

Operational Costs & Financial Projections: The Path to Profitability

A Financial Blueprint and Survival Guide for Reaching October 2028

\$43,125

Average Monthly Budget

\$141,000

Projected Year 1 EBITDA Loss

October 2028

Target Profitability Date

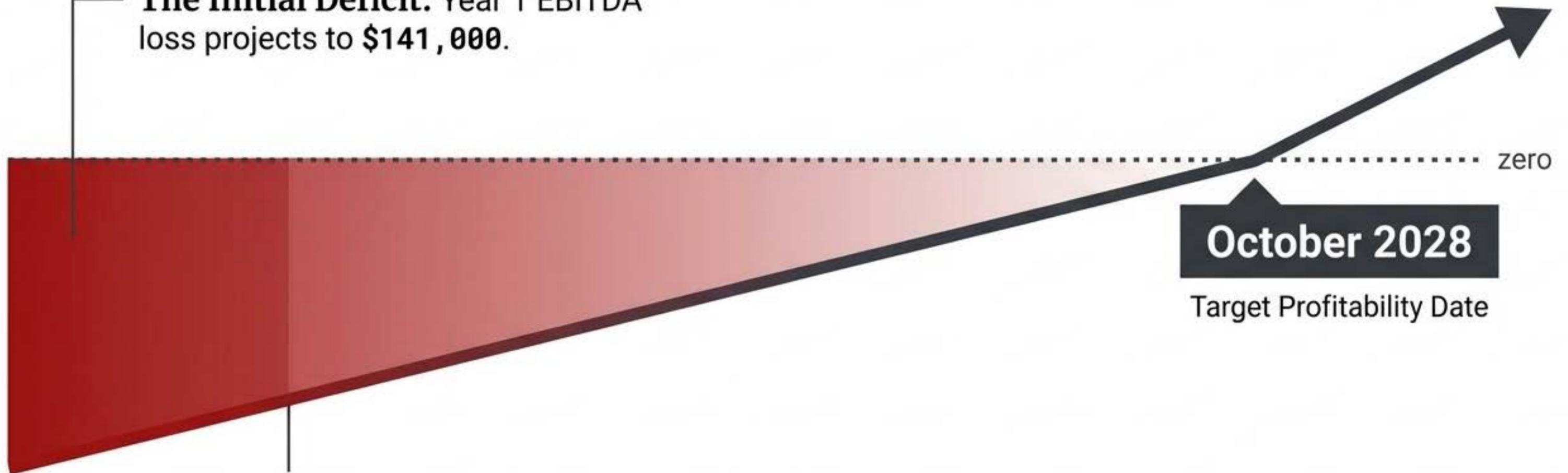


The initial monthly running cost budget starts between \$13,500 and \$18,000 but scales to average \$43,125 over the first 12 months.

Core Directive: To survive until October 2028, management must address two severe structural failures (unsustainable COGS and processing fees) while actively managing a heavy non-negotiable overhead baseline.

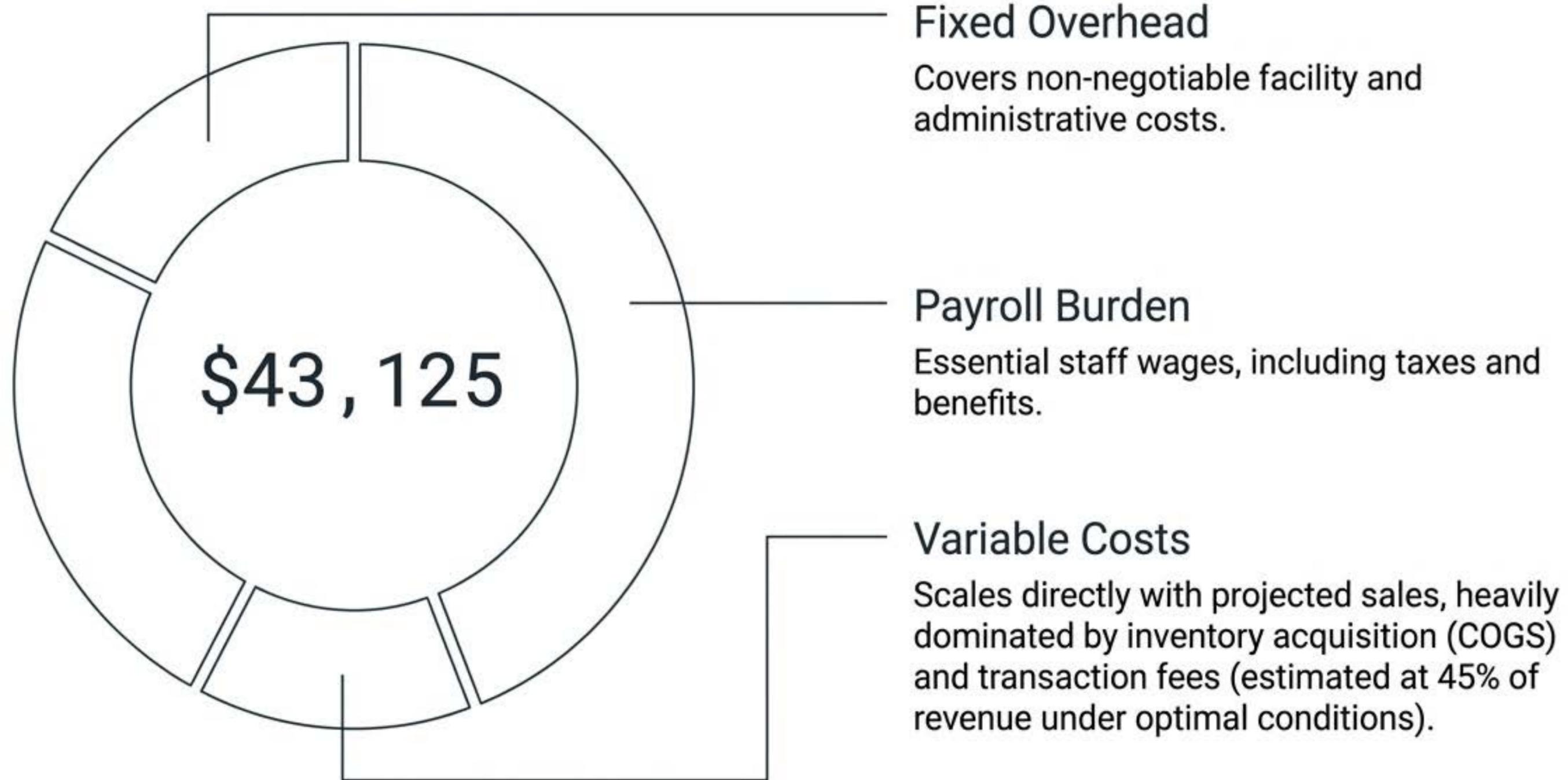
Strategic Imperative: Capital raises must focus on covering this specific operational deficit. Without an immediate reduction in this loss, cumulative losses will **grow rapidly beyond Year 1.**

The Initial Deficit: Year 1 EBITDA loss projects to **\$141,000.**



Burn Rate: This creates an implied monthly burn rate of approximately **\$11,750** (\$141k / 12 months).

The \$43,125 Monthly Reality



The Non-Negotiable Break-Even Floor

The Target: To cover this baseline, the shop requires **\$45,878** in monthly sales.
Roboto Mono

\$10,625
Full Payroll Burden

=

\$20,625
Non-Negotiable Floor



\$10,000
Fixed Overhead



The Risk: If sales dip below \$40,000, the contribution margin will fail to cover the fixed base. Prolonged onboarding (14+ days) significantly raises churn risk here.

120%

Status: Structural Failure

Current 2026 projections show COGS at 120% of total sales revenue. The business loses money on **every** transaction before rent or wages are paid.

Impact: Requiring 120% revenue just to break even on inventory makes the \$3,500 rent and \$9,500 staff wages impossible to cover.

Immediate Action Required:

- Renegotiate vendor volume tiers immediately.
- Target a specialty retail benchmark of 50%.
- Push vendor terms below 45% to survive. Adjust retail pricing strategies upward.

Status: Severe Margin Compression

Credit card fees are projected to consume 25% of every dollar during 2026.

The Math: If the shop hits \$50,000 in sales, \$12,500 goes directly to payment processors.

Immediate Action Required:

- Avoid expensive tiered pricing structures.
- Renegotiate processor rates immediately upon passing \$20,000 in monthly sales volume.
- Promote ACH and digital wallet payments to lower fees.



Managing the Core Heavyweight: Payroll

Status: Heavy Variable Lever

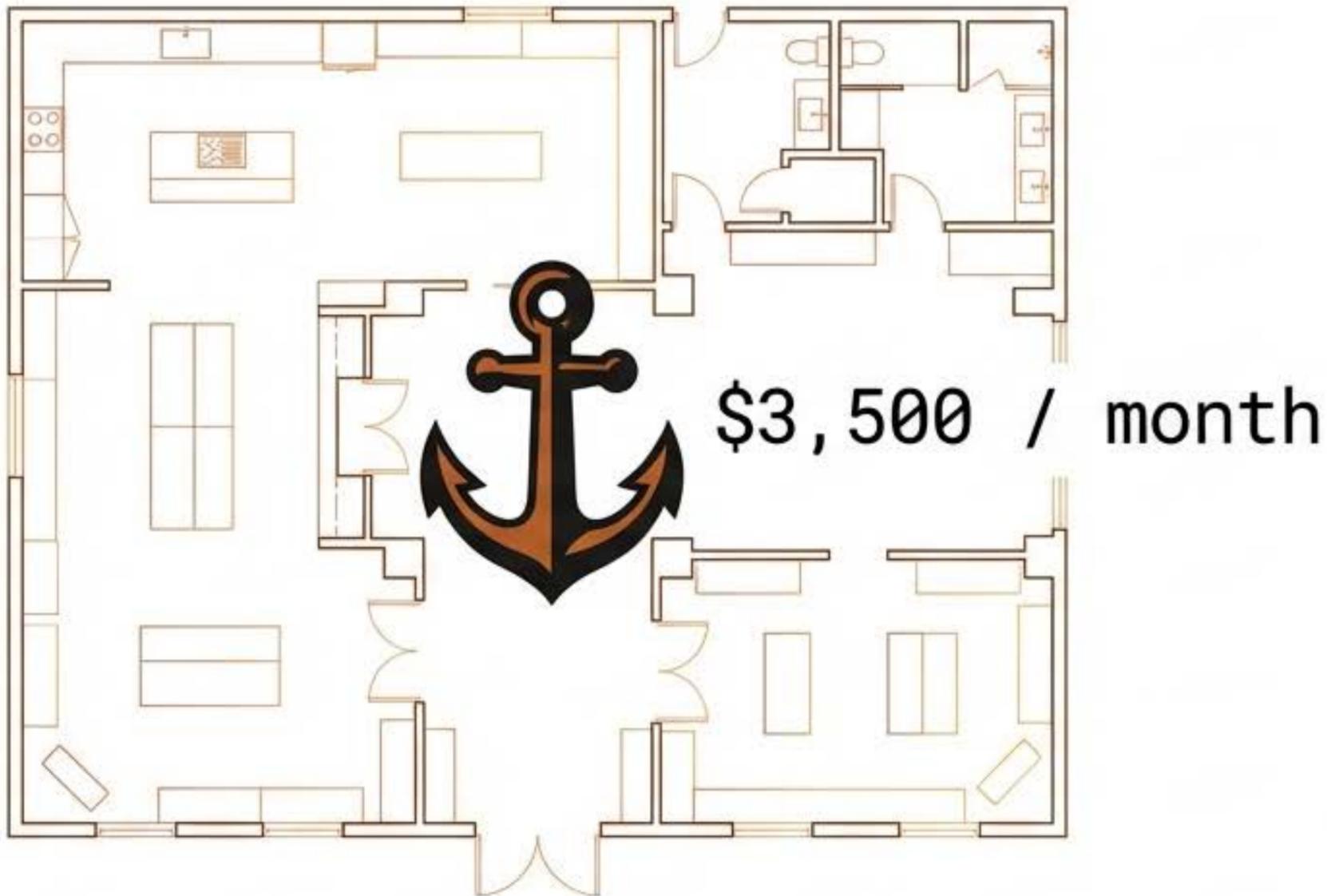


The Base: Initial payroll exceeds \$9,500 monthly (pre-tax), anchoring the operating baseline. This includes a \$60,000 annual salary for the Store Manager plus Sales Associates.

Management Tactics: Align associate scheduling strictly with peak foot traffic. Avoid hiring full-time staff too early. Overstaffing mid-week afternoons directly erodes the contribution margin.

Optimising the Physical Footprint

Status: Fixed Anchor



The Cost: \$3,500 monthly fixed occupancy cost (rent and utilities).

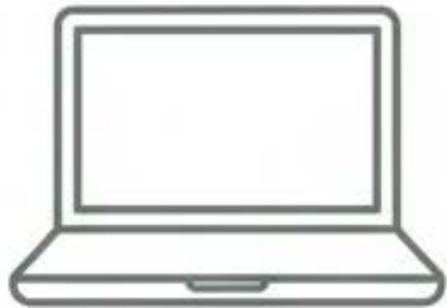
The Requirement: Assuming a 40% contribution margin, the shop needs \$8,750 in gross sales just to cover this facility baseline before payroll.

Management Tactics:

- Keep occupancy strictly under 10% of projected sales.
- Maximise vertical display space immediately.
- Implement energy audits to control utility fluctuations.

The Essential Baseline Overhead

Status: Stable Baseline Overhead



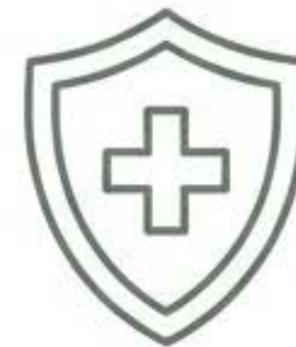
Technology (\$250/mo):
POS system and operational software.

Tactic: Pre-pay annually for 10-15% discounts; avoid feature bloat.



Accounting & Legal
(\$300/mo): Mandatory tax filing and regulatory compliance.

Tactic: Standardise reporting to avoid hourly legal scope creep.



Business Insurance
(\$150/mo or \$1,800/yr):
Core general liability and property coverage.

Tactic: Compare three carriers annually; avoid unnecessary bundles until revenue passes \$50k/mo.

Emergency Protocol: The 30% Revenue Drop



The Trigger:
Revenue running
30% below forecast.

The Directive: Immediately freeze all discretionary spending that does not directly support in-store sales conversion or inventory replenishment. Non-essential overhead and acquisition costs must be halted.

**The Core Philosophy:
Cash Preservation beats Optimisation.**

Executing the Contingency Plan



CUT

Pause all paid digital advertising immediately if Cost Per Acquisition (CPA) exceeds \$25. Cut local event sponsorships lacking next-week ROI.



DEFER

Push the planned \$2,000 front window display refresh until Q3. Cancel non-essential software subscriptions.



REDUCE

Cut part-time staff hours by 10%, maintaining only peak coverage. Adjust utility thermostats by 2 degrees (higher in summer, lower in winter).



STRETCH

Negotiate payment term extensions with local artisan suppliers by 15 days.