

Division One National Winner

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Name of Plan: *Syncopation Enterprises*

Introduction

In the past thirty years, the developed world has seen a rapid evolution in communications. After the invention of the internet in 1969, the birth of the World Wide Web in 1991 saw the genesis of the Information Age. Today, nearly three-quarters of the Australian population are online. To Baby Boomers, Information Technology and Telecommunications is a new phenomenon, however for the majority of my generation, IT&T has been a fundamental aspect of our upbringing. Throughout our education, we have been taught to embrace IT&T as a learning tool, just as we would our pen and paper. Now, as we prepare to enter the workforce, E-Commerce is increasingly important to our success in the commercial world.

A Business Idea and its Potential

The Inspiration

Touring New Zealand with my parents earlier this year, my single greatest frustration was arriving in a new town late in the afternoon, starving hungry – with nowhere to eat. Having checked into our accommodation, we would roam the streets in search of the perfect restaurant, one that served a variety of appealing dishes at a *reasonable* price. As this trend continued I concluded that our evening meal would have been far more enjoyable had we been able to order it in advance.

The prime function (product or service)

Syncopation Enterprises, has developed **finedining.com**[®], an online guide to South Australian restaurants. The site has been developed to improve the speed and organisation of SA restaurants and increase international exposure. On arrival at **finedining.com**[®], potential consumers will select the geographical area in which they wish to dine. A list is then displayed on the screen of restaurants in that area, which the consumer can peruse. The consumer selects a restaurant, viewing its business details, including location and opening times, their menu and pricing structure and photos of the interior and view from the dining room. If the potential customer is satisfied with what the restaurant has to offer, they can book a table for their party, using the online credit facilities to order their meal and specify their estimated time of arrival and the time they wish for their meal to be served. This information is emailed to the chosen restaurant, which can then prepare for the booking. This website will be accessible to a wide demographic, giving the restaurant greater exposure to tourists and domestic clients alike.

There are two fundamental benefits for SE customers. Primarily, this is an excellent advertising opportunity, to expand the restaurants market and potential clientele. Secondly, it offers an opportunity for restaurants to improve their quality and speed of service, as the pre-bookings and payment enables the restaurant to improve their planning, and hence gain an edge in the market. For restaurant users, the benefits include improved speed and quality of service, as well as the convenience of a cash-free transaction.

Ownership Structure

Syncopation Enterprises is a sole trader, with V Pitman as sole proprietor. The ownership structure will be maintained for the first financial year of the business. However, to eliminate the risk of unlimited liability for the sole proprietor, SE hopes to expand first to a partnership and then a private company within the first five years.

Business Location

Initially, Syncopation Enterprises will be a 'work from home' business, using the home of proprietor, V Pitman as the central location for business activity. From this location, at Broadview (5 km NE of the CBD), SE can service the entire metropolitan area as well as the central business district. As a part of the five-year long-term plan, SE hopes to move into an office in the CBD, to improve centrality to clients.

Mission Statement

Our mission, as a client centred firm is to develop and implement quality e-commerce solutions for Australian Business at the lowest achievable price. We will demonstrate integrity, an awareness of our community and environment and complete dedication to the needs of our clients, while conducting our business in a professional and profitable way that is mutually beneficial.

SWOT Analysis

Strengths

Syncopation Enterprises greatest strength is its dedication to client satisfaction through superior customer service and loyalty. SE's youthfulness and energy also creates a positive flow of ideas, which allows for the development of a broad concept base. The nature of the product concept dictates that production, labour and purchase costs are minimal, while overheads are also low, which maximises profits and hence allows scope for research and development.

Weaknesses

In contrast to this, SE's single greatest weakness is also its youth. Youth brings inexperience, a limited pool of resources, a lack of training and a limited support network. SE is also weakened by its limited knowledge of the niche market in which it is positioned.

Opportunities

SE will take advantage of major events within both the hospitality and IT&T industries, as the value of seeking publicity through promotions at events such as The Royal Show and The Travel Show is immeasurable.

Threats

Our greatest threat is the widespread mistrust of youth, leading to inaccurate consumer perceptions of an inferior product. Another threat is a negative change in economic climate, which may lead potential clients to reconsider investing in **finedining.com**® because of the opportunity cost of the alternative foregone.

Staff and Management Requirements

Syncopation Enterprises requires one staff member, whose employment will be on a contract basis. This staff member will be responsible for designing and implementing the web page and information system for the client. They will not work directly with clients, but will be responsible for the product (service) development aspect of the business. To be considered for employment at SE, applicants will need to be able to demonstrate innovative and sophisticated electronic design skills, an advanced understanding of web-design software and have experience in web design and e-commerce. A diploma or degree may be beneficial, but not a necessity, as SE will provide on the job training for the successful applicant. Management will be responsible for initiating sales and maintaining client relations as well as human resources, marketing and financial management. The manager will train clients in the implementation of their new e-commerce tools and information system, as well as being involved in the production process. Ideally, the manager should obtain a Bachelor of Commerce, followed by an MBA.

This training will be achieved as part of the long term plan of the business, however, for the first financial year, V Pitman's current undertaking of Accounting, IT and Economics as a part of a SACE Stage Two, will suffice.

Market Analysis

Target Market (Is there a gap in the market?)

Why does South Australia need **finedining.com**®? In market research conducted of 43 Australians living in Adelaide and Rural SA, it was revealed that restaurant dining is an increasingly frequent vocation. 20 minutes was the maximum time any respondent was prepared to wait for their meal, with more than half stating 10 minutes as a maximum acceptable wait. 72% wished to view the prices before agreeing to dine and 53% also wanted to peruse the menu. Thus we have discovered a need. Consumers today want more for their dollar, better quality food and faster service. Although a tangible gap in the market has been quantified, a market must be found in that gap. SE attracts a niche market and will target every potential client within that niche. The pricing structure has been developed to maximise our market potential, however SE will specifically target restaurants with an interest in research and development and implementing IT strategies to improve service and speed.

Competition

Syncopation Enterprises faces very few competitors in the market at present. Therefore, the greatest competition we face is those restaurants that do not believe that our value proposition is worth the opportunity cost of purchasing a place at **finedining.com**®. The substitutes for **finedining.com**®, currently available on the Australian market do not feature an online menu, booking service or online credit facilities and this is where **finedining.com**®, has an edge in the market.

Pricing Strategies

Restaurants wishing to feature on **finedining.com**®, purchase a 12 month renewable license, for \$249.00. Five possible pricing strategies were investigated [as detailed in the product pricing table below] however, \$249.00 was selected as it allows for a wide market, without compromising profit margins. The advantage of the renewable license structure is that it promotes sustainability within the business. This pricing structure targets restaurants who are serious about technological advancement, while making it an accessible service to the majority of the market. The price is set to ensure the profitability for the client, as the e-commerce structure must be self-funding. The product has been designed to increase the restaurants profitability, hence the price has been set, so that the extra revenues earned by purchasing a **finedining.com**®, license far exceeds the expense of the purchase.

Product pricing

a	Range of selling prices	\$ 149.00	\$ 199.00	\$ 249.00	\$ 269.00	\$ 299.00
b	10% commission of sales	\$ 14.90	\$ 19.90	\$ 24.90	\$ 26.90	\$ 29.90
c (a-b)	Value of sale	\$ 134.10	\$ 179.10	\$ 224.10	\$ 242.10	\$ 269.10
d	Cost of production per unit	\$ 110.00	\$ 110.00	\$ 110.00	\$ 110.00	\$ 110.00
e (c-d)	Gross profit per sale	\$ 24.10	\$ 69.10	\$ 114.10	\$ 132.10	\$ 159.10
f	Fixed costs and profit	\$ 3,209.40	\$ 3,209.40	\$ 3,209.40	\$ 3,209.40	\$ 3,209.40
g (f/e)	No. of units to produce and sell	133.2	46.4	28.1	24.3	20.2
h (c*g)	Sales revenue	\$ 17,858.11	\$ 8,318.43	\$ 6,303.46	\$ 5,881.88	\$ 5,428.34

Marketing Strategy

This product will require a dual marketing strategy, with two key groups targeted. The first key group is the niche market of potential clients in the hospitality industry. To give value to our client base it is also essential that the product concept be marketed aggressively to the general public. SE will seek to utilise existing tourist information services, such as SA Tourism and SA Great by creating a mutually beneficial relationship, ie they create a link to **finedining.com**® on their website and we will reciprocate. To develop a client base, SE will cold call potential clients, to arrange a meeting and then seek to sell the product during the meeting.

As well as the word of mouth advantage, an advertising campaign SE will be implemented in the July quarter.

SE will host a product lunch, inviting any clients, media representatives, mentors, business associates and sponsors. Prior to the product launch, SE will perform a rigorous advertising campaign, with two focuses, the 15-30 year old market and the 31-55 year old market, as these two groups respond differently to advertising. This campaign will create awareness and interest in the service.

Promotional Plan

The first month of operations is a crucial time for SE, as this is when an initial client base will be developed. In seeking publicity to promote **finedining.com**, SE will use contacts in South Australian Media at The Advertiser, Messenger Press, The Sunday Mail, SAFM, 5ADFM as well as Channels 7, 9,10 and ABC. A media release will be developed to maximise media attention in the first month. It is critical to maximise exposure to the public, because no one can purchase a service if they don't know it exists.

Financial Analysis

Establishment Costs and Proprietorship (Internal Funding Sources)

As a sole trader, Syncopation Enterprises will be entirely internally geared, with initial capital being sourced from sole proprietor, V Pitman [See Appendix 3, Budgeted Balance Sheet]. It is estimated that the start up costs will not exceed \$1000, which is the budgeted capital contribution [See Appendix 2, Budgeted Profit and Loss Statement]. The primary financial requirements of the business will be purchasing the domain name, at \$70 and the Internet Connection for \$24.95 per month. The web space necessary for the web site is included in this package. The other major cost is the initial expenditure on advertising. An advertising budget has been created with \$50 per month.

Ongoing Costs and Expected Income

It is estimated that there will be six major monthly expenses, budgeted in the Profit and Loss Statement. The greatest ongoing expense is wages, with a variable \$300 monthly budget, relative to the number of clients obtained. Other variable costs are \$74.70 for commission and \$30 for rent of computer, based on a total of 36 sales for the entire sales period, equating to three per month. Fixed costs are budgeted at \$20 for travel, \$50 for Advertising and \$24.95 for Internet/Web hosting.

MONTH	% Annual Turnover	Sales Required
July	8.33%	\$ 747.00
August	8.33%	\$ 747.00
September	8.33%	\$ 747.00
October	8.33%	\$ 747.00
November	8.33%	\$ 747.00
December	8.33%	\$ 747.00
January	8.33%	\$ 747.00
February	8.33%	\$ 747.00
March	8.33%	\$ 747.00
April	8.33%	\$ 747.00
May	8.33%	\$ 747.00
June	8.33%	\$ 747.00
	100%	\$ 8,964.00

It is estimated that for the duration of the first sales period (12 months) 36 sales will be made. After three months of trade, this figure will be reassessed to make sales targets higher if sales are growing.

Achieving the sales target of 3 sales per month will give monthly revenue of \$747 (as shown in the diagram), which will more than cover all expenses. In the long term it is possible the website may attract interest from firms outside of the hospitality industry, for advertising purposes.

Basis for Product Costs and Mark-ups

The variable costs of each sale include an estimated 5 hours of hired labour at \$20 per hour, 5 hours of computer hire, at \$2 per hour and \$24.90 for 10% commission on sales. The total variable costs for each unit are \$134.90, making the profit margin on each sale \$114.10. If sales targets are reached, this will equate to a profit margin of 46%, which means that 46c in every \$1 of sales is variable profit. The net profit margin is 32%, which is a more than acceptable level relative to industry standards. These high profit margins are possible because expenses not directly related to sales are minimal.

Break Even Analysis

The break-even point, at \$249 is 11 units. Sales targets however, have been set to achieve at the minimum a net profit of \$2000 and to achieve this, 29 units must be sold.

Sustainability

Viability and future Prospects (Export potential, creation of extended market)

The key to **finedining.com**®, in sustainability is in the pricing structure, as clients purchase a 12 month renewable license to feature on the site. In the first year of trade, SE hopes to secure 36 clients and aims to maintain 100% return custom. It is essential that initially, Syncopation Enterprises maintains only a small customer base to ensure that in the embryonic stages of the business, customer service is at its optimum. It is essential that SE cements its place in the market in its first year, by creating a solid foundation of mutually beneficial relationships with clients, to allow for exponential growth in the future. After the initial 12 month sales period, Syncopation Enterprises will re-evaluate its position in the market and seek to improve its service for its clients. For the 2001-2002 financial year, **finedining.com**® will seek clients only within South Australia. In 2002-2003 SE will re-evaluate its ownership structure, which may result in a partnership being formed.

The first six months of the 2002-2003 financial year will be used to cultivate SE's position in the South Australian market and expand its client base. With the planned expansion in 2002, SE hopes to attract 360 new clients in South Australia. In January 2003, SE will also look to expand to Victoria and New South Wales, followed by Western Australia, Northern Territory, Queensland and Tasmania in 2003-2004. In each case, SE will approach 1000 potential clients, to achieve a target of 250 new clients in each state, which allows for a 25% sales success rate. The ownership structure will be re-evaluated again at this stage, with the possibility of transforming the business into a private company, to eliminate the risk of unlimited liability, before looking to the international market.

In 2004-5, SE will endeavour to export the concept to New Zealand, which features a very similar economy and marketplace to Australia, while conducting market research in the US to ascertain the viability of entering the US market. SE then hopes to enter Asia and Europe. During these rapid expansions onto the global market Syncopation may also look into other Internet Solutions for Australian SMBs.

Budgeted Profit and Loss Statement

Syncopation Enterprises

1 July 2001 – 30 June 2002

Sales		\$	\$	\$	8,964.00	
Less Other Expenses						
SALES EXPENSES						
Travel	\$	240.00				
Advertising	\$	600.00	\$	840.00		
ADMINISTRATION EXPENSES						
Commission	\$	896.40				
Wages	\$	3,600.00				
Computer Rent	\$	360.00				
Internet Connection/Webspace	\$	299.40				
Domain Name Registration	\$	70.00	\$	5,225.80	\$	6,065.80
NET PROFIT					\$	2,898.20

Appendix Three

Budgeted Balance Sheet

Syncopation Enterprises

1 July 2001 – 30 June 2002

PROPRIETORSHIP

Capital – V Pitman \$ 1,000.00

This is represented by

ASSETS

Cash \$ 1,000.00

Less

LIABILITIES \$ -