

Pawsed

**PAWS YOUR LIFE AND
COME GAME WITH US!**



**BUSINESS FINANCIAL PLAN
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ODESSA HIGH SCHOOL
WASHINGTON STATE
2018-19**

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Executive Summary

Since its commercial birth in the 1950's at a science fair, gaming has blossomed into one of the most profitable entertainment industries in the world. Video games have significantly impacted young people's lifestyles and the economy in every developed country. Entrancing players with fantasy, visual effects, and addictive game play, video games are still one of the highest cash flow businesses in the world. The worldwide video gaming industry generated in excess of \$151.98 billion so far this year according to a "VentureBeat" report by Dean Takahashi.

Video games started out with just a couple of motions on a television screen. Today, it has grown in to over a \$150 billion industry. Video games are being played all over the globe. They have been around for decades and have tons of platforms, from arcade systems and home consoles to handheld consoles and mobile devices.

The newest trend is to play video games in the company of others with high resolution screens, an environment most cannot create in their basements. *Pawsed* will take advantage of this trend.

Pawsed offers customers a fun and exciting environment where gamers can enjoy playing new and thrilling games without having to purchase the equipment and software associated with a high-quality gaming experience. A computer or console that is able to truly capture and show off the programming expertise and high quality of presentation produced by game software developers requires a high-end machine with special graphics and sound components.

The challenge factor proves to be very addictive as in any sport or game, and the fact that there are no physical limitations on the players opens up the market for players of all ages, sizes, and physical and mental ability to play against one another. A ten-year-old child can easily be the best player in a match against other players much older and wiser. *Pawsed* provides a level playing field for all.

Customers of these venues are not only offered a unique gaming experience, but also a place to participate in additional fascinating events through interactive contests, theme nights, and other competitions. *Pawsed* will have 25 consoles with chairs and couches at each station. Each station will have a counter space with a Viotek HA238 TV. A snack bar ad tables are provide for those who want to watch the players.

Another factor to the success of *Pawsed* is the fact that all games are vastly more enjoyable when played in groups. The "challenge" factor that is evident in group games and sports is by far one of the most powerful driving forces. The camaraderie and sense of satisfaction and achievement that comes from playing a team sport or group game is captured in a venue like *Pawsed*.

With only one full-time and 2 part-time employees running the shop/business/store, a weekly schedules for them will lead to efficiency. During the week days, Sunday-Thursday we will be open from 3pm-11pm; Friday and Saturday, from 4pm-1am. On weekends we will have a different variety of competitions and expert gamers.



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Executive Summary

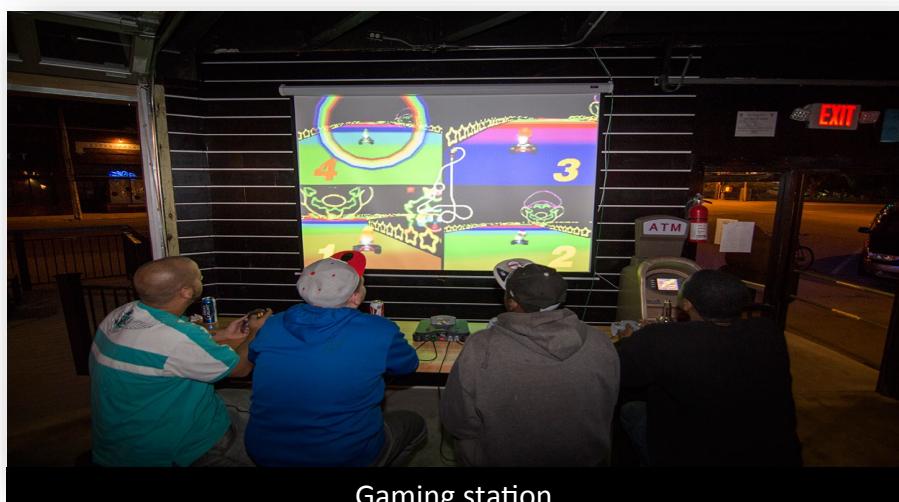
In order to successfully execute their vision of opening *Pawsed*, the owners must secure \$30,000 in funding. The funding will be used primarily for leasehold improvements, including renovation. A \$4,000 line of credit will be established to accommodate cash needs. A capital contribution of \$5,000 from each owner will complete the funding required. Both the profit and financial responsibility will be split equally between the two partners.

Pawsed will apply for a four-year Small Business Administration SBA 7(a) loan from Wheatland Bank, as well as a line of credit to meet any short-term cash flow needs. Wheatland Bank is the first choice of the owners, as both have a long-standing financial history with the bank. Securing the loan is crucial to the realization and growth of *Pawsed*.

The company will break even in December of 2020 as the customer base grows. Once customers are established, the company will become financially stable and will have funds to improve the existing facility and to expand the company.



Customers enjoying gaming center



Gaming station

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Table of Contents

Company Description

Legal Form of Business.....	4
Company Mission Statement.....	4
Company Governance	4
Company Location.....	4
Short and Long-Term Goals	5

Operations and Management

Business Facilities Described	6
Management Personnel Identified	7
Workforce Described	7-8
Operations	8

Target Market

Target Market Defined	9
Potential Growth	10
Risks and Potential Adverse Results	10

Financial Institution

Name and Type of Financial Institution.....	11
Rationale for Choosing Financial Institution	11

Loan Request

Purpose of Loan and Amount Requested.....	12
Itemized Planned Expenditures.....	12
Projection for Future Stability of Company	13-14

Works Cited

Works Cited	15
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Company Description

Legal Form of Business

Fred Shamos and Wilma Cass will open *Pawsed*, an independent console gaming center that offers the latest in gaming equipment and software in a competitive environment. The business will be established as a Limited Liability Company (L.L.C.) under the laws of Washington State. The legal name of the company will be *Pawsed* L.L.C. The owners will appoint Todd Kramer, P.A. as the registered agent to accept legal papers and sign and file the Certificate of Formation with Washington State. *Pawsed* and the owners will comply with all tax laws and regulations.

The structure of an L.L.C. allows for flexible profit sharing, limited liability, and the avoidance of double taxation. The internal affairs and management will be decided and agreed upon, and an operating agreement that includes profit-sharing, decision-making protocols, and the roles of each owner will be drafted by their attorney. A buy-sell agreement will address what would happen in the event of premature death, disability, or termination from the business.

Company Mission Statement

The mission statement of *Pawsed* is to foster a fun and exciting atmosphere for the social gaming community of Odessa, by offering the newest games, thrilling tournaments, and a competitive environment to play, learn, and conquer.

Company Governance

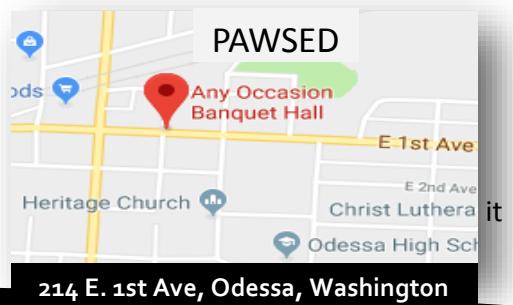
Pawsed is governed by Fred Shamos and Wilma Cass, long-term business colleagues. They will share equal ownership and management of the business. They will also have equal financial responsibility and liability. Each partner will oversee his and her area of expertise while striving to adhere to selected guidelines for the success of the company.

Fred Shamos—Fred graduated from the University of Washington with a certificate in Game Design. Fred is a gamer and will be responsible for the oversight of day-to-day operations, as well as technical support and development of contest and tournaments. Opening *Pawsed* with his partner, Wilma Cass, will provide the perfect opportunity for Fred to achieve his dream of owning a business in his home town.

Wilma Cass—Wilma graduated from Seattle Pacific University with a bachelor's degree in Business Administration and Marketing. Wilma include primarily responsible for marketing and publicity. Specific responsibilities will be coordination of events, managing and accounting for all funds and coordinating marketing activities with Fred. Her experience gives her extensive knowledge of all financial aspects of managing the business, including payroll, cash flow, and budgeting. Wilma also shares Fred's passion for owning her own business.

Company Location

The business will be leasing a retail building at 214 E. 1st Avenue in Odessa, Washington. This is the ideal location for a gaming center as is centrally located near the junior high and high school.



214 E. 1st Ave, Odessa, Washington

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Company Description

Short and Long-Term Goals

To ensure *Pawed's* success, the following goals establish the benchmarks for the company's future success.

Short-Term

To be accomplished by 2020

- Develop a website, social media presence, and newsletter
- Hire staff
- Get business licenses
- Renovate building and update interior
- Purchase and install furniture and equipment
- Establish a customer base
- Increase revenue 10% each month
- Establish leagues, tournaments, and prizes to generate interest
- Partner with celebrity gamers
- Secure 20 annual memberships and 50 monthly memberships

Long-Term

To be accomplished by 2024

- Pay off the loan by year four
- Grow customer base by 20% annually in years 2-4
- Create partnerships with local business vendors and gaming leagues
- Add additional locations in nearby cities
- Add PC's and virtual reality
- Expand snack bar to feature concession-style food



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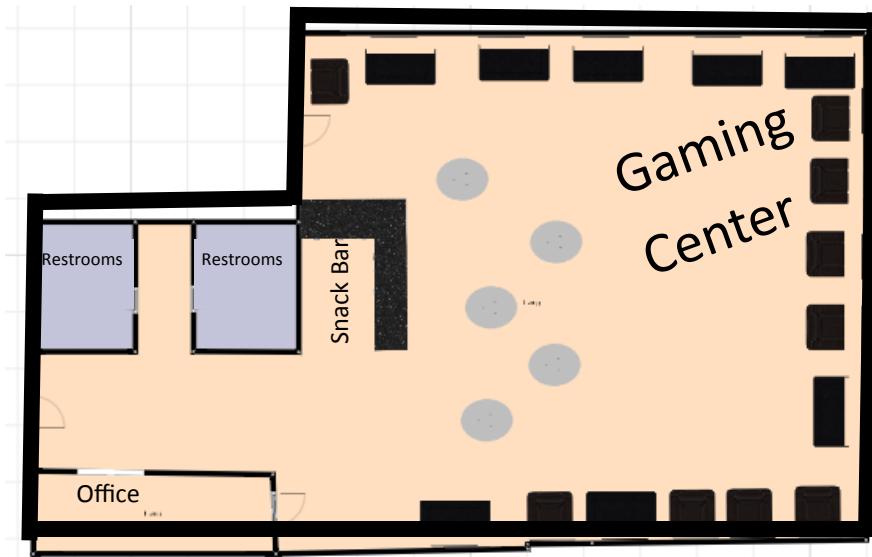
Operations & Management

Business Facilities Described

Pawed will be located in a 1,500 square foot building. The facility will be separated into four main areas: a gaming room which has 25 stations with extra seating, a snack bar for purchasing food and drinks, restrooms, and office space. Each station will include a gaming chair, counter space, a TV, and a console. The interior will feature neon lights to enhance the visual experience.

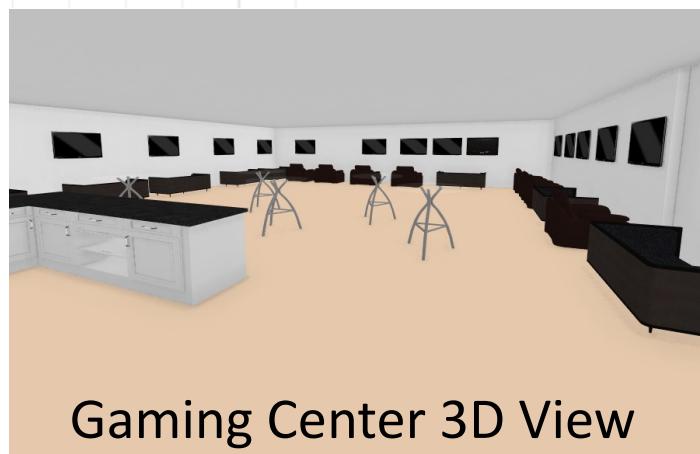
Floor Plan

The gaming center features two restrooms, an office, snack counter, and a gaming center with movable chairs and couches for games.



Supply and Equipment List

- 25– Consoles
- 25– Gaming chairs/couches
- 30– Headphones
- 20– Games
- Cables and Connectors
- 20– 27 inch TV's
- 5– 72 inch TV's
- Snack Supplies
- Refrigerator/Freezer
- Oven



Gaming Center 3D View

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Operations & Management

Management Personnel Identified

Fred Shamos

Fred Shamos will be the company's General Manager. He will oversee the day-to-day operations, as well as customer service. His vast knowledge of video games combined with his connection in the industry will allow him to stay on top of the gaming business. This will not only keep *Pawsed* a step ahead of its competitors by keeping the games fresh and the experience exciting, but also will train all staff in excellent customer service. He will supervise employees, oversee cleaning, and maintain equipment.

Wilma Cass

Wilma Cass will be the Director of Finance and Marketing. She will be responsible for all aspects of the finances including budgeting, payroll, financial reporting, and all forms of marketing including social media, and print. She will work with a virtual assistant to create and maintain a website for online scheduling and all financial transactions. She will develop a presence on social media to promote *Pawsed*. She will manage online reservations, event planning, and develop an online-gaming website.

- Oversee day-to-day operations
- Hire and train new employees
- Maintain equipment
- Plan activities, competitions
- Oversee customer service
- Select games and equipment

Fred Shamos



- Oversee all finances, budget and payroll
- Create and maintain a marketing campaign including website, and social media
- Coordinate events
- Schedule reservations

Wilma Cass



Workforce Described

Pawsed will be committed to being an equal-opportunity employer and will follow recruitment and selection processes that comply with all applicable employment laws. *Pawsed* is also committed to offering a skilled and knowledgeable staff, while providing opportunities for growth in both skills and knowledge.

Current Workforce

Initially, only one full-time and two part-time personnel will be hired as employees. All employees will be experienced gamers. The employees will assist with setting up games, keeping track of console rental time, helping out with the snack bar, and making sure everything is sanitized. Employees will advise and assist patrons with game strategies if time allows.

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Operations & Management

Projected Workforce

Additional employees will be added to help with daily operations as business grows with new subscribers and business partnerships. We believe we have a solid team constructed in order to cover the main points of the business plan for the first year of operations. Management growth through training and exposure will be an ongoing component of *Pawed* priorities.

However, we do realize that as we expand to other communities (as part of the long-term plan), we will require other managers and technicians to whom we can entrust the operations of this business. The candidates will be carefully chosen by their backgrounds and personalities and through personal recommendations of their character.

- Trouble shoot technical problems
- Provide guidance for beginners
- Sanitize between customers
- Set up stations for customers
- Clean

Technician

- Operate snack bar
- Assign stations and manage time
- Collect payments

Front Counter Duties

Operations

Customers can choose memberships for ultimate station time or they can run by the hour. Customers may schedule console time online or as a walk-in. Customers will choose from the stations available and indicate the length of time they would like to play. Customers will pay the fee before they begin. They can choose to extend time if the console is available. Customers will select their game and station. A technician will set them up, issue headphones, and ensure everything operates properly. It is estimated the setup will take five minutes and then play time begins. Time will be charged in increments of fifteen minutes. At the conclusion of game time, all headphones will be returned and the station will be sanitized and prepared for the next customers.

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Target Market

Target Market Defined

We see *Pawsed* as appealing to three major market segments: adults, students, and children.. Fortunately, the long hours of operation help attract multiple age groups.

Adults —Due to the nature of the games, *Pawsed* will appeal to primarily young adults ages 18-35 who will enjoy a group activity after working hours to blow away the stresses of the day. Statistically, this segment also spends the most amount of time and money. According to Statista.com, this group will makeup 29% of all gamers.

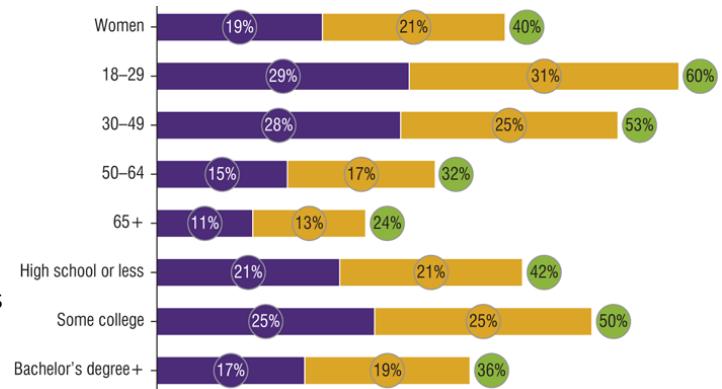
Students —Students over the age of 12 will make up a significant portion of a *Pawsed* customer base. These are individuals who enjoy social activities. Their spending power is less, and therefore they cannot always afford the latest games or equipment. *Pawsed* provides a perfect outlet for after-school activities where they can engage their mind and stay out of mischief. Parents prefer knowing where their children are and that there is adult supervision. Many students have very little to do, so the gaming world appeals to teen competitors. This age group is able to visit *Pawsed* at earlier hours than adults due to their school schedule and summer vacation. This segment makes up roughly 30% of the *Pawsed* customers.

Children —This group does not participate in sports and has some free time after school hours when their parents allow them flexibility to meet with their friends for harmless fun. A variety of games are available to meet the needs of these younger customers. This segment will roughly take up 20% of *Pawsed* customers.

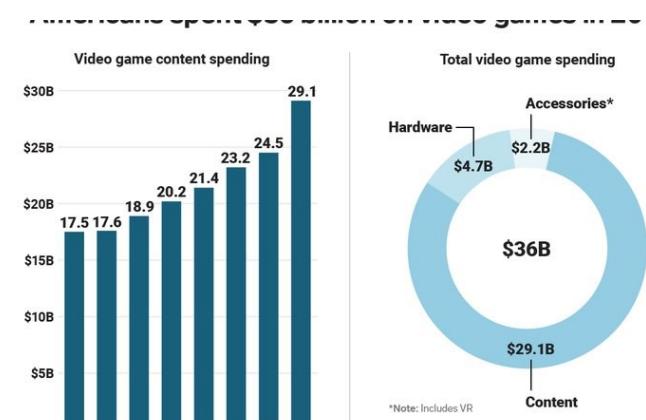
Parties—*Pawsed* also provides a perfect venue for birthday parties and get-togethers. It is crucial to go beyond the mere supplying of consoles and games to create a long-lasting impression. Outside food and beverages will be allowed, and the business can be closed to host large groups.

Size

Pawsed is located in the city of Odessa, Washington, a near Moses Lake, population 23,328. Within the immediate city, there are 200 children ages 6-10, 300 students ages 10-18, and 500 adults ages 19-35. However, there are four nearby larger communities to increase the population pool to 25,000 people.



Age groups who played video games in 2017



Money spent on video games in 2017

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Target Market

Potential for Growth

Keeping the game experience up to date and current will be the biggest factor for growth for *Pawsed*. As new games are introduced into the gaming market, being able to provide the best games will keep the interest and attract new games regularly. In addition, Odessa School District has seen an increase in enrollment of ten-percent over the last five years. *Pawsed* is hoping to capitalize on this increase, as students are one of their target markets.

The opportunity to introduce non-gamers to the gaming experience is another area *Pawsed* is hoping to grow. Citizens of small towns are always looking for a social experience and *Pawsed* is providing one. By continuing to offer gaming specials, non-gamers education classes and competitions will help to bring in new customers. Opportunities to add fitness classes using the Wii console has potential to bring in the fitness minded customer. Adding additional venues in surrounding communities (in our long term goals) will continue to grow the business.

Risks and Potential Adverse Results

The management of *Pawsed* will frequently perform a SWOT analysis in order to identify internal strengths and weaknesses, as well as any external opportunities or threats. This analysis will allow the managers to make changes to maintain success by expanding on opportunities and developing strategies to reduce the effect of threats. In order to successfully overcome any challenges *Pawsed* may face, identifying potential risks and opportunities is vital. The performance of the analysis will



Birds eye view of Odessa

Strengths

- Friendly environment and staff
- Location of business
- Marketing and advertising strategies
- Industry related experience
- No similar business

Weaknesses

- New business
- Reliance on foot traffic and word-of-mouth

Opportunities

- Urban development
- Targeting a new market segment
- New technology
- Ability to keep up with the gaming industry

Threats

- Negative reviews online
- New competition
- Economic downfall/recession
- Video games becoming outdated
- Equipment malfunctions

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Financial Institution

be beneficial for the business in recognizing not only the strengths, but also the potential downfalls as well.

Name and Type of Financial Institution

Pawsed will apply for a Small Business Administration (SBA) 7(a) loan at Wheatland Bank in Odessa, Washington, after a detailed comparison of available options. A line of credit will also be established for ongoing cash needs such as working capital or inventory management. Wheatland Bank has been serving Lincoln County for decades.

Rationale for Choosing Financial Institution

Wheatland Bank offers long and short-term loans, as well as a line of credit, all of which will be beneficial to starting the business and its future success. Both owners have long-standing relationships with Wheatland Bank through personal bank accounts and personal loans, which has allowed them to secure a good relationship with Wheatland Bank. The owners have the necessary qualifications and history with Wheatland Bank to secure a loan with reduced interest rates. Because of their excellent FICO score, long-term banking relationship, and equity in their current homes and investments, they received the lowest interest rates and loan fees offered by Wheatland Bank. A business-secured loan will be applied for. The interest rates offered for a four-year, fixed

**Loan Solutions
SBA 7(a) Loan Programs**

Pawsed is applying

- Best match for borrowers who need funds to expand, purchase another business, or manage cash flow
- Loan amounts: Up to \$5 million
- Benefits: Often easier to qualify, longer maturity terms, and lower down payment of fixed assets
- Standard Terms: Working capital up to 7 years, equipment up to 10 years, and real estate up to 25 years
- Structure: SBA guarantees up to 75% (guaranteed portion capped at \$3.75 million)
- Pricing: Fixed and variable rate options

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Financial Institution

Purpose of Loan and Amount Requested

Pawsed is requesting a bank loan for \$20,000 for four years at 6% fixed interest rate. The owners will be investing \$5,000 each for a combined capital contribution of \$10,000. The purpose of the loan is to finance the start-up costs listed to the right.

Itemized Planned Expenditures

The Income Statement for the first year has been projected by month, followed by a four-year projected income statement and a break-even analysis.

Start up cost	
Interior renovations and electrical	\$15,000
Cabling	\$500
Advertising	\$1,000
Legal	\$500
Network Game consoles & monitors	\$15,000
Working capital	\$6,000
Furniture	\$4,000
Snack bar supplies	\$1,000
Total start up cost	\$40,000
Investor capital contribution	\$10,000
Loan required	\$20,000

12 Month Income Statement

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Year 1
Revenue													
Annual Mem	1,000	1,000	1,000	1,000	1,000	2,000	3,000	1,550	1,000	1,550	1,000	4,900	\$20,000
Monthly Mem	400	450	450	450	500	600	650	600	550	500	450	400	\$6,000
Hourly Rental	2,800	3,200	4,000	4,500	4,500	5,000	5,500	5,000	3,500	3,500	4,000	4,000	\$49,500
Food/Bev	1500	2000	2250	2500	3250	3500	3000	3250	2750	2000	2000	2000	\$30,000
Total Revenue	\$5,700	\$6,650	\$7,700	\$8,450	\$9,250	\$11,100	\$12,150	\$10,400	\$7,800	\$7,550	\$7,450	\$11,300	\$105,500
Less CGS	600	800	900	1,000	1,300	1,400	1,200	1,300	1,100	800	800	800	\$12,000
Gross Profit	\$5,100	\$5,850	\$6,800	\$7,450	\$7,950	\$9,700	\$10,950	\$9,100	\$6,700	\$6,750	\$6,650	\$10,500	\$93,500
Expenses													
Marketing	400	100	100	100	100	100	100	100	100	100	100	100	\$1,500
Insurance	250	250	250	250	250	250	250	250	250	250	250	250	\$3,000
Supplies	300	300	300	300	300	300	300	300	300	300	300	300	\$3,600
Lease	500	500	500	500	500	500	500	500	500	500	500	500	\$6,000
Salaries	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	4,000	\$48,000
Equip Maint.	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	\$12,000
Utilities	1,000	1,000	800	400	400	500	600	600	500	500	800	1,000	\$8,100
Game Subscript	850	850	850	850	850	850	850	850	850	850	850	850	\$10,200
Total Expenses	\$8,300	\$8,000	\$7,800	\$7,400	\$7,400	\$7,500	\$7,600	\$7,600	\$7,500	\$7,500	\$7,800	\$8,000	\$92,400
Net Income	(\$3,200)	(\$2,150)	(\$1,000)	\$50	\$550	\$2,200	\$3,350	\$1,500	(\$800)	(\$750)	(\$1,150)	\$2,500	\$1,100

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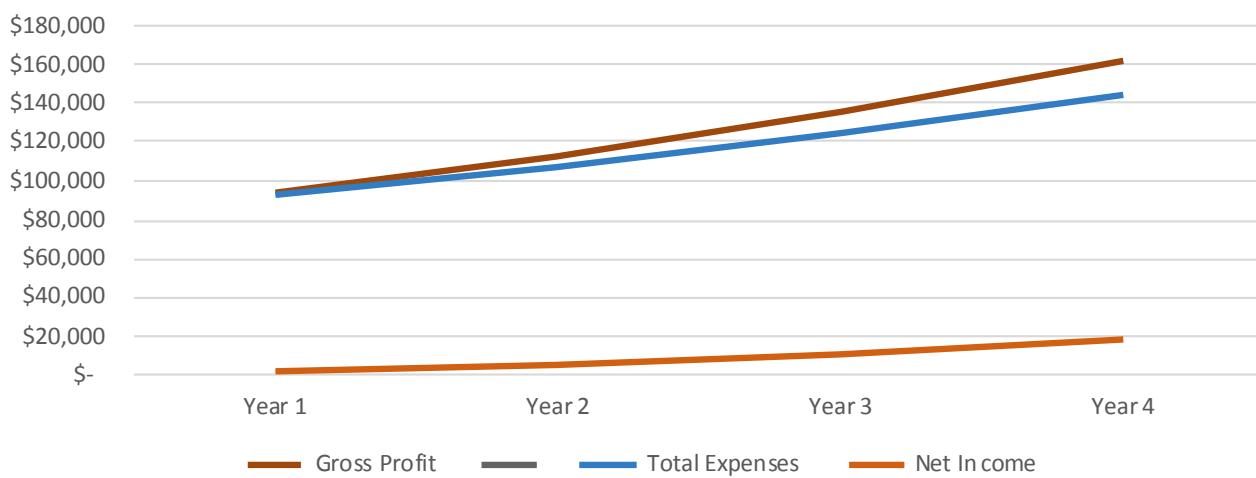
Loan Request

Projections for Future Stability of Company

The four-year projected income statement and cash flow show the company will be adequately funded to service its customers as well as its creditors.

Four Year Projected Income Statement				
	Year 1	Year 2	Year 3	Year 4
Revenue				
Annual Membership	\$20,000	\$24,000	\$28,800	\$34,560
Monthly Membership	\$6,000	\$7,200	\$8,640	\$10,368
Hourly Rental Fees	\$49,500	\$59,400	\$71,280	\$85,536
Food/Beverages	\$30,000	\$36,000	\$43,200	\$51,840
Total Revenue	\$105,500	\$126,600	\$151,920	\$182,304
Less CGS	\$12,000	\$14,400	\$17,280	\$20,736
Gross Profit	\$93,500	\$112,200	\$134,640	\$161,568
Expenses				
Marketing	\$1,500	\$1,500	\$1,500	\$1,500
Insurance	\$3,000	\$3,150	\$3,308	\$3,473
Supplies	\$3,600	\$3,960	\$4,356	\$4,792
Lease	\$6,000	\$6,000	\$6,000	\$6,000
Salaries	\$48,000	\$57,600	\$69,120	\$82,944
Equip Maintenance	\$12,000	\$14,400	\$17,280	\$20,736
Utilities	\$8,100	\$8,910	\$9,801	\$10,781
Game Subscript	\$10,200	\$11,220	\$12,342	\$13,576
Total Expenses	\$92,400	\$106,740	\$123,707	\$143,802
Net Income	\$1,100	\$5,460	\$10,934	\$17,766

Profit Analysis



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Loan Request

The projected financial statement indicate that the company will be adequately funded to service its customers as well as its creditors. A profit will be seen at the end of year one. The loan will be paid off by the end of year four. This will in turn allow the business to begin saving money for equipment and building upgrades. In the event revenues fall short and our line of credit is maxed out, both owners have agreed to personally supplement the businesses cash needs until the monthly cash flow becomes positive.

Cash Flow Statement

	Year 1	Year 2	Year 3	Year 4
Beginning Cash	6,000	1,328	1,016	6,178
Sources of Funds:				
Capital Contribution	20,000			
Bank Loan	20,000			
Net Income	1,100	5,460	10,934	17,766
Total Sources of Funds	47,100	6,788	11,950	23,944
Uses of Funds:				
Start Up Cost/Capital Invest.	(40,000)			
Loan Payment	(5,772)	(5,772)	(5,772)	(5,772)
Total Uses of Funds	(45,772)	(5,772)	(5,772)	(5,772)
End Cash	1,328	1,016	6,178	18,172

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Supporting Documents

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