000				10000
Owner contributions	25,000				30000
	35,000	-0-	-0-	-0-	40000
CLOSING CASH	10975	8445	4830	2945	2945

■ If you're considering opening a second office, take stock of your present location first. Answer the following questions:

- ✓ Have you developed internal operation systems?
- ✓ Do you have a staff person strong enough to replace your every-day contributor?
- ✓ Does the company generate more income than you must personally remove from it?
- ✓ Does your present location operate in excess of 75 percent of capacity?

If all four answers to the questions are "yes," your house is probably in order. So next examine the basic financial considerations in deciding to expand. Here are some tools you will need:

1) Monthly financial history of your present location from start-up to present.

2) Summary of initial capital required by the first location. Break it into:

- equipment;
- leasehold improvements;
- initial supplies and inventory;
- start-up staffing costs; and
- working capital.

The financial history will give you an excellent idea of how the new operation will develop. You can draw from an established growth pattern and you're also able to estimate costs as they will occur. You did not have this in your original start-up.

The second tool also gives you an edge. It tells you how much equipment will be needed, along with other costs of the pre-open-

ing—how much capital is required to launch your second shop. The working capital amount can be calculated by working out how long the first location took to generate positive cash-flow.

Now you can start developing estimated cash flows for the second shop. Using the historical data you have, along with knowing how not to make the same mistakes the second time around, estimate how much money and time is needed for the second location to stabilize.

To do this, set up a simple work sheet to create a cash budget for the new operation, as shown on page 26.

You now also have something to give to your banker when you need to borrow the money. Finally, this work sheet provides you a good idea of what your own financial contributions to the new venture will be.

Be sure to consider the cost sharing between the two locations. While inventory, for example, needs to be in both places, the

storage may be centralized. Labor costs will not be dramatically reduced, but you will have some flexibility in temporarily transferring some support staff between the two locations. Things like equipment costs and utilities tend to have no overlapping benefits, while areas such as advertising and printing can be easily shared.

On the whole, don't overstate the benefits of two locations. The second location will also cause some costs that a single location does not have, like increased management time. Another will be increased wage costs because you'll need another manager.

Look to yourself as well. Your methods of management will have to change. Decisions will have to be made not based on direct observation, but rather through third-party reporting. Anything casual about your accounting and financial reporting must end. Stricter policies of cash handling and management will have to be enforced.

Expansion into a second location is both dangerous and rewarding. Other factors to consider:

- What made your first location great may have been your presence. Consider this carefully.

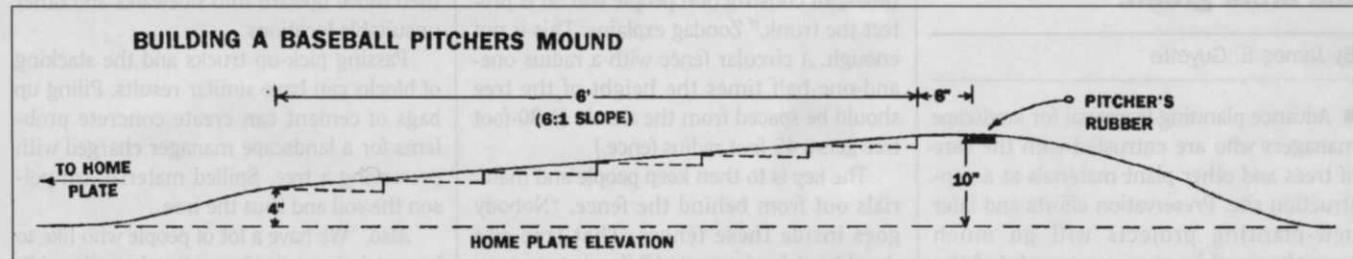
- Make sure that you have the necessary financial resources. A new location will be cash-flow drain and may take some time to turn positive.

- There is also the outside chance that there may be a downturn in business at your first location. Plan for these contingencies and have enough financial resources to see it through.

The benefits of expansion are increased sales, increased personal equity and a feeling of accomplishment.

—Dan Sautner is chairman of Padgett Business Services, Athens, Ga. For more information, phone (706) 548-1040.

A pitch for safer pitchers mounds



- The pitchers mound is the focal point of any baseball infield, but most don't get enough maintenance. In fact, says Joseph Motz, mounds on most ball fields, strictly speaking, probably don't even meet specifications. This is particularly true on fields used by recreational or amateur leagues.

Motz, president of the Motz Group and Motz Sports Turf, says baseball rules stipulate that a pitchers mound be 10 inches higher than the home plate area. Usually they're not, more typically erring on the high side. "Sometimes you have to deal with individual coaches as to what height they might like them to be, and they can get quite high," says Motz.

This may not even be apparent to batters because some of the height of the mound is "hidden" in the slope of the infield, says Motz. When the infield is flat—like on artificial turf—the mound is perceived to be higher.

A higher mound, or even the batter's perception of a higher mound, aids the pitcher. But an improperly designed or poorly maintained landing area in front of the mound may handicap a pitcher's performance or even injure him. The landing area is the unturfed area in front of the pitching rubber where the pitcher's feet end up after the delivery of the pitch.

"The landing area is critical for safety," says Motz. "Most landing areas, because the mounds are built higher, tend to be steeper than they should be." How steep should they be: starting six inches in front of the pitcher's rubber there should be a slope of 1 inch per foot for six feet. The landing area, should have the same contour no matter the height of the mound, dropping 6 inches in the 6 1/2 feet directly in front of the rubber.

In building, repairing or maintaining the landing area, as well as the batters boxes Motz recommends using a special "virgin"

clay which resists kick-out. The remainder of the mound can be built of a special mix consisting of three parts clay and one part sand. Elsewhere on the infield, a ballfield mix of 75 percent sand, 15 percent clay and 10 silt is preferred.

Because most athletic field managers can only dream about their "field of dreams," they must add soil amendments on site to improve play and safety. They don't have budgets allowing them to mix recipe soils off site.

Motz says he doesn't think enough calcined clay is incorporated into most fields. He says when calcined clay is tilled 2 to 3 inches into the infield it provides players with a firm but "corky" footing, and significantly better surface water management.

Motz made these and other sports turf suggestions in a presentation at the most recent Ohio Turfgrass Conference.

—Ron Hall