

Division Two National Winner

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Name of Plan: *Sorrell's Outdoor Survival (S.O.S)*

The Idea and its Potential

My business will be to supply small and lightweight survival kits to bushwalkers and recreational adventurers. The package will include essential items like matches, water purification tablets, blades and alike. For full list of contents see Appendix 1.

This business would be perfectly suited to Tasmania. There are many bush walking areas and so there would be a large market for such a product. The product could be sold from shops at the start of long walks and at registration booths.

It would be lightweight and relatively inexpensive and it could easily fit into a pocket, yet it could save many lives.

There are too many people that go missing in Tasmania each year. This product could help improve the survival rate of some of these people. Because it is lightweight and small people would not have trouble carrying it and it would not be uncomfortable.

The business has the advantage of being easy and cost effective to establish. It is also a very safe business to set up, requiring little initial capital. It is also an easy business to manage and this doesn't mean I have to devote too much time to the business.

I decided to start the business because there was an open gap in the market and the product had a high chance of being successful because a product such as this doesn't exist.

The goal of S.O.S is to provide lightweight and inexpensive survival kits to the many outdoor adventures of Tasmania, hopefully making the many sports safer.

Market Analysis

Target market

The market for this product would be all recreational adventures, including fishermen, bush walkers, campers, hunters and alike. The age of the buyers doesn't really matter because there are many recreational adventurers in the state. The ideal target market would have to include fit and active people. According to the Australian Bureau of Statistics around 83% of Australian Men over the age of 15 believed they had good or excellent health and 93% of females over the age of 15 said the same thing. Of course, the largest market would be between 15 and 45 because these people would be the most likely to be active and go walking. In Tasmania one of the strongest markets would be tourists who comprise largely of backpackers and people who come into the state to walk in the forests. Tasmania has many spectacular and diverse walking tracks, thus attracting many walkers. Backpackers again comprise mainly younger people operating on a low budget.

A small survey that was conducted showed that nearly all of the participants did not carry any sort of survival equipment. Few carried medical kits. This shows that there is a prime market for such a product. The survey showed that many people went walking with their families so any marketing could be aimed at an older generation.

Competitors

All camping shops sell survival equipment but these are not offered as a complete package. The survival kits that do exist do not contain a full range of items, maybe a compass, some fishing line and hooks and some minor medical supplies. These products are also overpriced (about \$30-\$50) because they are made from plastic and have some parts moulded into the packaging. They are also not sealed ie: they have screw tops, which means they can be lost easily.

After looking at camping stores I have found only one product that is similar to this one. It is also packed in a tin and is sealed, but it is more expensive than this product (\$35). The only other problem is that it is manufactured by a well-known camping brand *Coleman's*. It seems to be sold only in one shop in Hobart, Barbeques Galore.

Marketing Strategy

The best place to sell such a product would be at kiosk shops at the start of walks in national parks such as Mt Field and Cradle Mountain. These are prime locations because anyone who visits these areas are part of the target market. Cradle Mountain would be a slightly better location because it has 5-day overland tracks. The product could also be sold at the Salamanca Market in Hobart because this attracts a large amount of tourists including backpackers.

Promotion plays a very important part of this product. Because it is not being sold from any particular shop the promotion becomes even more important. The best medium for advertising would be posters or signs above the shelf where the product would be placed in the store. The best way to get the message of safety across would be to use shock advertising, such as "Last year X number of people went missing in Tasmania, will YOU be next?" This would involve including statistics on the posters, of people lost in Tasmania's forests. Television or radio would not prove to be a viable option because it is mass marketing which would not reach the target market. Another reason the television or radio advertising would not work is because the product is not an every day item that is necessary. It would only be necessary when people go on walks, the signs therefore remind the customer of the dangers and "persuade" then to buy it. The signs then remind the customer in the store where the product is placed, thus place and promotion play an integral part in the product's success.

The price of the product will be approximately \$20; this will be explained in full in the product costing and markup section. The price will be deliberately kept low because it is aimed at people on a budget.

Legal Aspects

Structure

The best legal structure for this business would be a sole trader. This offers the simplest and inexpensive structure. It does not give much flexibility in terms of names but this is a small price to pay. It also means that I will be entitled to all of the profits. I decided that I didn't need a partner because most of the work was easy and the business would only be viable with one person. The structure does allow me to employ staff if I need to. The other advantage is that it is the least complex form of business so I do not have to enter into any legal agreements with partners. The business would not need much initial capital and so again it favours this structure.

Because I am the only person that is running the business the fact that it is less complex helps. The only problem with this type of business is it has unlimited liability but this will not be a problem because the business is very low risk.

Influences of the Law

The business name has to be registered with the Office of Fair Trading and Business Affairs. The business name will be, "Sorrell's Outdoor Survival", S.O.S.

There are not many permits that I would have to obtain because the business is very small and I will be working from home. I will have to get a tax file number so I can claim back tax from the Australian Tax Office. The other business license that I would have to obtain a Registration of a Trade Mark from the Australian Trade Marks office.

In terms of location I would need to get a permit to operate in Salamanca market from the Hobart City Council. I would need to obtain a permit to Conduct Commercial Activities in a Commonwealth National Park because I want to sell it at the start of walks in the national parks. Because I want to use signs to promote my business I would need to get a permit that would allow me to erect signs.

Trading hours are flexible because I am the only one operating the business. The only fixed time that I will have to operate will be on Saturday mornings in Salamanca market from 7:00 AM to 3:00 PM.

Safety precautions such as fire prevention are not a concern because all of the work is done by hand. The only part of the process that is not done by hand is the shrink-wrapping. There are no dangerous chemicals or heavy machinery used in the product or production process therefore no safety precautions are necessary.

Health and Safety requirements are also non-existent because I will not be employing any staff or using heavy machinery. Any labelling done will be done by me using my home computer. This will save money in the production process. I will not be leasing or buying any property, because my parents have agreed to let me work from home. This means that I do not have to worry about electrical installation etc.

The only taxes that would apply to my business would be income tax and GST. Payroll and company taxes are not applicable because I am not employing staff and the business is only a small sole trader. Records of the income tax and GST will have to be kept.

Insurance is not a major concern because the business is extremely low risk. There is therefore no need for any insurance.

Financial Analysis and Cash Flow

Resources Needed

The business will not be using any sort of special waste disposals, electricity or gas because it is operating from a domestic residence. The only electricity used will be for the shrink-wrapping machine, which consumes very low amounts of electricity. I will negotiate the use of payment of this resource with my parents should this be necessary. If so these costs will be marginal.

All stock will be stored at home. The stock items are very small and will not take up much space; ie: they can easily be stored in a free cupboard or under a bed.

See Appendices for full financial details.

Initial Resources:

Resource	Description	Cost
Storage and Equipment		
Storage Boxes	About three large containers used to hold materials.	\$35
Shrink-Wrapping Machine	A machine used to seal the products.	\$250
Shop Display Stand	A simple wire stand that the product can be placed on. X3	\$150
Card Table	To display the product when it is sold at places like Salamanca market.	Nil
Computer	I will use my home computer to manage accounting, labelling and making the signs	Nil
Stock		
Initial Materials	Enough stock for the first 30 boxes	\$385
General Stationery		
Labels	Small Labels for the product.	\$20 for 525
Cash Receipts Book	A receipt book for use at Salamanca market.	\$10
Business Software	Software such as Quicken Cash Books	\$220
Shrink Wrap	Plastic to cover the product.	\$40 for 600
Licences and Permits		
Permits	Total cost of all of the permits and licences.	\$455
Contingencies	Extra 10%	\$157
Total		\$1721.50

The start up costs are not very high and the initial capital can be sourced from owners equity.

Information Recording

I will be using a simple receipt book in order to keep track of my receipts when I am selling the units at places like the market, these will then be entered into an electronic cashbook, using cashbook software such as Quicken.

I consider myself to have a high computer literacy so I can easily use this type of software and I will handle all of the records.

Future prospects

I believe there is a great deal of potential for this product in the market and especially in the Tasmanian market. There may be a bit of trouble initially starting the venture because public awareness has to be raised on the issue of lost bush walkers, but it is only a matter of time until people realise that they need to carry some sort of safety equipment.

Financial Performance

Net Profit Ratio	39%
Expense Ratio	61%
Return on Owners Equity	295%
Equity Ratio	54%
Working Capital Ratio	N/A

Considering the size of the business these figures seem to be fairly sound. A return of 39c on every dollar is fairly good, once again considering the size of the business.

Future Potential

There is a fairly good long term chance of survival in the market. Eventually the immediate market will get smaller as regular people buy the product. There is still the tourist market, of which there should be a continuous flow. I predict that the immediate market ie: local people will 'dry up' after the first five years. There will still be some people buying the product but the local market will not be as big. There is potential for expansion onto the mainland as well as Tasmania. I could also approach larger camping stores who have chains on the mainland. A smaller business could also be set up on the mainland, catering for those particular needs. There is an extremely large market on the mainland because of its size and the initial business would provide the money needed to expand into this market.

I have also seen advertisements in a South African magazine showing tailor made kits depending on the activity, ie: hiking, mountain climbing or mountain biking. These kits would also contain all of the necessary equipment for the particular area. I could quite easily expand into this market in Australia after the business has begun to make some money to support the idea. Requests could be taken from over the phone or with a fax machine. This could prove to be a very large market. An accurate assessment cannot be made until the initial product has been on the shelves for a while.

I cannot see a large export market for the product because the business is too small. Only a national market would be viable.