

International Entrepreneurship Educator's Programme

Entrepreneurial Learning - Pedagogical Note Series

35. Use of Case Studies

1. What is Use of Case Studies

The case is a simulation of a 'real world' situation more often than not based on research and usually disguised in name to protect confidentiality. As indicated in Pedagogical Note 16 on Critical Incidents, there are various levels of case intensity from the short 'incident' presented as a basis of class discussion to the long complex problem solving exercise of many pages.

2. How can a case exercise be constructed?

The case method can be used as a major focus for participative learning often involving pre-class reading and a list of questions to be considered which will be focused upon in class. Case analysis may be used for examination and assignment purposes. Case writing may also be part of a learning programme and can be used, for example, as a final project assignment. The focus of most case studies is upon problem solving but they can be used as demonstrators as to how things can be done, as a basis for discussion as to how things should be done, for the development of frames of reference for analysis and as a basis for demonstrating the value of certain concepts in practice.

A case study for entrepreneurial learning would have the following components:

1. A case – description of a particular real life situation presenting the basis as noted above for class based discussion and potentially role play and other pedagogical methods.

2. A series of questions/issues for the class to consider,

Some issues may be directly related to the case

e.g. 'Did the managing director ignore key aspects of the environment in making his/her decision'? Others may be of a broader conceptual nature

e.g. 'What are the key components of Strategic Awareness that might be used to explore the managing Directors approach to the problem?'

Others may be of an action nature

e.g. 'What should the Managing Director do now and why?'

Others may explore the students frame of reference for analysis

e.g. 'What factors would you take into consideration if you were invited in to the company as a consultant to assist?'

3. Handouts and articles which provide a basis for conceptual thinking and sometimes providing further background information.

4. Teacher/facilitator notes - which may or may not be ultimately used as a class handout

The facilitator will need ample whiteboard and flip chart space. He/she will need to be prepared to organise knowledge emanating from the class in a planned way but will need to be flexible as the way in which knowledge will emerge cannot always be predicted. Control of the class is exercised by a mixture of closed and open questions and by use of building and summarising behaviour.

There will be opportunities for use of a number of pedagogical tools including role play, drama, presentation skills development, and debate.

The Annex provides an example of a case focused upon the Business Plan.

3. Relevance to Entrepreneurial Learning

Case teaching can be the antithesis of entrepreneurial learning unless it is used not as an analytical paper based and essentially reductionist problem solving exercise but as a means for stimulating wider thinking and conceptualisation of issues. Cases are no real substitute for active external engagement with real ambiguous situations.

4. Outcomes

Taught entrepreneurially, cases can provide a strong means for the development of frames of reference and for the practice of certain entrepreneurial skills.

ANNEX

A BUSINESS PLAN CASE

SPEEDY COURIERS

A Facilitator Note

Speedy Couriers is a real life situation. It consists of the presentation of a Business Plan for funding. As such it is not presented in traditional case format.

The case is accompanied by a facilitator note which is a summary of guidance that a counsellor might give to the entrepreneur. How this note might be used is explained below.

The Case can be used in a number of ways:

1. As the basis for critique of business plan format itself.

- What is missing?
- What could be included and why?
- Is it presented in the best way possible?
- Does it cover all that is expected in conventional formats suggested by banks and investment organisations?

In this context it can be used as a follow up to discussion of what should go into a business plan and why (see IEEP Pedagogical Note 31 on Business Plans).

In this context the plan can be treated as a whole or broken up into different parts with participants being asked to provide a critique, for example: of the product and market element ; of the resource acquisition needs element; of the financial elements; and of the leadership and management components.

It can alternatively be used to bring out, via brainstorming, the initial thoughts of students as to what they feel should go into a plan. In the latter case the facilitator will conclude on a plan format and summarise discussion building from the participant input.

2. As a basis for discussion of whether Speedy Couriers is a viable proposition

In this context the facilitator can ask participants to use the Start-up Frame (Pedagogical Note 30) to provide analysis of the business. This can be done as a pre-class assignment – to be discussed subsequently in class, as a written assignment or as the basis for small group work.

It can also be used simultaneously to encourage students to **Role Play** the owner and a counsellor/consultant where the end product of a role play interview is for the Counsellor group to indicate:

- what they think the client needs to do and to learn
- what stage they think the business is really at
- what are the major priority problems to be solved and agreed with the client
- how they might best do this

After the session they can be introduced to the facilitator notes and if necessary provide a critique of them.

The interviews could be videoed and the results used for whole-class discussion.

3. *As a means to exploring the business plan as a relationship management instrument* (see Pedagogical Note 31).

In this context, as explained in the Note, the class is divided up into several bi-polar groups

- one representing the entrepreneur seeking to make a case to the bank and another representing the bank. Each sub group is invited to brainstorm on what they think will be the main things that a banker will look for and why (see the Note). They then **Role play** on this basis.
- one representing the entrepreneur and a formal venture capital company with the same process as above
- one representing the entrepreneur and a local authority with grant and loan aid potential
- one representing the entrepreneur and a business angel
- one representing the entrepreneur and a potential partner

The results of the role play can be used to discuss the business plan as a relationship management instrument and to bring out how a business plan might be ‘dressed’ and presented for different stakeholders.

SPEEDY COURIERS

BUSINESS PLAN

Presented by:

**Ron Jacobs
Managing Director**

September 2002

CONTENTS

	Page
Business Plan Objective	1
Summary of Business	1
Market & Industry Analysis	3
Estimates of Demand	4
Management Team	5
Financial Information and Forecast	7
Conclusion	12
Appendix 1	14
Appendix 2	17

1. BUSINESS PLAN OBJECTIVE

To raise £35,000 of loan/investment capital from a bank or independent source to fund a new business that will operate in the courier/despatch industry.

2. SUMMARY OF BUSINESS

The first motor bike despatch companies began operating in the early 1950's and since then the industry has ballooned into a multi billion pound economy.

Despatch companies exist in just about every major city in Britain. The industry in London alone employs approx 100,000 people and encompasses deliveries by: motor bike, pedal bike, vans and cars as well as overnight deliveries by train. All modern industries such as photographic, design, computer related businesses, music advertising, public relations as well as the more established industries such as: banking, law, accountancy, publishing and the media, to name but a few, are all regular users of despatch rider/courier services. The absolute rock bottom cheapest price of sending a package is £5 and the top price can be anything up to £400.00, although on average a 5-mile journey within London will cost £7 for a motor bike/push bike courier or £10.50 for a van/car courier. The average size company will expect to complete about 275-350 jobs per day, and with good management should be operating on a 20% net profit margin.

The directors feel that at this time the industry in general is very tardy and that apart from 4-5 major London companies the majority of the remaining outfits lack any real quality of service especially of the highest standards. Furthermore it is almost certain that very few would last longer than a month operating in America, where service of the highest possible standards, is the only way to achieve success of any longevity. We intend to change this general trend by setting the highest industry standards not only in quality of service to the customer, but also by having an equally strong flow of information within the company internally, so as to be able to maintain the high standards of service envisaged. We feel that this is the way to create our own market niche and have few true competitors.

It is felt that the following points are inherent for a company to achieve success in this business and are aware of few companies if any that are presently doing so:

- Couriers to be very smart, this includes being clean shaven, wearing a uniform at all times (t-shirt, sweatshirt, collar and tie, waterproofs for riders) to be smiling when entering premises on our behalf, to be polite and offer conversation (good morning/afternoon, how are you today, etc).
- Couriers never to wear helmets when entering premises.
- Top bikes to be provided with pannier sets (with company name & logo).
- Helmets to be emblazoned with company logo.
- Letter to be sent out with monthly accounts, enquiring about the services our employees have provided, in terms of such things as; attitude, telephone manner, presentation, politeness, promptness, etc. to be returned in a pre-paid envelope.
- Couriers will be instructed to list unusual information and report it to HQ enabling us to log said info onto computer for future use, i.e. delivery address if different from that given (back entrance).
- Internal systems to be better, couriers to record more information for example: we will know what time a job is received – given out – delivered, allowing us to easily track individual jobs, whether a card was handed out (more of this later) if unusual or difficult to find address, details will be noted.
- Weekly management and staff meetings to allow continual analysing of business, looking for ways to maintain/improve service, find any faults and correct them and generally keep on top of operations thus allowing us to create a good flow of internal information to ensure standards do not slip.
- Innovative discounts to be considered such as, any job booked before 08.45 will be known as an “Early Bird” and will be subject to a discount as yet to be decided, and another will be along the lines that BT operate, whereby each account will be invited to nominate one particular client (probably the one they despatch to most frequently) for a set period and will receive an as yet undecided discount

on those jobs only. At the end of the allotted period they will be able to nominate a new client if they so wish. This will mean fewer “across the board” discounts will need to be offered.

- Motor bike couriers to be of a better standard than most presently employed in the industry, this will be achieved by recruiting from such places as ex service personnel, dedicated courier training schools (at present most couriers are recruited through local newspaper ads etc, and as a result most are unprofessional and tend to have a “couldn’t care” attitude).
- Honesty with clients, if a pick up will take 40 minutes that is what a client will be told. Most clients are finally lost to this business through frustration at being told a pick up will be 15-20 minutes (usually when the controller knows this will be a physical impossibility). We will be known for honesty so that when a genuine problem occurs, the client will know it is true.
- Separate radio channels (or mobile phone) for motor bikes/push bikes/vans/cars, so that only we will know how our business is doing and not everybody that works for us.
- Offices to be very clean, tidy and smart (very unusual in this industry at present).
- It is intended to open the office within a Business Centre, allowing us to be among 30-40 prospective clients from day one.
- Couriers to carry cards for presentation to non-account holders, enabling them to enquire if the company uses couriers often, and invite them to call HQ, or ask them if it is okay for HQ to contact them regarding future business.
- Within 18 months it is hoped that we will be in a position to offer a taxibike service with existing clients almost exclusively making up the clientele, we believe this will be in great demand in the future as central London becomes every more congested, and as a result a huge success.

3. MARKET & INDUSTRY ANALYSIS

There are far too many competitors in the industry to even begin listing, but in London where we intend to operate there are only about five market leaders, here is a brief resume of those companies.

Move On

This is the biggest company in London and I am informed that they operate a 24-hour service and complete about 3,000 jobs in each 24-hour period. The motorbikes are generally dirty, and are often hire bikes. It appears that although a uniform is available it is not always worn and even when it is, it fails in general to give the couriers a smart appearance, as they almost always appear scruffy and untidy.

Swift

This appears to be the most professional company on the road. Drivers and bikes are always very smart and riders are always in uniform, bikes are always clean and modern, and uniform panniers are nearly always provided. This company is the one that is most likely to be offering the type of service that we envisage.

Morrisons

This appears to be a very professional company. Morrisons is a very long established business, it's employees are nearly always in uniform, and most bikes are more often than not of good appearance, many are provided with company panniers, they are another that offer a 24 hour service.

Sigma

Very large company, but bikes and riders seem all too often to appear scruffy and untidy and on occasions just plain dirty. Back boxes on bikes always look to be falling off, panniers are not provided, although a uniform (jacket) is provided. I have had the misfortune to have visited one of their offices, and can only report that you really would not want a client to drop in unannounced.

Stage Movement

Appear to be a very professional outfit; drivers and bikes have a very high standard of uniformity, the bikes nearly always being fitted with panniers. The business is once again very well established and they will probably be direct competition if the management is as good as the riders appear to be.

These companies are the biggest and also probably the best known; there are numerous small companies, all operating together and all doing thousands of jobs between them every day. None of these bar two or three appear to stand out as special, and we are strongly of the belief that there is a huge market for a company that intends operating along the lines that we have set out.

As an experiment every non-account holder I have delivered to for the last five weeks I have told that I will soon be opening my own company and have given a brief description of the service we intend to offer, and all but four have expressed an interest and said that they are always looking for a good reliable despatch company. I have been given the names of relevant people to contact, addresses and any other necessary information that will be needed to approach them as clients. I have not just been given the brush off, a genuine interest has been shown which has been so strong as to be surprising, and has given us an even stronger bearing on how vast the potential market is and how successful we can and will be in this particular industry.

Every business plan should have one strong innovation that nobody else has hit on or is presently practising thus giving you an "edge" as a new company; therefore with this in mind our "secret weapon" will be the following:

If we eventually employ about 30 couriers (in approx 9 months) and each courier visits about 10 non account holders per day (as is the norm) tells of our company and leaves a business card and passes the information back to HQ, that will give us access to approx **1500** new clients **EVERY WEEK**. By achieving a moderate conversion rate of just 5% we will have more business than we could ever hope to cope with. In time other companies will follow our example, but by this time we will already have a very strong client list and provided we are keeping the service up to scratch (as is imperative) we will be in a very strong position. Nobody at this time is practising anything remotely as effective as this, and we know this idea is a winner and will eventually lead to a very healthy turnover. Added to this couriers will be asked that when they go to an address to deliver, and they have a little time to spare that they should copy down the names of other companies at that address so we can build a strong database and eventually contact them as regards our company and services offered.

4. ESTIMATES OF DEMAND

Demand is massive and growing, however it is very difficult to be specific with figures, although we can quote figures from an existing company presently operating in London called Capability (which currently employs 2 of the directors) to give a good idea of turnover achievable.

The company has been in existence for four years, is terribly disorganised and unfortunately has truly awful management, shabby premises, and generally a poor standard of staff and service; however, they still manage to turn over in the region of the following:

Approx 300 jobs completed per day

Average price per job	£7
Daily turnover	£2,100
Weekly turnover	£10,500
Yearly turnover	£525,000

(This is an absolute minimum figure)

For example, I average about 20 jobs per day, of those 4 will be minimum jobs (4 miles or less) for which the courier will be paid £2.50 and the company will charge £5.60. About 8 jobs will be around 5 miles thus paying the courier £3.00 and the company charging £7, approx 6 jobs will be 6 miles and pay the courier £3.60 and company charging £8.40. Finally, the last 2 jobs will be about 7 miles paying the courier £4.20 and the company charging £9.80.

As you can see from the above estimates, the company will charge out at least 20 of their 300 daily jobs for a minimum of £148.40. With this in mind and average jobs only quoted for this would equate to a daily turnover of £2,226.00.

However, it must be noted that about 25% of jobs are van/car jobs, which are charged out at £2.10 per mile (33% more than bike jobs) and that also many jobs completed cost way above the average costs allowed for above. For example, last week I delivered jobs to the following destinations:

Destination	Mileage	Cost
Nottingham	130 miles	£182.00
Southampton	80 miles	£112.00
Kettering	85 miles	£119.00

From the above chart, you will understand that although for general purposes we estimated the average jobs per courier would be 20, in real terms (shown above) it is not always necessary for a courier to complete 20 jobs per day in order for the company to achieve the daily turnover figure as quoted before and indeed fewer jobs than quoted will often produce an even greater turnover.

Car and van couriers often make long journeys and they are charged out at a third more than bike couriers, which will inevitably impact strongly on our daily turnover dependent on demand.

Finally, the company sends about 25 parcels per day by overnight train delivery for which the company charges the client the pick up as well as the overnight train charge, this will range from £18.72.

5. MANAGEMENT TEAM

Ron Jacobs

Ron will act as Managing Director of the company. He has a strong background in business having left school at 17 and joined the family company eventually becoming integrally involved in the business from every aspect. Responsibilities included everything from dealing with corporate banking and accountancy (involving such companies as Stoy Hayward and Grant Thornton) company strategy, overseeing the rebuilding of a number of hotels within the group (which led to the formation of a separate building company) the day to day responsibility for all hotel operations including getting the right management in place, agreeing marketing strategies and negotiating and agreeing most in going and out going contracts associated with the group were among the many and varied duties that he was expected to execute on a regular basis.

For the last nine months Ron has been working within the despatch industry as both a courier and a controller, and has in the process gained a very sound grounding in the business learning about all aspects from being out on the road, to the internal structure of the business, and understanding what will be required to operate a successful despatch company in the future.

This exercise was undertaken in order to make it possible for the preparation of this document and for his planned future advancement into the despatch industry.

See next page for brief resume.

Key Skills: good interpersonal/negotiating skills/presentational skills; ability to interact at all levels; ability to say 'no'; willingness to 'own problems'; problem solving; 'can do' attitude; numerate and ability to manage budgets and an eye for detail.

Mar '95 – Dec '95	Management Executive Family-owned hotels, USA
Job Purpose	To manage all hotels, create a marketing strategy and implement strict financials.
Job Dimensions	Prepare forecast projections; ensure profit margins; develop an incentive scheme for existing clients; promote hotels within marketplace to create new business; day-to-day management and development of staff.
Nov '94 – Mar '95	Marketing Executive The Whites Hotel, Manchester, United Kingdom
Job Purpose	To develop, manage and build long-term effective relationships with new and existing clients, with main emphasis on substantially increasing turnover.
Job Dimensions	Promote and create a good market position within the 3-4 star hotel trade; create maximum occupancy levels; strong advertising emphasis on International and local conferences often liaising with the Manchester Convention Bureau; new business development involving attending European Trade Fairs and building strong relationships within the local business community.
Jan '91 – Nov '94	Managing Director Swift Hotel Group, Family-owned hotels within United Kingdom
Job Purpose	Sole responsibility for each operating unit within the Group.
Job Dimensions	Implementation of budgetary and marketing strategy; set targets; increase margins; create maximum occupancy levels; day-to-day hands on management of all staff.
Jan '90 – March '93	Managing Director Jacobs Building & Construction
Job Purpose	Create a construction company to refurbish hotels with the Swift Hotel Group.
Job Dimensions	Devised business plans; presentation of plan to a Bank and achieving financial backing of £1 million to implement; tendered for business outside the Group and received contracts worth in excess of £1 million.
Jan '86 – Jan '90	Management Trainee Swift Hotel Group
Job Purpose	Learn an in-depth knowledge of the hotel trade.
Job dimensions	Office and personnel management; computer systems; in-house auditing; stock control; corporate banking acquisitions end of year figures; tax structuring; legal matters; marketing and tourism strategy.
Interests	Sport (especially football), current affairs, travel and music.

7. FINANCIAL INFORMATION & FORECASTS

Three types of financial information are attached:

- Summary of start-up costs (Exhibit 1, page 10)
- A forecast of income for the first 3 years of trading (exhibit 2, page 110)
- A profit and loss account for the first 3 years trading (Exhibit 3, age 12)
- Quarterly cash flows for the same 3 year period (Exhibit 4, pages 13-15)

Start up Costs (Exhibit 1)

Directors Input	£5,000.00
Limited Company Costs	100.00
Computers & Programmes	7,000.00
Business Premises	5,000.00
Radios and Aerial	600.00
Company Logo Design	750.00
Uniforms	2,000.00
Printing	1,500.00
Bike Panniers	1,500.00
Office Accessories	1,000.00
Marketing & Advertising	3,000.00
Insurance	750.00
Wages (Month 1)	2,500.00
Wages (Month 2)	3,300.00
Wages (Month 3)	4,850.00
Total	£40,850.00

Income Forecast for First 3-Year Period (Exhibit 2)

(Please see Appendix 1)

To allow for this calculation the following assumptions have been made:

15 jobs completed by a bike courier to the value £100.00, 5 jobs completed by car courier to a value of £57.20 thus each 20 jobs have a value of £157.20

	QTR 1 £	QTR 2 £	QTR 3 £	QTR4 £
Year 1	15,720	42,484	70,740	94,320
Year 2	100,608	106,941	114,408	131,655
Year 3	131,655	119,079	107,182	146,196

Estimated Turnover Year 1	£223,264.00
Estimated Turnover Year 2	£453,611.00
Estimated Turnover Year 3	£504,112.00

Profit & Loss Account (Exhibit 3)

Please see Appendix 2

	Year 1 £	Year 2 £	Year 3 £
Sales	223,224	453,567	504,112
Wages	125,800	261,605	292,350
Directors Wages	-	15,000	40,000
Gross Profit	97,424	176,962	171,762
Rent	12,000	17,000	20,000
Heat & Light	2,600	2,600	4,000
Telephone	3,000	5,000	7,500
Computer Equip	1,000	4,000	4,000
Radio (Rental)	4,104	8,475	9,196
Factoring	6,696	13,707	15,123
Accounts	3,000	5,000	5,000
Loan Interest	5,250	3,500	1,740
Uniforms	3,000	9,000	12,000
Insurance	2,000	3,000	3,000
Travel	-	2,500	3,000
Printing	3,500	5,000	7,500
Advertising	3,000	3,000	5,000
Miscellaneous	5,000	5,000	7,500
Total	54,150	86,782	104,559
Net Profit	43,274	90,180	67,203

Quarterly Cash Flow Forecast (Exhibit 4)

See Appendix 2

(all figures in £000)				
Year 1	QTR 1	QTR 2	QTR 3	QTR 4
Opening Bal	40,850	11,270	10,434	20,574
Total Sales	15,577	42,484	70,740	94,320
Cash Received	12,654	38,188	66,496	91,184
VAT (Output)	2,214	6,682	11,636	15,957
VAT Returned	-	1,293	-	-
Gross Cash	55,883	57,433	88,566	27,715
Costs:				
Wages	10,350	27,450	38,800	49,200
Directors Fees	-	-	-	1,100
Paye	-	787	1,260	1,290
Computer Equip	7,000	-	1,000	-
Rent	5,000	3,333	3,333	3,333
Heat & Light	600	600	600	600
Telephone	2,100	900	900	900
Radio Rental	600	320	1,440	1,920
Factoring	94	708	1,555	2,405
Accounting	-	-	-	3,000
Logo Design	750	-	-	-
Uniforms	2,000	1,000	-	-
Bike Panniers	1,500	-	250	-
Office Ass'ies	1,000	-	-	-
Advertising	3,000	-	-	-
Insurance	750	250	250	-
Printing	1,500	-	1,500	-
Misc	1,250	1,250	1,250	1,250
Loan Interest	1,312	1,312	1,312	1,312
Capital Rep	2,900	2,900	2,900	2,900
VAT (Input)	3,507	6,189	10,642	14,834
Total Costs	44,613	46,999	67,992	84,044
Net Cash Flow	11,270	10,434	20,574	43,671

(all figures in £000)				
Year 2	QTR 1	QTR 2	QTR 3	QTR 4
Opening Bal	43,671	58,048	75,158	92,817
Total Sales	100,608	106,896	114,408	131,955
Cash Received	99,672	108,454	113,607	129,078
VAT (Output)	17,442	18,979	19,881	22,588
Gross Cash	160,785	185,481	208,646	244,483
Costs:				
Wages	58,200	67,200	68,102	68,102
Directors Fees	3,750	3,750	3,750	3,750
Paye	1,290	1,290	1,290	1,400
Computer Equip	2,000	-	2,000	-
Rent	4,250	4,250	4,250	4,240
Heat & Light	600	600	600	600
Telephone	1,200	1,200	1,200	1,200
Radio Rental	1,920	1,920	2,400	2,880
Factoring	2,923	3,125	3,208	3,607
Accounting	-	-	-	5,000
Uniforms	2,000	2,000	2,500	2,500
Advertising	1,500	-	1,500	-
Insurance	750	750	750	750
Printing	1,500	1,000	1,500	1,000
Misc	1,250	1,250	1,250	1,250
Loan Interest	875	875	875	870
Capital Rep	2,900	2,900	2,900	2,900
VAT (Input)	15,829	17,803	17,754	20,282
Total Costs	102,737	09,91319	115,829	120,341
Net Cash Flow	58,048	75,168	92,817	124,142

(all figures in £000)				
Year 3	QTR 1	QTR 2	QTR 3	QTR 4
Opening Bal	124,142	144,361	159,116	158,076
Total Sales	131,655	119,079	107,182	146,196
Cash Received	131,653	123,321	105,133	141,639
VAT (Output)	23,039	21,581	18,398	24,786
Gross Cash	282,835	289,263	282,627	324,501
Costs:				
Wages	75,624	69,947	64,611	82,168
Directors Fees	9,230	9,230	9,230	9,230
Paye	4,914	4,914	4,914	4,914
Computer Equip	2,000	-	2,000	-
Rent	5,000	5,000	5,000	5,000
Heat & Light	1,000	1,000	1,000	1,000
Telephone	1,875	1,875	1,875	1,875
Radio Rental	2,561	2,561	2,561	2,561
Factoring	3,949	4,067	3,077	3,710
Accounting	-	-	-	5,000
Uniforms	3,000	3,000	3,000	3,000
Insurance	750	750	750	750
Advertising	2,500	-	2,500	-
Printing	-	2,500	2,500	2,500
Misc	2,500	2,500	2,500	-
Loan Interest	435	435	435	435
Capital Rep	2,900	2,900	2,900	2,900
VAT (Input)	20,776	19,668	15,698	21,998
Total Costs	138,474	130,147	124,551	147,041
Net Cash Flow	144,361	159,116	158,076	177,460

8. CONCLUSION

I am sure that you are now beginning to see that the turnover of this business is potentially substantial. Especially when taken into consideration the amount of start-up capital required. There are very few opportunities that require such a relatively small start-up cost that can potentially achieve such a great turnover.

I think you will agree that the figures produced and discussed within this document are impressive and at the same time I feel that they are also very conservative. For example, it must be taken into consideration that in the three years' figures produced, not a single job in excess of seven miles has been allowed for. Neither has any provision been made for overnight deliveries, or for that of wait and return journeys (the company getting paid for picking up, delivering and returning to the client) all of which are regular every day occurrences. This will undoubtedly add greatly to the eventual turnover of the company.

The turnover has been allowed to grow evenly and realistically and as mentioned plenty has been left in reserve, even so a serious downturn in fortune has been allowed for in the third year. The level of wages in the third year is rather high (about 60%) but this again has been done with a purpose, that being the staffing levels allowed for would permit the company to complete about **100 more** jobs per day without increasing the fixed costs. Consequently, the level of wages would reduce to about 50% of the turnover.

One of the beauties of this business is that there are no hidden assets (property values etc), what appears on the balance sheet and in the bank is the true value of the company.

Ninety percent of employees within the industry are self-employed so there are no hidden costs (PAYE, Income Tax). Couriers in general own their own vehicles, and where this is not the case the vehicles are hired. Therefore, the company need own no vehicles and so will have no worries about depreciation, maintenance or insurance. The radio system used will also be rented so expenditure in this area will also be minimal.

The computer programme that we are intending to use will be a huge asset to the company. It will allow all aspects of the operation to be computerised and will also be capable of producing weekly payment dockets for couriers and monthly invoices for clients. It will also produce a large range of monthly reports that will be filed and passed to an accountant at the year end, other than this minimal involvement, an accountant and subsequent costs incurred will be nominal, thus saving around £25,000 over a three year period. The system will also make the service we intend to offer that much more attainable, because much of what it will achieve is in areas of service that a great importance was out on earlier in this report.

The company will not put a great emphasis on advertising although a provision has been allowed for because we strongly believe that the best form of advertising in this industry is by word of mouth. Advertising that will be entered into will mainly in periodicals and journals aimed at specific areas such as the marketing, design and photographic industries and also maybe a page on the Internet.

There is great potential for expansion in the future from buying part of, or the whole, of a company to increase turnover, to starting a Taxibike service. However it must be stressed that this would be thought of as long term and is not foremost in our strategy and planning at the present.

The Directors feel it will be beneficial, if not imperative, to employ the services of a Factoring company to ensure good cash flow, and have managed to locate a company called Helpful Factors Ltd.

This company was sought out because one of the directors is Richard Brown who started a courier company called National Link in the seventies and sold out in the Nineties for many millions of pounds. Throughout this time Helpful were a great help to him, so much so that upon selling National Link he put his money in and joined the board of Helpful. As a result of his subsequent influence the company has become very understanding of the nuances of the courier industry. Having seen a draft copy of this document they have agreed to accept our business.

Finally, I believe that the management possess the following criteria that will be essential to any future success; good general management skills, strategic director, leadership qualities, team spirit, competitive market edge, innovative strategy ideas and a willingness and need to succeed.

The project has been well researched and I hope this will be apparent upon reading this document. There is a massive market at our fingertips and you must believe that Speedy Couriers are going to help themselves to a healthy slice of that market and be very successful in the coming years.

APPENDIX 1

Weekly Assumption of Turnover for 3 Years

Assume the following:

Bike couriers will be charged at £1.50 per mile. Care couriers at £2.20 per mile.

15 Bike Jobs	8 journeys under	5 miles	= 8 x £ 5.00	£ 40.00
	3 journeys of	5 miles	= 3 x £ 7.50	£ 22.50
	3 journeys of	6 miles	= 3 x £ 9.00	£ 27.00
	1 journey of	7 miles	= 1 x £10.50	£ 10.50
			Total	£100.00

5 Car Jobs	2 journeys under	5 miles	= 2 x £ 8.80	£ 17.60
	1 journeys of	5 miles	= 1 x £ 11.00	£ 11.00
	1 journeys of	6 miles	= 1 x £ 13.20	£ 13.20
	1 journey of	7 miles	= 1 x £ 15.40	£ 15.40
			Total	£ 57.20

Therefore every 20 jobs completed have a value of £157.20.

	Month 1 £	Month 2 £	Month 3 £
Week 1	786.00	786.00	1,572.00
Week 2	786.00	1,179.00	1,965.00
Week 3	786.00	1,179.00	1,965.00
Week 4	786.00	1,572.00	2,358.00
Total	3,144.00	4,716.00	7,860.00

	Month 4 £	Month 5 £	Month 6 £
Week 1	2,358.00	3,144.00	3,930.00
Week 2	2,751.00	3,537.00	4,323.00
Week 3	2,751.00	3,537.00	4,323.00
Week 4	3,144.00	3,930.00	4,716.00
Total	11,044.00	14,148.00	17,292.00

	Month 7 £	Month 8 £	Month 9 £
Week 1	4,716.00	5,502.00	6,288.00
Week 2	5,109.00	5,995.00	6,681.00
Week 3	5,109.00	5,995.00	6,681.00
Week 4	5,502.00	6,388.00	7,074.00
Total	20,436.00	23,580.00	26,724.00

	Month 10 £	Month 11 £	Month 12 £
Week 1	7,074.00	7,860.00	7,074.00
Week 2	7,467.00	8,253.00	7,860.00
Week 3	7,467.00	8,253.00	7,860.00
Week 4	7,860.00	8,646.00	8,646.00
Total	29,868.00	33,012.00	31,440.00

	Month 13 £	Month 14 £	Month 15 £
Week 1	7,860.00	7,860.00	8,253.00
Week 2	8,253.00	8,253.00	8,646.00
Week 3	8,253.00	8,253.00	8,646.00
Week 4	8,646.00	8,646.00	9,039.00
Total	33,012.00	33,012.00	34,584.00

	Month 16 £	Month 17 £	Month 18 £
Week 1	9,039.00	9,432.00	7,860.00
Week 2	9,039.00	9,825.00	7,860.00
Week 3	9,039.00	9,825.00	7,860.00
Week 4	9,432.00	9,825.00	7,860.00
Total	36,549.00	38,907.00	31,440.00

	Month 19 £	Month 20 £	Month 21 £
Week 1	8,646.00	9,432.00	9,432.00
Week 2	9,039.00	9,825.00	9,825.00
Week 3	9,039.00	9,825.00	9,825.00
Week 4	9,825.00	9,432.00	10,218.00
Total	36,594.00	38,514.00	39,300.00

	Month22 £	Month 23 £	Month 24 £
Week 1	10,218.00	10,611.00	11,397.00
Week 2	10,611.00	11,004.00	11,790.00
Week 3	10,611.00	11,004.00	10,611.00
Week 4	11,004.00	11,397.00	11,397.00
Total	42,444.00	44,016.00	45,195.00

	Month 25 £	Month 25 £	Month 27 £
Week 1	10,218.00	10,611.00	11,397.00
Week 2	10,611.00	11,004.00	11,790.00
Week 3	10,611.00	11,004.00	10,611.00
Week 4	11,004.00	11,397.00	11,397.00
Total	42,444.00	44,016.00	45,195.00

	Month 28 £	Month 29 £	Month 30 £
Week 1	11,397.00	9,825.00	8,646.00
Week 2	11,790.00	9,825.00	8,646.00
Week 3	11,397.00	9,825.00	8,253.00
Week 4	11,790.00	9,825.00	7,860.00
Total	46,374.00	39,300.00	33,404.00

	Month 31 £	Month 32 £	Month 33 £
Week 1	7,074.00	7,860.00	9,825.00
Week 2	7,467.00	8,646.00	10,611.00
Week 3	7,467.00	9,432.00	11,004.00
Week 4	7,860.00	9,432.00	11,004.00
Total	29,868.00	34,870.00	42,444.00

	Month 34 £	Month 35 £	Month 36 £
Week 1	11,397.00	11,790.00	11,790.00
Week 2	11,397.00	12,576.00	12,576.00
Week 3	11,790.00	12,576.00	13,362.00
Week 4	11,790.00	12,576.00	12,576.00
Total	46,374.00	49,518.00	50,304.00

APPENDIX 2

Assumptions for Profit/Loss Account

1. Wages

It is assumed that wages will be 45% of turnover plus office staff on PAYE as and when needed.

2. Payment

It is assumed that invoices will be settled to 70% within 30 days, 15% within 60 days and 15% within 90 days.

3. Rent

It is assumed that rent including service charge and business rate will be £15,000, £17,000 and £20,000 in each of the first 3 years respectively.

4. Heat & Light

It is assumed that the cost of heat and light will be £50 per week for the first 2 years and £80 per week in the third year.

5. Telephone

It is assumed that the cost of the telephone will be £80 per week in the first year, £92 per week in the second and £144 per week in the third year. An allowance for rental has not been made and will be drawn from miscellaneous.

6. Radio Rental

It is assumed that cost of radios will be £32 per unit per month until we use in excess of 35 units when the cost will drop to £17.50 per unit plus £2,000 per year.

7. Factoring

It has been assumed that the cost of factoring will be 3% of the invoice value.

8. Accounts

It is assumed that an accountant will only be required to file year-end figures, £5,000 being a maximum figure.

9. Loan Interest

This figure has been allowed for at a rate of 15%.

10. Capital Repayment

Provision has been made to repay this figure in even instalments of £2,900 quarterly over 3 years.

11. Uniforms

Uniforms will cost approx £10 per garment - to be exact in this area is difficult dependent on the turnover of staff. However, I think we are over budgeted rather than under budgeted at £5, £9 and £12 per year.

12. Insurance

It is assumed that this cost will be £2,000 in the first year and £3,000 in the second and third years cover will only be required for the office and loss of, or damage, to parcels.

13. Travel

No allowance has been made in the first year. In the second year £50 per week has been allowed and £60 per week in the third year for directors only.

14. Printing

Difficult to assess, £3,500 allowed for in the first year, £5,000 in the second year and £7,500 in the third year.

15. Advertising

Allowances of £1,500 for the first year, £3,000 in the second year and £5,000 in the third year.

16. Miscellaneous

An allowance of £5,000 has been made in the first two years and £7,500 in the third year.

SPEEDY COURIERS

DISCUSSION NOTES

(External's Initial Comments on the Business Plan – for the Entrepreneurs)

INTRODUCTION

The main general point is to keep in mind who it is for. Different forms of the proposal will be required for different people. The related point is to put yourself in their shoes. The bank manager in truth wants a personal risk reduction document that he or she can give to the boss knowing that it meets the norms required of the bank. With this in mind I am faxing a copy of the NatWest guide to the start-up business plan. There are similar guides published by each bank. The more you can get the proposal into their format the better! I know it's a hassle, but that is the way of the world. I also send a copy of my own notes on what should go into a simple business plan. Ron and Richard might use both to check that they have covered all key points as well as they can.

0. Overall Presentation Points

- 0.1 The format is fine in general. There is a case for shortening a number of sentences. There is also a need to check the sense in one or two areas. For example para beginning "The directors feel ...on the first page. After 'Highest Standards there needs to be a new sentence beginning' furthermore ..." and in that sentence I assume that after the word 'America' the next word should be "Where".
- 0.2 Under "business plan objective" I think the statement might read "Business Objective", and indicate "the overall objective is to establish a ..." and that "the following document represents the plan for this business covering the first three years. The document is prepared in support of an application for a loan of ... To over the period ..."
- 0.3 I think it is important that the statement at the beginning makes it clear what is being asked for. I would suggest that if Ron and Stephen are looking for investment capital they should prepare a separate statement. The bank will not be in a position to invest and should not be led to believe that the applicants are confused about what they are looking for. I have further comments on the finance side below.
- 0.4 You will see from my own summary of what should go into a plan that there should be something on the scale and resource requirement and how it will build up over time.
- 0.5 In terms of presentation, the people and management statement should focus in the text on the key points supporting the application, like relevant experience (technical and managerial) and contacts and add more formal CVs at the end.
- 0.6 Finally, the summary should be on a separate page and should be set out:
 - The mission of the proposed business.
 - The request that is being made for a loan over what period and the use to which the loan is to be put.
 - The scale of the business and its location. Why the proposed turnover and profit is reasonable.
 - The customers, the markets (indication that it is – hopefully – growing). The USP compared with competitors (without rubbishing the competitors too much). Add here any really hard evidence that can justify your first year turnover.
 - The people and management stressing the relevant experience and contacts.
 - The physical resource requirement and what you are putting in and what you need.
 - The financial requirement and how you intend to fund it. Remember here that the bank is unlikely to give you more than you are putting in and will want the loan secured (unless you can persuade them to refer to the loan guarantee scheme by which the government secures part of the risk for the bank allowing it to lend beyond that which can be secured). If Ron and Richard want information on the guarantee scheme then they can ring their local 'Business Link' service. It's in the phone book).

COMMENT ON THE BUSINESS PLAN ITSELF START WITH THE NAME

1. THE SUMMARY

- 1.1 I would advise that you stick to the format I suggest above. There are many good points in the summary but some of them, I think, should go elsewhere. This applies particularly to all of the long list of USP points. These should go under 'Market and industry' below. Only a brief reference can be made to the fact that there are many additional customer benefits that the business will provide/not provided by the existing major competitors.

2. BACKGROUND, HISTORY OF THE IDEA AND ITS DEVELOPMENT

- 2.1 I would suggest you put a new section in here, taking points you have made elsewhere. This would include: general remarks on the development of the company's business, the nature of the needs it meets, how it is changing and growing in sophistication, important aspects of the business (here is the opportunity to demonstrate that you know the business very well).
- 2.2 Can you profile the typical kind of customer that is emerging for this business and their typical needs?
- 2.3 If you have any information on the healthy profits of companies in the business refer to it here. Remember the bank manager is likely to know very little – he will want to be reassured that it is a respectable area of business with a good track record and lots of opportunities.
- 2.4 Keep the hard stuff on the market until the next section although you can refer briefly here to your very great experience of the business and to hint at the insights you have.

3. MARKET AND INDUSTRY ANALYSIS

- 3.1 Would suggest that you try to revamp this a little along the following lines:
- Statement of the business idea, exactly what it offers and does, the needs it meets.
 - The company name and why?
 - What it offers to the customer. The kinds of customers that use it for what purposes (what things are 'carried' typically and why, for whom).
 - What represents the really good business in this market in your view.
 - The size of the market, the numbers of customers, the growth in the market (this information is missing at the moment).
- Estimated growth in the market in the future. (Idea – can you get some Business School students to do a project on the sector for you?)
 - Evidence that there is plenty of scope for entry – analysis of the competition as you have done. Any evidence that you can find that there is space.
 - Hard evidence that you have some potential and customers. List those visited, their potential and if possible get written statements that they are looking for an improved service and will consider you. This is hard, I know. But the bank manager wants something really solid to indicate that you can get into the business, and not just speculation.
 - Provide harder evidence if possible that the benefits you are stressing in your service are really needed and are not just based upon your speculation.
 - Indicate that you know how many basic customers you say you need to make a living in the first year and how you plan to get them. Can you list the customers you say you have visited and their potential?
 - If you are going to concentrate on a particular area say so, state why.
 - Then to introduce your analysis of the competition – try and systematically indicate their strengths and weaknesses and how you will build your own business on the former and exploit the latter. Here you already have many good points to make. Put any more detail in an annex.

- The price and how you are competitive but also that you have costed things out very well (put detail in the annex).
 - How you are going to reach the market. I like your ideas on using your despatch people to see and explore the market (by the way will you give them an incentive to do this?) but you will need to indicate how you are going to reach your first customers and in future how you are going to make them aware. In particular who is going to do the selling and how.
- 3.2 The point you make about the secret weapon ... The expression sounds a little ominous! I would just underline this as a key part of your business development programme. It sounds impressive enough without the descriptor!

4. ESTIMATES OF DEMAND

- 4.1 This is a bit of a misnomer as it discusses mainly the pricing and costing up. I would suggest that you put the demand bit into the previous section and perhaps here have a section on 'pricing and costing' which is what this is really about anyway. I like the idea that you can build your costs on hard experience from your existing company.
- 4.2 Just two points. Firstly, I would not try so much to criticise your current employer so strongly; it does not look good. Secondly, try to indicate clearly that your costs are derived from a 'typical' distribution of work as exhibited by your existing firm, and the costs and prices are also firmly based upon the established and acceptable payments and costs for a rider, as are the overheads in the profit and loss account given later. The costs per rider look rather low. Be careful of initial under-pricing. It is difficult to hike prices once you have started.
- 4.3 The differences between a bike job, a van job and a train job should have been set out in the background section to the industry above. This incidentally should also indicate what a typical mix would be.

5 MANAGEMENT TEAM

- 5.1 This section could be renamed 'The People in the Business'. It might begin with a statement that the business is being set up by and something on the proposed ownership structure and why. Then to indicate that, the owners between you have: considerable experience of the industry (what positions and how many years) and understand all the relevant aspects of management; that you have experience of managing businesses (a big selling point here is Ron's experience of running a family business and of hotel management – can you bring out more the relevance of that experience?) Can you add in here your knowledge of the networks, that is all the key people that you need to know in this kind of business? Indeed a good way to present yourselves would be to state at the beginning what are the key abilities and experiences required to be successful in the industry and then demonstrate that, between you, you have them all.
- 5.2 Incidentally, if there are other partners sleeping or otherwise (not literally!) that you can call on who would bolster your credibility, then mention them, including contacts.
- 5.3 Your formal CVs should be in an annex with address, telephone, fax etc and should both be set out in the same way. You should indicate your education and your total career, but bring out the bits that seem most relevant. A cv for Richard should be set out like Ron's. You will need your date of birth! You need to set out separately the positions you are going to hold in the company and why, and the company structure.
- 5.4 Finally, you should indicate your track record, as partners, hopefully supporting the notion that you can work, or have worked, together and why the 'marriage' is made in heaven.

6. SCALE AND RESOURCE REQUIREMENT

- 6.1 Can you add in something here about the scale on which you are going to start the business and the list of physical resources required?
- 6.2 The complete list of resources can be stuck in an annex. Then indicate what resources you have got, what you need and how you are going to acquire them. This provides the basis for your costs and your pricing.
- 6.3 Add in something on the timing – the launch date and what you are going to do to lead up to the launch (what you need to do).

- 6.4 You could also indicate how your costing gives you a break-even target against estimated revenue. This is important as it shows that you know how much business you need to do to cover costs and start making a profit.

7. FINANCIAL INFORMATION AND NEEDS

- 7.1 The problem at the moment is that there are no clear indications of what money you need and why. I am not sure what you mean under 'Start-up Cost'. Is the 'directors input' what you are putting in? Do you need money to buy equipment? If so, state this. Or if you need money more broadly to cover your negative cash flow, set it out. I cannot sit down with you to discuss this, but someone from 'Business Links' would do this for nothing. Alternatively ring the Local Enterprise Agency.*
- 7.2 What perhaps you need to do is to set out the initial costs with notes on why they are as they are. There are no bikes there and I assume that this point will be clearly covered in the 'resource' section – I think it was mentioned somewhere else.
- 7.3 Then set out what you are contributing to finance this and what is left to be financed and how you hope to cover this. Remember what I stated above about the one-to-one ration the bank will often use. Also somewhere you will need to set out what collateral you have to cover the loan.
- 7.4 I like your cost assumptions list but it would be good to indicate that these are based upon real experience drawn from actual accounts (if indeed they are!). The most difficult line to justify and the one upon which everything else depends is the sales line. Can you try to indicate how many customers and jobs this is based upon (year by year)?
- 7.5 In your costs, are your wages included, as opposed to director's emoluments? You do need to pay yourself something somewhere, or at least indicate how you will live.
- 7.6 Your cash flow will probably need to be monthly to please the bank. It is better to be as realistic as possible. Are you sure that you are going to get cash income in as quickly as you envisage? You seem to assume that you will receive about 80% of your sales in cash in the first quarter. Is this realistic? I understand that this may reflect your decision to use factoring. If so, be sure to note this in your explanations. Incidentally I don't think it is necessary to put the sales figure in the form you have put it in the cash flow. That should be shown in the P and L account.
- 7.7 In your estimates in your accounts you make reference to loan repayments but nowhere to the loan?
- 7.8 The main thing is to make sure that you have not left anything out, or particularly underestimated the outflows and overestimated the timing of the inflows on your cash flows.
- 7.9 Can you get a good friendly accountant to look over your financial estimates and 'professionalise' the notes? That is not meant to be an insult, only the account will understand better the jargon and approach required by the bank, as well as the presentation requirement.
- 7.10 Reference to your break-even figures would not go amiss here.
- 7.11 You indicate that you are to use factoring. Is there a special reason for this? Is it common in the industry? Have you experience of this? Are you really sure that a factoring company will take you on? How is this covered in your sales figures? I am not an expert at factoring, but I thought that this is arranged via a discount on your sales and not as a fee. Does the cost you have in your account represent the discounted rate, or are they charging a fee? Whatever the answers to these questions, you will need to set out in your notes the what and the why of your decision to use factors and the impact this has on your cash flows in particular.
- 7.12 The points in your conclusion in this respect need to be in the text and in the notes to your accounts. Are you sure that the factoring company you are using has a sound reputation. For example, is it a member of the factoring association? It should be, to satisfy the bank. If it has agreed to work with your business? If you have not had a discussion with other factors, then it may be advisable to do so. Factoring is a very expensive form of credit. Are you sure you need it? Is it the norm in your industry to use factors? Why?

8. CONCLUSION

- 8.1 Many of the points in the conclusions need to appear in the text, for example the references to the timing of the sales flow, the computer programme, the self employment of the employees and the

*A local business support agency + another local support agency

reference to factoring. Restrict the conclusions to an 'overall' type statement that this represents a viable business proposition in a healthy growing industry.

Good Luck.