

RE-OPENING A DAN'S PET SUPPLY  
STORE IN HEMET, CALIFORNIA

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Bachelor of Science

by  
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## Abstract

The purpose of this study was to determine if Dan's Feed & Seed should re-open a pet supply store in the town of Hemet, California. The goal was to satisfy three objectives including if Dan's Feed & Seed could compete in the current market, if there was a demand in Hemet, California, and if Dan's could be profitable within a two year period. Dan's proved to be able to compete with the competition by having lower prices with two out of three competitors and could compete with the remaining competitor by providing high quality, name brand dog food that the competitor did not carry. In determining the demand, a survey was distributed near the potential site location and the results showed that there was not a high demand due to the participant's lack of a desire for a family owned business that did not offer lower prices than the top competitor in the survey. Pro-forma financial statements revealed that Dan's Feed & Seed could be profitable in the first year of operation if they obtained the same percentage of the population's income as the current Temecula and Sun City Dan's Feed & Seed stores.

The author concluded the study by advising Dan's Feed & Seed not to re-open a pet supply store based on the inability to meet all three objectives. The author also advised Dan's Feed & Seed to consider evaluating other internal and external sources before determining their final decision.

## TABLE OF CONTENTS

Chapter	Page
I. INTRODUCTION.....	1
Problem Statement.....	2
Hypothesis.....	2
Objectives.....	2
Justification.....	3
II. REVIEW OF THE LITERATURE.....	4
Location.....	4
Quantitative Data.....	5
Managerial Input.....	6
III. METHODOLOGY.....	8
Procedures for Data Collection.....	10
Procedures for Data Analysis.....	11
Assumptions.....	11
Limitations.....	12
IV. DEVELOPMENT OF THE STUDY.....	13
The Location Site.....	13
The Ability to Compete.....	14
Determining Demand.....	23
Predicting Costs and Revenue.....	24
V. SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS.....	34
Summary.....	34
Conclusions.....	35
Recommendations.....	35
References Cited.....	36
Appendix.....	38

## Chapter I

### INTRODUCTION

The thought of “the local feed store” paints a picture of a rustic mom and pop shop that contains all the essentials for animal feed and supplies and offers the laid back family environment that American’s have enjoyed over the years, but with the rise of pet supply franchises, consumers are lacking the experience of the local feed store environment. Franchises are becoming the majority within communities and consumers are deprived of the benefits offered by family owned retail stores that offer the relational interactions where customers feel like a valued person rather than a numbered customer when they walk into a store. Within communities there remains a demand for a family owned store that offers customer service at competitive prices.

Dan's Feed & Seed is a 2<sup>nd</sup> generation family owned business that was originally established in Perris, California in the mid 1940’s by Dan Hoser. In 1954, John Richard Harrison and John Kolb bought the small feed store and eventually opened store locations in nearby towns of Hemet, Temecula, and Sun City, California. Today, Dan’s Feed & Seed is owned by John Richard Harrison’s son, John Richard Harrison Jr., and has three store locations with feed stores in Perris and Temecula California, and a pet supply store in Sun City California. With the rise of competing pet supply franchises such as PetSmart and Petco, or even super stores such as Target and Wal-Mart, Dan’s Feed & Seed has adapted to the competitive conditions by offering competitive prices along with the local feed store mentality of favored customer service and has established long term customer loyalty (Harrison 2012).

In 1980 Dan's Feed & Seed opened a store in the town of Hemet, California but was forced out in 2005 when the city wanted to turn their store location into a library parking lot. In the last year Dan's Feed & Seed was in operation in Hemet, pet supply sales were over twice the amount than the primary store's pet supply sales located in Perris, California and still holds the greatest amount of pet supply sales in all previous years (Harrison 2012). According to the US Census Bureau (2012) Hemet has had a 33.7% increase in population between the years of 2000 and 2010 and there still contains a former Dan's Feed and Seed customer base that has requested Dan's Feed & Seed to re-open a store in the town of Hemet California (Harrison 2012).

### Problem Statement

Would it be feasible for Dan's Feed & Seed to re-open a store location in Hemet California?

### Hypothesis

A Dan's Feed & Seed pet supply store in the city of Hemet will have a high enough demand, the ability to compete with the current competition due to low prices and favored customer service, and will reach its payback period within two years of operation.

### Objectives

- 1) To determine if Dan's Feed & Seed can compete with the current competition.
- 2) To determine if there is a demand for a new family owned pet supply store in Hemet, California.
- 3) To estimate if Dan's Feed & Seed can be profitable within a two year period.

### Justification

There are a variety of people that the author hopes to benefit from this study. The first and most important would be Dan's Feed & Seed. Through the investigation of this study, the author hopes to provide reliable information that will aid Dan's Feed & Seed in their final decision to re-open a store in Hemet, California. The author also hopes to provide a reliable method on how to collect, organize, and evaluate the data needed to determine the feasibility in opening a store in a desired location for future businesses to implement in their location decisions. And finally, with the layout of this paper as well as the step by step process, the author hopes to provide a format that will benefit future students writing their feasibility papers for their senior projects.

## Chapter II

### REVIEW OF THE LITERATURE

#### Location

Levy (2012) identifies location as the most important factor for two reasons, first, location is the most important feature by which a consumer will decide to shop, and second, because a good location is not easily duplicated, which gives a business a competitive advantage over competitors in less desirable locations. An example of this is if Petco opens a store in the best location in an area then Petco's competitors are limited to opening a store in second best locations. Location is therefore an important factor when deciding to open a new store.

Retail stores that create a model to predict the best possible site location cannot possibly account for all the variables needed to create the most accurate represented model. Rust and Donthu (1995) state that some variables are not included because some variables are difficult to measure. The variables may not have been identified, and/or because the use of too many variables leads to parameter instability. They point out that site selection cannot be determined accurately without knowledge of where the customers are located and of the geographic configuration of existing stores. Athiyaman (2011) mentioned the "central place" theory, which acknowledges that consumers shop at locations that are closer to their residence. Through the use of different models showing strong positive correlations and 40% less prediction error, Rust and Donthu (1995) concluded that using a geographic component can be beneficial in predicting consumer choice for retail stores.

Interviews with residents at the potential site location are also an approach in determining customer demand in an area. Research for the feasibility of Dan's Feed & Seed to open a store in

Temecula California was conducted by Young (1968), who obtained customer information by interviewing potential customers around the desired location, business men, and bankers to determine the site location. He concluded with the positive feedback from his interviews, that a store in Temecula would be a good idea due to the growth in the area and with customer demand.

Mountinho, Curry, and Davies (1993) identified six approaches to determining retail site location including rules of thumb, descriptive inventory, site-ranking instruments, ration methods, regression modeling, and location-allocation techniques. They incorporated computerized techniques by including databases and analytical techniques to assist in determining site location for retail outlets. They explained several of the advanced technology techniques and concluded with the advantages of each technique. The authors concluded that the problem that is difficult to overcome is the availability of suitable data for analysis.

### Quantitative Data

Although store location is an important component in retail, it must be balanced with the use of quantitative data in the decision making process (Wood 2008). An online questionnaire surveyed retailers of different sizes to assess the employment of location assessment techniques ten years since a past survey was conducted. The results showed that retailers relied more on data and analysis to inform decision making rather than on personal experience. For the preceding decade it was Reynolds (2010) prediction that there would be a shift from widespread new store development to a greater focus on maintaining and improving the current portfolios of operators.

Wood (2008) stated a site evaluation begins with an estimation of sales because returns are tied to sales. Wood incorporated various methods such as analogues which are the comparisons of turnover expectations based on the date from an existing similar store and the use



of geographical information systems (GFI) which is a spatial representation of geo-demographic and retail data.

In dealing with the feasibility of international expansion for a small to medium-sized franchise, Simpkin (2010) included the incorporation of his four “P”s: plan, protect, product, and people in decision making and concludes that the most important “P” was people because you need people to do business with. Applebaum (1966) identified a method used for determining trade areas and market penetration with the use of customer spotting, where a sample of customers gave their addresses and shopping habits, along with using topography maps to determine primary, secondary, and tertiary areas. The analog method used involved quantitative experience to determine potential store sales by measurements of store sales in related locations.

One way to receive reliable data is to go directly to the current store’s financial records. Rodriguez (2011) relied on personal interviews in determining the feasibility to open a new store location, with the company’s owner to estimate budgets and financial information to estimate potential profits or losses. The results showed that the company he was researching would be successful due to the data he conducted from the personal interviews.

### Managerial Input

With strategies used to determine the prime location as well as quantitative data analysis to determine the feasibility, managerial input is another important factor for the execution of the location decision. Separation of ownership and management has implications for firms that relate to their location decisions (Lin-Tin 2002). Srinivas, Sharma, and Andrews (1992) demonstrated in location selection, a model’s predictive accuracy can be increased by the incorporation of managerial input. A retail model based on managerial judgments was compared to an alternative

location model that uses data and the results showed that the managerial judgment model had greater applicability since it requires managerial participation. The article stated that the primary advantage of using this model is that management would understand the model better and would feel more comfortable using this model for location decisions.

### Chapter III.

## METHODOLOGY

### Procedures for Data Collection

To determine if Dan's Feed & Seed will be able to compete with the current competition, a comparison of the number of high quality dog food products will be compared with the current competition. A price comparison between Dan's current, major product prices will be compared with the competition near the desired store location. An online search will be used to view the potential competition and prices from their websites will be compared with Dan's current prices. Each item will receive a weight within its assigned category based on the percent of sales that item produced in 2011 and will be evaluated to determine the competitive advantage.

The site location for the new pet supply store has already been identified by the owner of Dan' Feed & Seed and determining the demand for a Dan's pet supply store in Hemet, California will be conducted by a survey distributed around the potential area. Figure 1 demonstrates the potential questions that will be used for the survey and can be seen below.

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Circle correct answer...

- 1) Do you own a pet? If so what kind?  
Dog      Cat      Bird      Horse      Other      I Do Not Own a Pet
- 2) Do you...  
Live in Hemet:                      Yes      No  
Shop for pet food in Hemet:      Yes      No  
If Yes where:  
   Petco      PetSmart      Wal-Mart      Target      Other
- 3) Are you happy where you shop for your pet food?      Yes      No

4) What is the biggest deciding factor to where you shop for your pet food?

Prices      Customer Service      Location      Convenience      Other

5) Would you prefer to shop at a family owned pet supply store?      Yes      Does Not Matter

**Figure 1.** Potential Survey Questions

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The first question was chosen first to determine whether the participant was qualified for the survey. The second question expanded the qualification by determining if the person would be shopping in the potential target area. The specification of what kind of animal the participant owns could also provide information of what type of products Dan's should aim to sell. The third question was chosen to get an idea if there is a demand for a new pet supply store. The fourth question was chosen to build off question three, to get a better understanding of the competitive advantage needed by Dan's to compete over the competition. The final question was chosen last to determine if the demand for a family owned business was high enough to consider the opening of the new pet supply store.

Here is a list of parameters and reasons for the questions in the survey...

Population:

The population for my survey will be consumers who own a pet and live in or who purchase pet food in Hemet.

Number of Questions:

When distributing a survey, participants tend to not want to be asked numerous amounts of questions, so the survey was narrowed down to seven questions that appear to be in the form of five questions to make the likelihood of potential participants to increase.

Where:

The survey will be distributed in parking lots within the primary zone of the selected Dan's Feed & Seed location since this will hypothetically consist of the store's potential customers.

The site location determined by the owner of Dan's Feed & Seed is in between the size of the Temecula and Sun City store so an average of the two store's costs will be used as the potential costs involved with the new store's location. Information from the owner's visit with the landlord of the desired location will be used to determine the cost of rent. Interviews will play a key role in determining the costs and revenues involved in this study. The primary research will consist of a series of interviews with the owner of Dan's Feed & Seed to gain insights such as costs of current store operation and the current structure of operation. The information on current costs as well as incoming revenue will be used to predict potential income and expenses for the Hemet store location. The financial information received from Dan's Feed & Seed will be used to estimate the new location's pro-forma financial statements which include an income statement, balance sheet, and statements of cash flows.

#### Procedures for Data Analysis

The number of high quality brands of dog food between Dan's Feed and the competition will be totaled to determine if Dan's can have an advantage over the competition. The products compared for price advantages will be given a weight within its category and will be determined by that items importance to overall sales in a given year. Each category will be totaled and if the category receives the majority (at least 51 percent) of the available points then that category will be considered a competitive category. Each category will be given a weight based on the

percentage that category produces to over all sales and will be totaled. If Dan's receives at least 51 percent of the available points for a particular competitor, then Dan's will be considered to be able to compete. Each competitive store will be evaluated to determine if Dan's can compete in the current market.

After the collection of all the data, the data will be displayed in easy to understand charts using Microsoft Excel. Once the survey is initiated, the results from the survey conducted will be placed in data tables and then analyzed to determine if the demand in the desired location is potentially high enough to re-open a store. If the majority of the participants in the survey show an interest in a new family owned pet supply store, then the conclusion will be that there is a high enough demand to re-open a store.

The information from the financial statements of Dan's Feed & Seed will be analyzed to determine potential profitability and to determine if the payback period is reached within the two year period. If the pro-forma statements reveal that Dan's will not reach its payback period within two years then Dan's should not re-open a store location in Hemet California.

### Assumptions

The assumptions are that there will be accurate data from internal and external sources, and that the survey will be answered honestly. Due to confidential information that Dan's Feed and Seed would choose not to reveal, such as all the financial records, there is an assumption that Dan's Feed & Seed has the funds available to meet all the costs involved in re-opening a new store location and will not need to take out loans from the bank.

### Limitations

The limitations of this study will be the willingness of Dan's Feed & Seed to share some financial information. There may be some financial information that Dan's Feed & Seed will not be willing to give so finding comparable financial information may be a needed by outside sources.

## Chapter IV.

### DEVELOPMENT

#### The Location Site

The potential site location in Hemet, California has already been determined by the management of Dan's Feed & Seed and is located on Florida Ave in between S. Raymond St and S. Gilmore St. The store that occupied the building prior was a Sharps Hardware. A picture of the site location can be seen in Figure 2.



Figure 2. Dan's Pet Supply's Potential Location  
Source: Taken from <http://maps.google.com/>

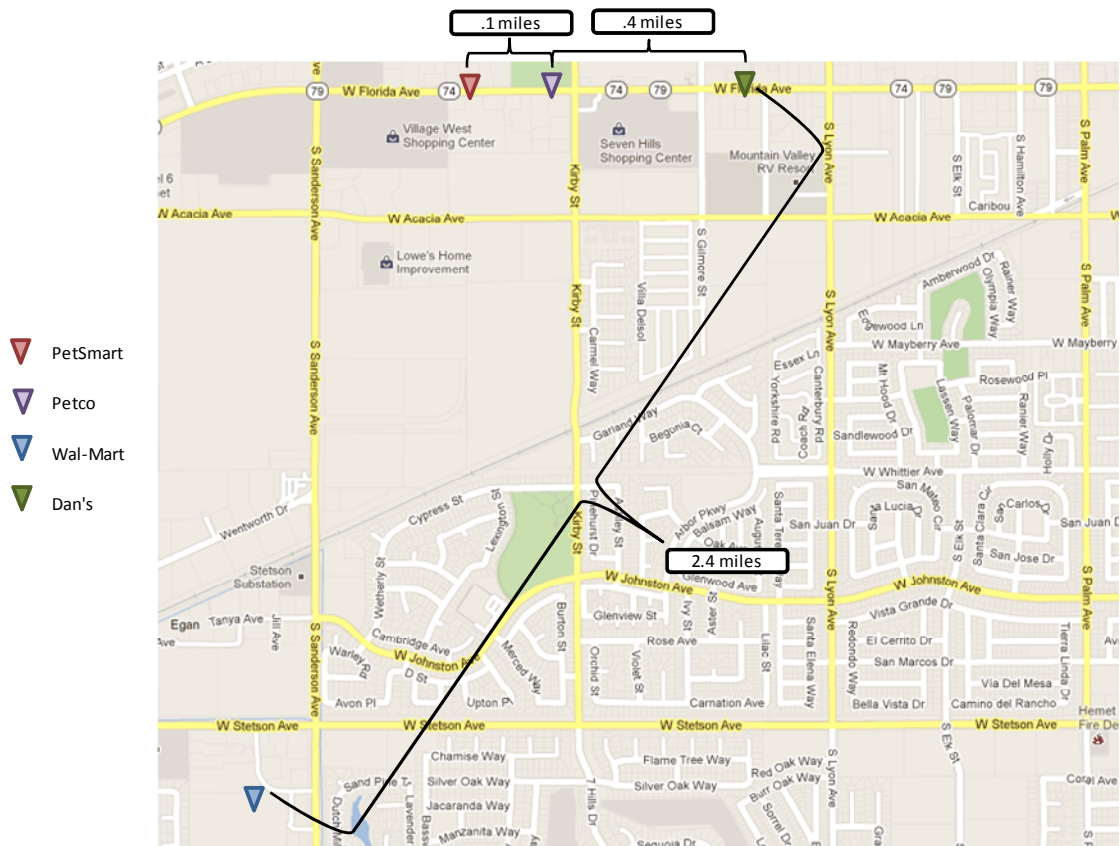
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The site was a great location because Florida Ave is the main street in Hemet where most retail stores and restaurants reside. A Rabobank was to the west and a Citibank was to the east of the location. Across the street resided a Mimi's Café and a Red Robin restaurant. The nearby competitors included Petco and PetSmart and were both located down the street within .6 miles of the location.



## The Ability to Compete

The major competition included Petco, PetSmart, and Wal-Mart. The stores resided within 3 miles of the site location and can be seen in Figure 3.



**Figure 3** Competition near Potential Site Location in Hemet California.  
Taken from <http://maps.google.com/>

Many factors can contribute to whether a store can stay competitive over the competition such as a better location, better prices, favored customer service, better quality of products, and even store reputation, but for this study the author focused on two main factors, availability of high quality, name brand dog foods and price comparison.

Availability of high quality, name brand dog foods was compared by looking at the dog food brands sold between Dan's Feed & Seed, Petco, PetSmart, and Wal-Mart. Availability was measured whether the individual stores carried name brand products made of high quality ingredients and the quality of each product was determined by products that did not contain corn or by products. A visit to each store's website was conducted and a list was derived of the high quality dog foods offered by each store. This list can be found in Table 1.

**Table 1.** Available High Quality Dog Food Brands

<b>Brands:</b>	Dan's	Petco	PetSmart	Wal-Mart
Nutro	1	1	1	
Canidae	1			
Blue Buffalo	1	1	1	
Diamond	1			
Pure Balance				1
AvoDerm	1	1	1	
Innova		1		
Fesh Pet		1		
Canyon Creek Ranch		1		
Evo	1			
Earthborn	1			
Eagle Pack		1		
Taste of The Wild	1			
Pinnacle		1		
Castor & Pollux			1	
Ultra	1	1	1	
Wellness	1	1	1	
Pro Pac	1			
Simply Nourish			1	
Solid Gold		1		
Chicken Soup	1			
Omega			1	
Merrick		1		
Halo		1		
Nature's Recipe		1	1	
<b>Total</b>	12	14	9	1

Notes: All brands listed were considered natural dog foods in that they did not contain corn or soy. The "1" in each category represented whether the store carried the product.

The results showed that Dan's Feed and Seed had an advantage over Wal-Mart by carrying twelve high quality dog food brands while Wal-Mart only carried one. Dan's also had an advantage over PetSmart who carried nine high quality dog food products. Petco had a slight advantage over Dan's by carrying fourteen high quality brands but Dan's was close proximity by carrying two less brands so Dan's was considered to be able to compete with Petco. The results showed that Dan's is in range of the competition by carrying similar high quality name brand products so Dan's will be able to compete with the current competition in high quality, dog food brands.

To determine if Dan's Feed & Seed could be competitive with the current competition, a price comparison was conducted between the four stores. A visit to Dan's Feed & Seed was conducted to provide information of current prices of major items within the pet food, pet supply, and vet supply departments. Major items within each sub category that contributed major revenue for the 2011 sales were obtained and recorded on an excel spreadsheet. A weight was then assigned to each item based on the percent the item contributed to overall sales for 2011. This was done by dividing each item by the overall sales in that items category. This can be seen in Table 2 which is located in the appendix.

An online search on each competitor's website was then conducted to determine each competitor's prices. Once both prices were put into the excel spreadsheet, an "if statement" was applied to the excel spreadsheet. If Dan's price for a particular item was equal to or less than the price of the competitor, then that item received a "Yes" for the ability to compete for that item. If the competitor's price was less than Dan's price then the item received a "No" for the ability to compete for that item. If the item received a "Yes" then that item earned the weighted points assigned to that item. If the item received a "No" then that item received zero points. After all the

items were compared, the weighted points were totaled and evaluated. If the total points earned were at least 51% of the potential weighted points available then that category received a “Yes” for the ability to compete with that competitor in that category. Dan’s verses PetSmart can be seen in Table 3 located below. Petco’s and Wal-Mart’s results can be seen in Table 4 and Table 5 which is located in the appendix.

**Table 3. Dan's Prices vs. PetSmart's Prices**

<b>Dog Food</b>	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Iams						51%
Puppy Lg Brd 40 lbs	\$33.99	\$32.99	Yes	0.0035513	0.00355133	
Mini Chunk 33 lbs	\$33.99	\$32.99	Yes	0.0177273	0.0177273	
Adult Lg Brd 40lbs	\$33.99	\$32.99	Yes	0.0048769	0.00487689	
Pedigree						
Adult 36.4 lbs	\$23.99	\$27.98	No	0	0.01229305	
Nutro Max						
Adult 30 lbs	\$29.99	\$29.99	Yes	0.0218727	0.02187265	
Adult Lg Brd 30 lbs	\$29.99	\$29.99	Yes	0.0088279	0.0088279	
Eukanuba						
Adult Lg. Brd 33lbs	\$41.99	\$32.99	Yes	0.010401	0.01040097	
<b>Total</b>				0.0568561	0.06914911	
<b>Met Minimum Requirement of</b>					0.03526605	Yes

<b>Treatment (Flea and Tick)</b>	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Frontline 0-22lbs	\$53.99	\$52.98	Yes	0.0676278	0.06762784	51%
Frontline 23-44lbs	\$54.99	\$54.78	Yes	0.0382222	0.03822218	
Frontline 45-88lbs	\$56.99	\$55.98	Yes	0.0854942	0.08549424	
Frontline 89-132lbs	\$57.99	\$57.48	Yes	0.0224821	0.02248211	
Bio Spot Yard Spray	\$18.99	\$17.48	Yes	0.004486	0.00448605	
Adam's Spray 16 oz	\$13.99	\$9.34	Yes	0.022534	0.02253397	
Adam's Spray 32 oz	\$22.99	\$18.39	Yes	0.0370553	0.03705528	
Adam's Shampoo 12oz	\$15.99	\$11.94	Yes	0.016907	0.01690696	
<b>Total</b>				0.2948086	0.29480863	
<b>Met Minimum Requirement of</b>					0.1503524	Yes

**Dog Treats**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Rawhide	\$3.99	\$1.99	Yes	0.0081772	0.00817716	51%
Milk Bones	\$3.33	\$2.99	Yes	0.1269367	0.12693671	
Bully Stick 6"	\$5.99	\$3.38	Yes	0.0121465	0.01214645	
Bully Stick 12"	\$7.19	\$5.48	Yes	0.0264185	0.02641853	
Pizzle 12"	\$9.99	\$6.78	Yes	0.0255943	0.02559431	
Knuckle Bone	\$7.99	\$5.98	Yes	0.0060732	0.00607323	
Mammoth Bone	\$9.99	\$11.78	No	0	0.01320927	
Ck Tenders 8oz	\$5.99	\$8.74	No	0	0.01066068	
Pig Ear	\$1.39	\$1.15	Yes	0.04325	0.04325004	
Hoof	\$1.99	\$0.95	Yes	0.0168532	0.0168532	
<b>Total</b>				0.2572725	0.28931958	
<b>Met Minimum Requirement of</b>					0.14755299	Yes

**Vet**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Vetericyn Eye	\$24.99	\$26.98	No	0	0.022252	51%
Vetericyn 8oz Gel	\$36.99	\$35.95	Yes	0.0547417	0.05474166	
Vetericyn 16oz Gel	\$49.99	\$44.68	Yes	0.0583824	0.05838236	
Bag Balm 10oz.	\$12.99	\$7.98	Yes	0.0183346	0.0183346	
<b>Total</b>				0.1314586	0.15371061	
<b>Met Minimum Requirement of</b>					0.07839241	Yes

**Wormers**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Worm X Plus sm	\$9.59	\$8.98	Yes	0.0467659	0.04676589	51%
Worm X Plus Lg	\$17.59	\$17.48	Yes	0.089522	0.08952198	
Liquid Dog wormer 2oz	\$14.99	\$12.78	Yes	0.0811119	0.08111193	
Trade Cat Wormer	\$24.99	\$16.98	Yes	0.0164897	0.01648971	
Milk Replacer 12oz	\$27.99	\$20.50	Yes	0.0107829	0.01078289	
Greenies Teenie	\$16.99	\$15.48	Yes	0.0139216	0.01392164	
Greenies Petite	\$16.99	\$15.48	Yes	0.0154535	0.01545347	
Greenies Reg	\$16.99	\$15.48	Yes	0.0068332	0.00683317	
Greenies Large	\$16.99	\$15.48	Yes	0.0022977	0.00229775	
E Collar Sm	\$9.99	\$9.48	Yes	0.0030637	0.00306366	
E Collar Med	\$12.99	\$11.98	Yes	0.0043252	0.00432517	
E Collar LG	\$14.99	\$13.28	Yes	0.0073738	0.00737381	
E Collar XL	\$16.99	\$15.78	Yes	0.0082449	0.00824485	
E Collar King	\$21.99	\$19.28	Yes	0.0055717	0.00557166	
<b>Total</b>				0.3117576	0.31175755	
<b>Met Minimum Requirement of</b>					0.15899635	Yes

**Bird Seed Sm**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Cockatiel 5#	\$7.98	\$7.98	Yes	0.0175125	0.01751254	51%
Parakeet 5#	\$7.48	\$7.48	Yes	0.0090326	0.00903256	
Wild Bird Seed 20lb	\$9.99	\$8.99	Yes	0.1972924	0.19729236	
Millet	\$0.53	\$0.33	Yes	0.0388294	0.03882938	
Peanuts	\$2.19	\$2.99	No	0	0.00909632	
Parrot 5#	\$10.98	\$10.98	Yes	0.0308595	0.03085947	
KT Fiesta Cockatiel 4.5#	\$15.98	\$15.98	Yes	0.0025079	0.00250786	
KT Fiesta Parakeet 2#	\$6.68	\$6.68	Yes	0.0027416	0.00274165	
KT Fiesta Parakeet 4.5#	\$13.98	\$13.98	Yes	0.0025079	0.00250786	
Finch 2#	\$3.78	\$3.78	Yes	0.0095001	0.00950013	
Dove #5	\$5.28	\$5.28	Yes	0.0192553	0.01925529	
<b>Total</b>				0.3125266	0.33913542	
<b>Met Minimum Requirement of</b>					0.17295907	Yes

**Cat Food**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Iams						51%
Original Adult 20 lb	\$26.99	\$27.99	No	0	0.02239675	
Purina						
Cat Chow 16 lb	\$11.99	\$16.95	No	0	0.01502075	
Kit & Kaboodle 16 lb	\$11.99	\$14.95	No	0	0.03723833	
<b>Total</b>				0	0.07465584	
<b>Met Minimum Requirement of</b>					0.03807448	No

Notes: If Dan's prices were less than or equal to the competition's prices then the advantage per item was given a "yes". If that item was a "Yes" then that item received the weighted points that were based on the percent of sales that item produced in 2011. The earned points were totaled and if the total earned points represented 51% of total weighted points available then Dan's received a "Yes" for the ability to compete in that category.

In this study the author compared seven categories including dog food, flea and tick medication, dog treats, vet supplies, treatments, bird seed, and cat food. Almost all of the items in each category accounted for at least 30 percent of the items sold in each category including dog food, flea and tick, dog treats, vet, treatments, and small bags of bird seed. The only category not over 30 percent was cat food due to the competition not carrying similar brands. The dog food and flea and tick categories accounted for almost half of the items sold in their

categories. This provided a significant amount of data to validate the comparison accuracy for the ability to compete against the competition. Once each category was compared with the competition, the results of each category were combined into one table and can be seen in Table 6.

**Table 6.** Dan's Ability to Compete per Category per Store

<b>Ability to Compete Per Category</b>			
	Wal-Mart	Petco	PetSmart
Dog Food	No	Yes	Yes
Flea and Tick	No	No	Yes
Dog Treats	No	Yes	Yes
Vet	N/A	No	Yes
Treatments	No	N/A	Yes
Bird Seed Sm	No	No	Yes
Cat Food	No	No	No

Notes: These are the combined results from Table 3, Table 4, and Table 5.

The results shows that Wal-Mart and Petco have a price advantage over Dan's in most of the categories while Dan's is able to compete in most of the categories against PetSmart. Since each category contributes to a different amount of revenue, each category was then given a weight based on the percentage each category contributes to overall pet supply sales. This can be seen in Table 7.

**Table 7. Weighted Points Earned per Category Based off of Percent of 2011 Sales****Total Pet Supply Sales (2011)**

\$845,892

**Total Sales per Category**

Dog Food	\$545,430
Flea and Tick	\$38,564
Dog Treats	\$46,104
Vet	\$68,668
Treatments	\$66,587
Bird Seed Sm	\$47,052
Cat Food	\$33,487

**Weighted Avg. Earned**

	Wal-Mart	Petco	PetSmart	Possible Weight Avg.
Dog Food	0.00%	64.48%	64.48%	64.48%
Flea and Tick	0.00%	0.00%	4.56%	4.56%
Dog Treats	0.00%	5.45%	5.45%	5.45%
Vet	N/A	0.00%	8.12%	8.12%
Treatments	0.00%	N/A	7.87%	7.87%
Bird Seed Sm	0.00%	0.00%	5.56%	5.56%
Cat Food	0.00%	0.00%	0.00%	3.96%
<b>Total:</b>	0	69.93%	96.04%	100.00%

Notes: The possible weighted avg. column was calculated by taking the total sales per category and dividing it by the total pet supply sales for 2011. If the category was a “Yes” from Table 6, then it received the weighted points.

If a category from Table 6 was a “Yes” then that category received a weight. If a category from Table 6 was a “No” then that category did not receive a weight. The weights for each store were totaled and if the total accounted for more than 50% of the weighted points possible, then the store received a “Yes” for the ability to compete. The results can be seen in Table 8.



**Table 5. Dan's Ability to Compete Against Current Competition**

<b>Ability to Compete</b>			
	Walmart	Petco	PetSmart
Competing Status	No	Yes	Yes
			Weighted Min.
			0.51

Since the dog food category accounted for 64% of the sales, this category was the deciding factor on the ability to compete against the competition. Dan's Feed & Seed was able to compete with Petco and PetSmart by receiving 69.93% of the weighted points over petco and 96.04% over PetSmart. Dan's could not beat Wal-Mart in any of the categories so it was determined that Dan's could not compete in price over Wal-Mart.

Dan's Feed & Seed was able to have a price advantage over Petco and PetSmart while having the ability to compete with all three competitors with natural name brand dog food. Even though Dan's would not be able to compete with Wal-Mart in prices, Dan's can offer a larger variety of natural dog food lines that customers would not be able to get through Wal-Mart. The results conclude that Dan's is able to compete over the competition due a balance between the two categories and can compete by offering premium dog food brands with low product prices. A visual of the results can be seen in Table 9.

**Table 9. Dan's Ability to Compete in the Current Market**

	Petco	PetSmart	Wal-Mart
Compete with High Quality Dog Food	Yes	Yes	Yes
Compete with Price Advantage	Yes	Yes	No

### Determining Demand

In determining the demand for a new pet supply store, a survey was conducted and distributed near the potential site location in front of a Vons grocery store and at a local church near the area. The questions asked in the survey can be seen back in Figure 1. After the survey was initiated, the results were totaled and then evaluated. A copy of the results can be seen in Table 10.

**Table 10.** The results for the Survey Distributed in Hemet, California.

Survey Results	
Number Taken	61
Pet Type	
Dog	55
Cat	11
Bird	2
Horse	0
Other	1
Shop in Hemet at:	
Petco	16
PetSmart	11
Wal-Mart	19
Other	14
Satisfaction w/ Supplier	
Yes	55
No	6
Deciding Factor	
Prices	27
Cust Ser	9
Location	10
Convenience	19
Other	15
Prefer Family Owned Business	
Yes	26
DNM	35

The 61 participants qualified for the survey in that they owned a pet and lived in or shopped for their pet food in Hemet. The majority of the participants owned a dog which helped Dan's since that was the best competitive advantage in the price comparison. The major competitor in the target area that received the most customers was Wal-Mart and the deciding factor for where they choose to shop was due to prices. This lowered the demand in that Dan's was not able to beat Wal-Mart in price in the last objective results. The participants were also satisfied with their current suppliers so that also lowered lower the demand for Dan's. The final question showed that the majority of the participants were not interested in shopping at a family owned business. The conclusion can be made that due to the lack of a desire for a family owned business, and that the majority of the participants biggest factor in determining a store was based off prices which Dan's was not able to compete with Wal-Mart, there is not a high enough demand for Dan's Feed & Seed to re-open a store in Hemet, California.

#### Costs and Revenue

The Temecula store is roughly 10,000 square feet and the Sun City store is roughly 2,100 square feet. The Hemet location is about 6,700 square feet, making it in between the size of the two current stores. Since the store is in between the size of two current Dan's stores, much of the pro-forma financial information such as expenses, sales, costs of goods sold, and inventory were based on the average of the Temecula and Sun City store's 2011 financial information.

Since the owner was not wanting to include all current product categories that are in the current store locations into the new store, only the product categories that will be in the Hemet store were compared. The categories included were Hardware, Pet, Vet, Feed, and Tack. Temecula's and Sun City's sales and cost of goods sold can be seen in Table 11.

**Table 11.** Temecula and Sun City's Sales and Cost of Goods Sold for 2011

Sales			COGS		
Sales (2011)	Temecula	Sun City	COGS (2011)	Temecula	Sun City
Hardware	\$120,155.56	\$514.38	Hardware	\$66,835.55	\$327.51
Pet	\$210,837.19	\$310,811.54	Pet	\$136,165.36	\$203,662.55
Vet	\$166,307.61	\$20,131.77	Vet	\$92,345.50	\$11,652.38
Feed	\$785,003.34	\$2,241.04	Feed	\$533,791.69	\$1,672.05
Tack	\$48,542.42	\$238.55	Tack	\$31,102.96	\$125.93
<b>Total</b>	<b>\$1,330,846.12</b>	<b>\$333,937.28</b>	<b>Total</b>	<b>\$860,241.06</b>	<b>\$217,440.42</b>

Although the Hemet store will be in between the size of the two stores, taking the average of the two store's sales and cost of goods sold will not give the most accurate prediction. To obtain a more accurate prediction, the population statistics for all three cities were taken into account for the population size comparison. The population statics can be seen in Table 12.

**Table 12.** Estimated Population Growth for the Next Three Years

2010 Population Growth	Temecula	Average/Year	2013 Estimate	2014 Estimate	2015 Estimate
Total population	102,523	N/A	121,322	128,325	135,733
Square Miles	101.09	N/A			
Population Density	1,014.20	N/A			
Population Change Since 1990	330.70%	33.07%			
Population Change Since 2000	77.63%	7.76%			
Forecasted Population Change by 2014	23.09%	5.77%			

2010 Population Growth	Sun City	Average/Year	2013 Estimate	2014 Estimate	2015 Estimate
Total population	23,098	N/A	23,973	24,272	24,575
Square Miles	14.70	N/A			
Population Density	1,571.70	N/A			
Population Change Since 1990	42.26%	4.23%			
Population Change Since 2000	29.96%	3.00%			
Forecasted Population Change by 2014	4.99%	1.25%			

2010 Population Growth	Hemet	Average/Year	2013 Estimate	2014 Estimate	2015 Estimate
Total population	75,027	N/A	77,766	78,701	79,648
Square Miles	60.76	N/A			
Population Density	1,234.80	N/A			
Population Change Since 1990	49.10%	4.91%			
Population Change Since 2000	27.57%	2.76%			
2014	4.81%	1.20%			

Source: CLRsearch.2012. Hemet, California Demographics - Population Growth and Population Statistics. [http://www.clrsearch.com/Hemet\\_Demographics/CA/Population-Growth-and-Population-Statistics](http://www.clrsearch.com/Hemet_Demographics/CA/Population-Growth-and-Population-Statistics)

The author took the given population statistics and then determined the next three year population estimate based off the population average increase over the previous 10 year period prior to 2010. The author then took the 2011 sales and cost of goods sold for Temecula and Sun City and divided it by the current populations of each city. This gave an average price value on a per person bases. This can be seen in Table 10.

**Table 13.** The Temecula and Sun City Store's Revenue and COGS Based on Population

2010 Population Growth		Temecula	2010 Population Growth		Sun City
Total Population		102,523	Total Population		23,098
Total Rev 2011		\$1,330,846.12	Total Rev 2011		\$333,937.28
<b>Rev Per Person</b>		\$12.98	<b>Rev Per Person</b>		\$14.46
Total Population		102,523	Total Population		23,098
Total COGS		\$860,241.06	Total COGS		\$217,440.42
<b>COGS Per Person</b>		\$8.39	<b>COGS Per Person</b>		\$9.41

Notes: The entire population is not actual customers but the entire population as a price figure was used rather than a percent of the population since actual percent of the population that shop at Dan's was not available.

After the revenue and cost of goods sold were broken down based on population, an average of the two store's prices per person were taken and multiplied by the next three year population estimates for Hemet. To get a more precise estimate, the current competition was also assessed with the three locations. Temecula had a total of 6 major competitors within a five mile radius while Sun City only had 2 major competitors within the same mile radius. Since Temecula had more competitors than the Hemet store will have, the revenue and cost of goods sold stayed with its current per person prices. Since Sun City had half as many competitors than the Hemet store will have, the revenue and cost of goods sold per person were cut in half. The Hemet expected revenue and cost of goods sold can be seen in Table 14.

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**Table 14.** Hemet Predicted revenue and COGS Based off Population

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2010 Population Growth (Hemet)	Current	2013 Estimate	2014 Estimate	2015 Estimate
Total Population	75,027	77,766	78,701	79,648
Avg Rev Per Person	\$13.72	\$10.10	\$10.10	\$10.10
<b>Total Expected Rev</b>	1,029,309.02	785,814.90	795,264.32	804,827.37
Total Population	75,027	77,766	78,701	79,648
Total COGS	\$8.90	\$6.55	\$6.55	\$6.55
<b>Total Expected COGS Per Person</b>	\$667,910.36	\$509,276.69	\$515,400.74	\$521,598.44

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Along with the predicted expenses and inventory costs, initial costs were also predicted and were done by assessing current prices online. Different websites were used to determine the costs for initial store items such as shelves and office supplies. The costs of the start-up expenses can be seen in Table 15.

**Table 15. Hemet Store Start-Up Expenses**

## Start-Up Expenses

	Quantity	Price	Total		Quantity	Price	Total
<b>Shelving:</b>				<b>Register Units:</b>			
Dog Food <sup>1</sup>	8	\$91	\$728	Bundle Pack <sup>2</sup> :	2	\$1,637	\$3,274
Pet Treatment <sup>1</sup>	1	\$91	\$91	Computer	-	-	-
Pet Treats <sup>1</sup>	2	\$91	\$182	Monitor	-	-	-
Vet Supplies <sup>1</sup>	1	\$91	\$91	CC Readers	-	-	-
Treatments <sup>1</sup>	1	\$91	\$91	Key Board	-	-	-
Bird Seed <sup>1</sup>	2	\$91	\$182	Cash Drawer	-	-	-
Cat Food <sup>1</sup>	1	\$91	\$91	Scanner	-	-	-
Toys <sup>1</sup>	3	\$70	\$210	Receipt Printer	-	-	-
Livestock Feed <sup>1</sup>	2	\$91	\$182	Phone	1	\$150	\$150
Glass Display <sup>1</sup>	1	\$200	\$200	POS Software <sup>3</sup>	2	\$589	\$1,178
Checkout Counter <sup>1</sup>	2	\$179	\$358			<b>Total</b>	<b>\$4,602</b>
		<b>Total</b>	<b>\$2,406</b>				
	Quantity	Price	Total		Quantity	Price	Total
<b>Office Supplies:</b>				<b>Equipment:</b>			
Computers <sup>4</sup>	2	\$500	\$1,000	Push Carts <sup>7</sup>	2	\$109	\$218
Printers <sup>4</sup>	2	\$70	\$140	Forklift <sup>8</sup>	1	\$5,000	\$5,000
Desks <sup>5</sup>	2	\$349	\$698	Shopping Carts <sup>9</sup>	6	\$85	\$510
File Cabinets <sup>5</sup>	2	\$179	\$358	Hand Trucks <sup>10</sup>	2	\$49	\$98
Phone <sup>6</sup>	2	\$150	\$300	Pallet Jack <sup>10</sup>	1	\$300	\$300
		<b>Total</b>	<b>\$2,496</b>			<b>Total</b>	<b>\$6,126</b>
<b>Total Start Up Costs</b>				<b>\$15,630</b>			

- Sources: <sup>1</sup>Available at <http://onsmartpages.com>  
<sup>2</sup>Available at <http://www.posworld.com/>  
<sup>3</sup>Available at <http://www.retailsoftware.com>  
<sup>4</sup>Available at <http://www.bestbuy.com/>  
<sup>5</sup>Available at <http://www.officemax.com>  
<sup>6</sup>Available at <http://www.hellodirect.com>  
<sup>7</sup>Available at <http://www.uline.com>  
<sup>8</sup>Available at <http://www.machinerytrader.com>  
<sup>9</sup>Available at <http://www.shopcarriage-trade.com>  
<sup>10</sup>Available at <http://www.harborfreight.com>

After the start-up costs were determined, depreciation was then accounted for and can be seen in Table 16.

**Table 16.** Hemet Store Depreciation on Start-up Expenses

<b>Depreciation</b>					
	<b>Total</b>	<b>Useful Life</b>	<b>Dep per Year</b>	<b>Value Y2</b>	<b>Value Y3</b>
<b>Materials Dep:</b>					
<b>Shelving:</b>	\$2,406	15	\$160.40	\$2,245.60	\$2,085.20
<b>Office Supplies:</b>					
Computers <sup>4</sup>	\$1,000	7	\$142.85	\$857.11	\$714.26
Printers <sup>4</sup>	\$140	2	\$69.99	\$69.99	\$0.00
Desks <sup>5</sup>	\$698	10	\$69.80	\$628.20	\$558.40
File Cabinets <sup>5</sup>	\$358	10	\$35.80	\$322.20	\$286.40
Phone <sup>6</sup>	\$300	7	\$42.86	\$257.14	\$214.29
<b>Register Units:</b>					
Bundle Pack <sup>2</sup> :	\$3,274	7	\$467.71	\$2,806.29	\$2,338.57
Phone	\$150	7	\$21.43	\$128.57	\$107.14
POS Software <sup>3</sup>	\$1,178	5	\$235.60	\$942.40	\$706.80
<b>Total</b>	<b>\$9,504</b>		<b>\$1,246</b>	<b>\$8,257</b>	<b>\$7,011</b>
<b>Equipment Dep:</b>					
<b>Equipment:</b>					
Push Carts <sup>7</sup>	\$218	5	\$43.60	\$174.40	\$130.80
Forklift <sup>8</sup>	\$5,000	8	\$625.00	\$4,375.00	\$3,750.00
Shopping Carts <sup>9</sup>	\$510	5	\$102.00	\$408.00	\$306.00
Hand Trucks <sup>10</sup>	\$98	5	\$19.60	\$78.40	\$58.80
Pallet Jack <sup>10</sup>	\$300	7	\$42.86	\$257.14	\$214.29
<b>Total</b>	<b>\$6,126</b>		<b>\$833</b>	<b>\$5,293</b>	<b>\$4,460</b>

<sup>1</sup>Available at <http://onsmartpages.com><sup>2</sup>Available at <http://www.posworld.com/><sup>3</sup>Available at <http://www.retailsoftware.com><sup>4</sup>Available at <http://www.bestbuy.com/><sup>5</sup>Available at <http://www.officemax.com><sup>6</sup>Available at <http://www.hellodirect.com><sup>7</sup>Available at <http://www.uline.com><sup>8</sup>Available at <http://www.machinerytrader.com><sup>9</sup>Available at <http://www.shopcarriage-trade.com><sup>10</sup>Available at <http://www.harborfreight.com>



After the depreciation was accounted for the accounts receivable was determined by the percent of Dan's 2011 end of the year accounts receivable and the accounts payable was calculated by the percent of Dan's 2011 accounts payable based of of the current assets. The final cost to determine was the income tax and this was determined by a conversation with Jan Letchworth, the current accountant of Dan's Feed & Seed. She stated that California charges an \$800 per year fee and the IRS charges 15% of year ending income (Letchworth 2010).

Once the all the costs and revenues were determined, the financial statements were conducted. The income statement can be seen in Table 17.

**Table 17.** Proforma Income Statement

Proforma Income Statement For Year 1 to Year 3				
Revenue	Year 1	Year 2	Year 3	
Gross Sales	\$ 785,814.90	\$ 795,264.32	\$ 804,827.37	
Cost of Goods Sold				
Beg Inventory	\$ 112,010.32	\$ 112,010.32	\$ 112,010.32	
Plus Goods Purchased	\$ 509,276.69	\$ 515,400.74	\$ 521,598.44	
Total Goods	\$ 621,287.00	\$ 627,411.06	\$ 633,608.75	
Less Ending Inventory	\$ 112,010.32	\$ 112,010.32	\$ 112,010.32	
Total COGS	\$ 509,276.69	\$ 515,400.74	\$ 521,598.44	
<b>Gross Profit (Loss)</b>	<b>\$ 276,538.21</b>	<b>\$ 279,863.58</b>	<b>\$ 283,228.94</b>	
Operating Expenses				
Advertising	\$ 1,342	\$ 1,342	\$ 1,342	
General/Administrative				
Wages	\$ 121,558.95	\$ 121,558.95	\$ 121,558.95	
Worker's Comp	\$ 9,055.74	\$ 9,055.74	\$ 9,055.74	
Insurance	\$ 25,927.40	\$ 25,927.40	\$ 25,927.40	
Rent	\$ 58,354.73	\$ 58,354.73	\$ 58,354.73	
Water	\$ 745.27	\$ 745.27	\$ 745.27	
Electricity	\$ 8,247.80	\$ 8,247.80	\$ 8,247.80	
Disposal (Trash)	\$ 1,808.53	\$ 1,808.53	\$ 1,808.53	
Phone	\$ 4,512.97	\$ 4,512.97	\$ 4,512.97	
Computer Support	\$ 6,445.88	\$ 6,445.88	\$ 6,445.88	
Supplies	\$ 1,997.09	\$ 1,997.09	\$ 1,997.09	
Property Tax	\$ 1,252.69	\$ 1,252.69	\$ 1,252.69	
Maintenance Fee	\$ 1,676.31	\$ 1,676.31	\$ 1,676.31	
Security Fees	\$ 807.27	\$ 807.27	\$ 807.27	
Dues & Subscriptions	\$ 482.82	\$ 482.82	\$ 482.82	
Business Promotion	\$ 604.65	\$ 604.65	\$ 604.65	
Propane	\$ 156.00	\$ 156.00	\$ 156.00	
Accounting Fees	\$ 307.74	\$ 307.74	\$ 307.74	
Dep Expense	\$ 2,079.50	\$ 2,079.50	\$ 2,079.50	
<b>Total Operating Expense</b>	<b>\$ 247,363</b>	<b>\$ 247,363</b>	<b>\$ 247,363</b>	
Net Income Before Taxes	\$ 29,175	\$ 32,500	\$ 35,866	
Income Tax	\$ 5,176	\$ 5,675	\$ 6,180	
Net Income After Taxes	\$ 23,999	\$ 26,825	\$ 29,686	
<b>Net Income (Loss)</b>	<b>\$ 23,999</b>	<b>\$ 26,825</b>	<b>\$ 29,686</b>	

The income statement reveals that Dan's can be profitable within the first year of operation with \$23,999 if they receive the same percentage of customers within the population as the Temecula and Sun City store currently produce. The Balance sheet was then conducted and can be seen in Table 18.

**Table 18.** The Proforma Balance Sheet

Proforma Balance Sheet For Year 0 to Year 3				
Assets	Year 0	Year 1	Year 2	Year 3
Current Assets				
Cash	\$ 140,000.00	\$ 24,489.53	\$ 60,816.53	\$ 97,659.02
Accounts Receivable	\$ -	\$ 39,290.74	\$ 39,763.22	\$ 40,241.37
Inventory	\$ -	\$ 112,010.32	\$ 112,010.32	\$ 112,010.32
Total Current Assets	\$ 140,000.00	\$ 175,790.59	\$ 212,590.06	\$ 249,910.70
Fixed Assets				
Equipment	\$ -	\$ 6,126.00	\$ 5,292.94	\$ 4,459.89
Materials	\$ -	\$ 9,503.94	\$ 8,257.50	\$ 7,011.06
Accumulated Depreciation	\$ -	\$ (2,079.50)	\$ (2,079.50)	\$ (2,079.50)
Total Fixed Assets	\$ -	\$ 13,550.44	\$ 11,470.94	\$ 9,391.44
<b>Total Assets</b>	<b>\$ 140,000.00</b>	<b>\$ 189,341.04</b>	<b>\$ 224,061.00</b>	<b>\$ 259,302.14</b>
Liabilities				
Current Liabilities				
Accounts Payable	\$ -	\$ 22,400.00	\$ 30,294.57	\$ 35,849.76
Wages Payable	\$ -	\$ 2,942.21	\$ 2,942.21	\$ 2,942.21
Total Current Liabilities	\$ -	\$ 25,342.21	\$ 33,236.77	\$ 38,791.97
Long-term Liabilities				
Long-term Notes Payable	\$ -	\$ -	\$ -	\$ -
Total L-Term Liabilities	\$ -	\$ -	\$ -	\$ -
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 25,342.21</b>	<b>\$ 33,236.77</b>	<b>\$ 38,791.97</b>
Owner's Capital				
Capital	\$ 140,000.00	\$ 140,000.00	\$ 163,998.83	\$ 190,824.22
Retained Earnings	-	\$ 23,998.83	\$ 26,825.39	\$ 29,685.95
Total Owner's Equity	\$ 140,000.00	\$ 163,998.83	\$ 190,824.22	\$ 220,510.17
<b>Total Liabilities and Owner's Equity</b>	<b>\$ 140,000.00</b>	<b>\$ 189,341.04</b>	<b>\$ 224,061.00</b>	<b>\$ 259,302.14</b>

The \$140,000 was the amount given by the owner due to the fact that he did not want to borrow from the bank. This was placed in year 0 and gives the store a positive start to cover their expenses and start-up costs. After the balance sheet the statement of cash flows was conducted and can be seen in Table 19.

**Table 19.** Proforma Statement of Cash Flows

Proforma Statement of Cash Flows For Year 1 to Year 3				
Cash Flows from Operating Activities	Year 1	Year 2	Year 3	
Cash Received From Customers	\$ 746,524	\$ 794,792	\$ 804,349	
Cash Received From A/R	\$ -	\$ 39,291	\$ 39,763	
Cash Paid for A/P	\$ -	\$ (22,400)	\$ (30,295)	
Cash Paid for Merchandise	\$ (509,277)	\$ (515,401)	\$ (521,598)	
Cash Paid for Initial Inventory	\$ (112,010)	\$ -	\$ -	
Cash Paid for Wages	\$ (118,617)	\$ (121,559)	\$ (121,559)	
Cash Paid for Taxes	\$ (5,176)	\$ (5,675)	\$ (6,180)	
Cash Paid for Other Expenses	\$ (125,804)	\$ (125,804)	\$ (125,804)	
Net Cash from Operating Activities	\$ (124,360)	\$ 43,244	\$ 38,676	
Cash Flows from Investing Activities				
Purchase of New Equipment	\$ (6,126)	\$ -	\$ -	
Purchase of New Materials	\$ (9,504)	\$ -	\$ -	
Depreciation	\$ -	\$ 2,079	\$ 2,079	
Net Cash from Investing Activities	\$ (15,630)	\$ 2,079	\$ 2,079	
Net Increase or Decrease in Cash	\$ (139,990)	\$ 45,323	\$ 40,756	
Beginning Cash	\$ 140,000	\$ 10	\$ 45,333	
Cash at End of Year	\$ 10	\$ 45,333	\$ 86,089	

The statement of cash flows shows that Dan's will have a positive cash flow for the first year thanks to the \$140,000 in year 0. The first year has a lower cash flow than the next two years due to the initial costs associated with the first year. Given the pro-forma financial statements, the conclusion was that Dan's will be profitable within the first year and will reach their third objective of being profitable in two years.

## Chapter V.

### SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

#### Summary

Dan's Feed & Seed was able to compete in price with Petco and PetSmart by beating them in the dog food and pet supply department but was unable to beat Wal-Mart in any category. Dan's was able to compete with all three competitors in availability of high quality name brand dog food. Dan's will be able to supply the needs of potential customers by providing lower prices than Petco and PetSmart and beating Wal-Mart in the availability of high quality name brand dog foods that Wal-Mart does not carry . The conclusion was that Dan's Feed & Seed can compete with the current competition by offering premium dog food brands with low product prices.

In determining the demand for a new Dan's pet supply store in Hemet, California, the survey showed that the participants were not interested in a family owned store and preferred a store that offered the lowest prices. Dan's was able to meet the requirement of lower prices with two of the three competitors but was not able to beat Wal-Mart which was the number one store shopped by the participants of the survey. This indicates that there is not a high enough demand for a Dan's pet supply store in Hemet, California.

The financial statements revealed that Dan's will have a positive cash flow due to an investment by the owner of Dan's Feed & Seed for the next three years. The income statement revealed that Dan's will meet the minimum requirement of being profitable within the first two years as long as it receives the same percent of customers as the Temecula and Sun City store.

### Conclusions

With Dan's not being able to compete in prices with Wal-Mart, and with no emphasis on a preferred family owned business, Dan's Feed & Seed should not re-open a pet supply store in Hemet, California because the study failed to meet all three of the objectives.

### Recommendations

Although Dan's was not able to meet all the objectives required in this study, the author recommends that Dan's Feed & Seed should also take into account other internal and external factors such as financial stability of current operation as well as the financial security of the current economy. A study of all the aspects involved with the opening of a store would be beneficial in Dan's decision to re-open the pet supply store.

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## Appendix

**Table 2.** Weighted Points per Item Based on 2011 Sales

	Total Sales per Category
Dog Food	\$545,430
Flea and Tick	\$38,564
Dog Treats	\$46,104
Vet	\$68,668
Treatments	\$66,587
Bird Seed Sm	\$47,052
Cat Food	\$33,487

Dog Food	Total Revenue (2011)	Percent of Sales	Total Percent
Iams			47% <sup>b</sup>
Puppy Lg Brd 40 lbs	\$1,937	0.003551326 <sup>a</sup>	
Mini Chunk 35/40 lbs	\$9,669	0.017727298	
Lamb 15.5/40 lbs	\$2,885	0.005289405	
Adult Lg Brd 40lbs	\$2,660	0.004876886	
Pedigree		0	
Adult 36.4 lbs	\$6,705	0.012293053	
Beneful		0	
Original 31.1 lbs	\$1,220	0.002236767	
Store Brand		0	
O Roy/Dan's Pride 40LB	\$157,230	0.288267972	
Nutro Max		0	
Puppy 30 lbs	\$10,606	0.019445208	
Puppy Lg Brd 30 lbs	\$8,752	0.016046055	
Mini Chunk 30 lbs	\$3,690	0.006765304	
Adult 30 lbs	\$11,930	0.021872651	
Adult Lg Brd 30 lbs	\$4,815	0.008827897	
Eukanuba		0	
Puppy Lg Brd 33lbs	\$5,731	0.010507306	
Adult Maint. 33lbs	\$17,268	0.031659425	
Adult Lg. Brd 33lbs	\$5,673	0.010400968	
Purina		0	
Alpo 47 lbs	\$4,237	0.007768183	
<b>Flea and Tick</b>	<b>Total Revenue (2011)</b>	<b>Percent of Sales</b>	<b>Total Percent</b>
Frontline 0-22lbs	\$2,608	0.067627839	48%
Frontline 23-44lbs	\$1,474	0.038222176	
Frontline 45-88lbs	\$3,297	0.085494243	

Frontline 89-132lbs	\$867	0.022482108	
Zodiac Flea Collar sm	\$534	0.013847111	
Zodiac Flea Collar lg	\$850	0.022041282	
Bio Spot Yard Spray	\$173	0.004486049	
Spot on 0-22 lbs	\$2,037	0.052821284	
Spot on 45-88 lbs	\$2,438	0.063219583	
Spot on 89-132 lbs	\$1,220	0.031635722	
Adam's Spray 16 oz	\$869	0.02253397	
Adam's Spray 32 oz	\$1,429	0.037055285	
Adam's Shampoo 12oz	\$652	0.01690696	
Adam's Yard Spray 32oz	\$224	0.005808526	
<b>Dog Treats</b>	<b>Total Revenue (2011)</b>	<b>Percent of Sales</b>	<b>Total Percent</b>
Rawhide	\$377	0.008177165	30%
Milk Bones	\$5,852	0.126936708	
Bully Stick 6"	\$560	0.012146452	
Bully Stick 12"	\$1,218	0.026418532	
Pizzle 12"	\$1,180	0.025594309	
Peperoni Sticks 5.6 oz	\$71	0.001539997	
Knuckle Bone	\$280	0.006073226	
Mammoth Bone	\$609	0.013209266	
Saddle Bone	\$47	0.001019434	
Ck Tenders 8oz	\$492	0.01066068	
Pig Ear	\$1,994	0.043250043	
Pig Snout	\$235	0.005097172	
Hoof	\$777	0.016853201	
<b>Vet</b>	<b>Total Revenue (2011)</b>	<b>Percent of Sales</b>	<b>Total Percent</b>
Vetericyn Eye	\$1,528	0.022251995	32%
Vetericyn 8oz	\$4,907	0.071459777	
Vetericyn 16oz	\$6,380	0.092910817	
Vetericyn 8oz Gel	\$3,759	0.054741656	
Vetericyn 16oz Gel	\$4,009	0.058382362	
Bag Balm 10oz.	\$1,259	0.018334595	
<b>Treatments (Wormers)</b>	<b>Total Revenue (2011)</b>	<b>Percent of Sales</b>	<b>Total Percent</b>
Worm X Plus Sm	\$3,114	0.046765885	31%
Worm X Plus Lg	\$5,961	0.089521979	
Liquid Dog wormer 2oz	\$5,401	0.081111929	
Trade Cat Wormer	\$1,098	0.016489705	
Milk Replacer 12oz	\$718	0.010782886	
Greenies Teenie	\$927	0.013921636	
Greenies Petite	\$1,029	0.015453467	
Greenies Reg	\$455	0.006833166	

Greenies Large	\$153	0.002297746	
E Collar Sm	\$204	0.003063661	
E Collar Med	\$288	0.004325169	
E Collar LG	\$491	0.007373812	
E Collar XL	\$549	0.008244853	
E Collar King	\$371	0.005571658	
<b>Bird Seed Sm</b>	<b>Total Revenue (2011)</b>	<b>Percent of Sales</b>	<b>Total Percent</b>
Cockatiel 5#	\$824	0.017512539	37%
Parakeet 5#	\$425	0.00903256	
Wild Bird Seed 20lb	\$9,283	0.197292357	
Millet	\$1,827	0.03882938	
Peanuts	\$428	0.009096319	
Parrot 5#	\$1,452	0.030859475	
KT Fiesta Parrot 4.5lb	\$1,400	0.029754314	
KT Fiesta Cockatiel 4.5#	\$118	0.002507864	
KT Fiesta Parakeet 2#	\$129	0.002741648	
KT Fiesta Parakeet 4.5#	\$118	0.002507864	
Finch 2#	\$447	0.009500128	
Dove #5	\$906	0.019255292	
<b>Cat Food</b>	<b>Total Revenue (2011)</b>	<b>Percent of Sales</b>	<b>Total Percent</b>
Iams			7% <sup>c</sup>
Original Adult 20 lb	\$750	0.022396751	
Purina			
Cat Chow 16 lb	\$503	0.015020754	
Kit & Kaboodle 16 lb	\$1,247	0.037238331	

Notes: a) This number was determined by taking the total revenue for that product and dividing it by the total sales of the dog food category.

b) This was the total percent collected from the dog food category.

c) This percent was low because the competition carried different brands that were not offered at Dan's Feed & Seed.

**Table 4. Dan's Prices vs. Petco's Prices**

<b>Dog Food</b>	<b>Petco's Prices</b>	<b>Dan's Prices</b>	<b>Advantage Per Item</b>	<b>Weighted Avg. Earned</b>	<b>Weighted Avg.</b>	<b>Min. % Of Total</b>
Iams						51%
Puppy Lg Brd 40 lbs	\$35.99	\$32.99	Yes	0.0035513	0.00355133	
Mini Chunk 35/40 lbs	\$29.99	\$32.99	No	0	0.0177273	
Adult Lg Brd 40lbs	\$29.99	\$32.99	No	0	0.00487689	
Pedigree						
Adult 36.4 lbs	\$19.99	\$27.98	No	0	0.01229305	
Beneful						
Original 31.1 lbs	\$28.79	\$34.99	No	0	0.00223677	
Nutro Max						
Puppy 30 lbs	\$33.29	\$29.99	Yes	0.0194452	0.01944521	
Puppy Lg Brd 30 lbs	\$33.29	\$29.99	Yes	0.0160461	0.01604606	
Mini Chunk 30 lbs	\$33.29	\$29.99	Yes	0.0067653	0.0067653	
Adult 30 lbs	\$33.29	\$29.99	Yes	0.0218727	0.02187265	
Adult Lg Brd 30 lbs	\$33.29	\$29.99	Yes	0.0088279	0.0088279	
Eukanuba						
Puppy Lg Brd 33lbs	\$41.99	\$32.99	Yes	0.0105073	0.01050731	
Adult Maint. 33lbs	\$43.19	\$32.99	Yes	0.0316594	0.03165942	
Adult Lg. Brd 33lbs	\$41.99	\$32.99	Yes	0.010401	0.01040097	
<b>Total</b>				0.0765084	0.11364245	
<b>Met Minimum Requirement of</b>					0.05795765	Yes
<b>Treatment (Flea and Tick)</b>	<b>Petco's Prices</b>	<b>Dan's Prices</b>	<b>Advantage Per Item</b>	<b>Weighted Avg. Earned</b>	<b>Weighted Avg.</b>	<b>Min. % Of Total</b>
Frontline 0-22lbs	\$42.99	\$52.98	No	0	0.06762784	51%
Frontline 23-44lbs	\$43.99	\$54.78	No	0	0.03822218	
Frontline 45-88lbs	\$47.99	\$55.98	No	0	0.08549424	
Frontline 89-132lbs	\$48.99	\$57.48	No	0	\$0.02	
Zodiac Flea Collar sm	\$5.32	\$4.28	Yes	0.0138471	0.01384711	
Zodiac Flea Collar lg	\$6.42	\$5.48	Yes	0.0220413	0.02204128	
Adam's Spray 16 oz	\$10.39	\$9.34	Yes	0.022534	0.02253397	
Adam's Spray 32 oz	\$18.39	\$18.39	Yes	0.0370553	0.03705528	
Adam's Shampoo 12oz	\$15.99	\$11.94	Yes	0.016907	0.01690696	
Adam's Yard Spray 32oz	\$14.39	\$17.48	No	0	0.00580853	
<b>Total</b>				0.1123846	0.3320195	
<b>Met Minimum Requirement of</b>					0.16932995	No

**Dog Treats**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Rawhide	\$3.19	\$1.99	Yes	0.0081772	0.00817716	51%
Milk Bones	\$3.20	\$2.99	Yes	0.1269367	0.12693671	
Pizzle 12"	\$9.99	\$6.78	Yes	0.0255943	0.02559431	
Knuckle Bone	\$6.39	\$5.98	Yes	0.0060732	0.00607323	
Mammoth Bone	\$12.77	\$11.78	Yes	0.0132093	0.01320927	
Saddle Bone	\$5.59	\$4.28	Yes	0.0010194	0.00101943	
Ck Tenders 8oz	\$7.99	\$8.74	No	0	0.01066068	
Pig Ear	\$1.14	\$1.15	No	0	0.04325004	
Pig Snout	\$3.19	\$1.98	Yes	0.0050972	0.00509717	
Hoof 1lb	\$9.59	\$0.95	Yes	0.0168532	0.0168532	
<b>Total</b>				0.1947833	0.2568712	
<b>Met Minimum Requirement of</b>					0.13100431	Yes

**Vet**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Vetericyn Eye	\$23.99	\$26.98	No	0	0.022252	51%
Vetericyn 8oz	\$27.99	\$31.48	No	0	0.07145978	
Vetericyn 16oz	\$31.99	\$39.28	No	0	0.09291082	
Vetericyn 8oz Gel	\$29.59	\$35.95	No	0	0.05474166	
Vetericyn 16oz Gel	\$39.99	\$44.68	No	0	0.05838236	
<b>Total</b>				0	0.29974661	
<b>Met Minimum Requirement of</b>					0.15287077	No

**Bird Seed Sm**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Cockatiel 5#	\$8.35	\$7.98	Yes	0.0175125	0.01751254	51%
Parakeet 5#	\$6.96	\$7.48	No	0	0.00903256	
Parrot 5#	\$10.66	\$10.98	No	0	0.03085947	
KT Fiesta Parrot 4.5lb	\$17.39	\$19.48	No	0	0.02975431	
KT Fiesta Cockatiel 4.5#	\$13.86	\$15.98	No	0	0.00250786	
KT Fiesta Parakeet 2#	\$5.76	\$6.68	No	0	0.00274165	
KT Fiesta Parakeet 4.5#	\$12.06	\$13.98	No	0	0.00250786	
Finch 2#	\$5.51	\$3.78	Yes	0.0095001	0.00950013	
Dove #5	\$4.79	\$5.28	No	0	0.01925529	
<b>Total</b>				0.0095001	0.12367168	
<b>Met Minimum Requirement of</b>					0.06307256	No

<b>Cat Food</b>	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Iams						51%
Original Adult 20 lb	\$26.99	\$27.99	No	0	0.02239675	
Purina						
Cat Chow 16 lb	\$12.99	\$16.95	No	0	0.01502075	
<b>Total</b>				0	0.03741751	
<b>Met Minimum Requirement of</b>					0.01908293	No

Notes: If Dan's prices were less than or equal to the competition's prices then the advantage per item was given a "yes". If that item was a "Yes" then that item received the weighted points that were based on the percent of sales that item produced in 2011. The earned points were totaled and if the total earned points represented 51% of total weighted points available then Dan's received a "Yes" for the ability to compete in that category.

**Table 5. Dan's Prices vs. Wal-Mart's Prices**

<b>Dog Food</b>	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total	One Item Rule
Iams						51%	0
Puppy Lg Brd 33 lbs	\$29.99	\$32.99	No	0	0.003551326		0
Mini Chunk 35/33 lbs	\$29.99	\$32.99	No	0	0.017727298		0
Pedigree							0
Adult 36.4 lbs	\$19.48	\$27.98	No	0	0.012293053		0
Store Brand							0
O Roy/Dan's Pride 40LB	\$19.10	\$15.95	Yes	0.28826797	0.288267972		1
<b>Total</b>				0.28826797	0.321839649		1
<b>Met Minimum Requirement of</b>					0.164138221	Yes	No

<b>Treatment (Flea and Tick)</b>	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Frontline 0-22lbs	\$42.00	\$52.98	No	0	0.067627839	51%
Frontline 23-44lbs	\$42.00	\$54.78	No	0	0.038222176	
Frontline 45-88lbs	\$42.00	\$55.98	No	0	0.085494243	
Frontline 89-132lbs	\$42.00	\$57.48	No	0	0.022482108	
Spot on 0-22 lbs	\$25.00	\$31.48	No	0	0.052821284	
Spot on 45-88 lbs	\$25.00	\$33.78	No	0	0.063219583	
Spot on 89-132 lbs	\$25.00	\$34.28	No	0	0.031635722	
Adam's Spray 16 oz	\$9.34	\$9.34	Yes	0.02253397	0.02253397	
Adam's Shampoo 12oz	\$11.94	\$11.94	Yes	0.01690696	0.01690696	
<b>Total</b>				0.03944093	0.400943885	
<b>Met Minimum Requirement of</b>					0.204481382	No

**Dog Treats**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Rawhide	\$1.50	\$1.99	No	0	0.008177165	51%
Bully Stick 6"	\$1.50	\$3.38	No	0	0.012146452	
Knuckle Bone	\$7.12	\$5.98	Yes	0.00607323	0.006073226	
Mammoth Bone	\$9.99	\$11.78	No	0	0.013209266	
Saddle Bone	\$5.99	\$4.28	Yes	0.00101943	0.001019434	
Ck Tenders 8oz	\$9.48	\$8.74	Yes	0.01066068	0.01066068	
Pig Ear	\$0.96	\$1.15	No	0	0.043250043	
Hoof	\$0.85	\$0.95	No	0	0.016853201	
<b>Total</b>				0.01775334	0.111389467	
<b>Met Minimum Requirement of</b>					0.056808628	No

**Treatments**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Worm X Plus sm	N/A	N/A	N/A	N/A	N/A	51%
Liquid Dog wormer 2oz	\$11.00	\$12.78	No	0	0.081111929	
Trade Cat Wormer	\$22.02	\$16.98	Yes	0.01648971	0.016489705	
Greenies Teenie	\$15.72	\$15.48	Yes	0.01392164	0.013921636	
Greenies Petite	\$15.72	\$15.48	Yes	0.01545347	0.015453467	
Greenies Reg	\$15.72	\$15.48	Yes	0.00683317	0.006833166	
Greenies Large	\$15.72	\$15.48	Yes	0.00229775	0.002297746	
<b>Total</b>				0.05499572	0.136107649	
<b>Met Minimum Requirement of</b>					0.069414901	No

**Bird Seed Sm**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Cockatiel 5#	\$8.08	\$7.98	Yes	0.01751254	0.017512539	51%
Parakeet 5#	\$3.77	\$7.48	No	0	0.00903256	
Wild Bird Seed 20lb	\$8.48	\$8.99	No	0	0.197292357	
Peanuts	\$4.52	\$2.99	Yes	0.00909632	0.009096319	
Parrot 5#	\$10.47	\$10.98	No	0	0.030859475	
Finch 2#	\$4.00	\$3.78	Yes	0.00950013	0.009500128	
<b>Total</b>				0.01859645	0.273293378	
<b>Met Minimum Requirement of</b>					0.139379623	No

**Cat Food**

	Petco's Prices	Dan's Prices	Advantage Per Item	Weighted Avg. Earned	Weighted Avg.	Min. % Of Total
Iams						51%
Original Adult 20 lb	N/A	N/A	N/A	N/A	N/A	
Purina						
Cat Chow 16 lb	\$11.68	\$16.95	No	0	0.015020754	
Kit & Kaboodle 16 lb	\$9.97	\$14.95	No	0	0.037238331	
	<b>Total</b>			0	0.052259086	
	<b>Met Minimum Requirement of</b>				0.026652134	No

Notes: If Dan's prices were less than or equal to the competition's prices then the advantage per item was given a "yes". If that item was a "Yes" then that item received the weighted points that were based on the percent of sales that item produced in 2011. The earned points were totaled and if the total earned points represented 51% of total weighted points available then Dan's received a "Yes" for the ability to compete in that category.

- a) The one item rule column was added due to the results only accounting for one item that could change over a period of time. This allowed one item not to determine the entire category.