BUSINESS PLAN

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Month, 2016

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EXECUTIVE SUMMARY

ABC is a company that will offer, art classes with a twist and offer wine. Customers will be able to have an experience painting a picture with, while also being served wine. The company will also have a gallery space where artists can showcase their work. In the gallery Space, ABC will also host events such as hair shows, fashion shows, live art display demonstrations and also host wine tasting events.

First, we will introduce our product development strategy in Core and Complementary products according to **National Tourism Plan** in order to create demand drives and reduce seasonality in AAA. The Core product is Cultural Tourism, because culture in one of the main reasons why visitors are influenced to travel to different countries, local and visitor experience of recreational activities. ABC will have a great opportunity for growth because in AAA does not have cultural activities. The Arts and Culture season in AAA is from November to March. Complementary products of ABC are eco-Beach & Nature and Leisure and Entertainment.

Our in-depth research shows that number of the tourists has positive increasing trend which is expected to grow. In 2014, the number of total visitors was 580,257, from whom air visitor's number is 224,377 and cruise visitor's number is 355,880. This number of visitors is not equally distributed throughout the year, but it has seasonality aspect. Another company's target market are the local people. During 2016 AAA population is projected to increase by 395 people and reach 66,758 in the beginning of 2017.

The competitor's research shows that ABC will need to compete with 7 companies which offer paint classes, events and workshops. Our main differentiation strategy is drinking wine while painting in order to enable our customers working in pleasant environments. In addition, we've reviewed other indirect competitors which offer general art courses, and although they have some unique advantages, they fail to meet the specific needs of our market.

The **vision** of ABC is to be leading art promoter in AAA, while the **mission** is providing a relaxed, fun, focused paint class while drinking wine in friendly, pleasant surroundings.

The multiple services that ABC will offer are: 1) Parent-kid Co Painting, 2) Special needs classes, 3) Group offers, such as parties, 4) After dark painting, 5)Seniors day. We also

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offer three programs in order to be social responsible: “Collaborative Sharing Opportunity”, “Student Select” and “International Relationships”.

The company will be organized by XYZ (Founder and CEO) and one Art & Business Director. The classes will be performed by one chief artist and two support staff for the “Student Select Program”.

In terms of marketing, the entire marketing effort will be to better approach and educate this market niche. The company will use the online marketing, like social media, local listings, Google AdWords and its website. Business brochure will be also marketing tool filled with the company’s information. Finally, word-of-mouth as a marketing tool is a significant impact in small places like AAA.

Financially, the company will need a starting capital of $5,000, which will mostly be for salaries and other direct costs needed to run the business. The annual revenue for the first 3 years is expected to be $600,000 and the annual costs to be $275,978. This leaves annual profit of $44,921 in the first year and the next two years the annual profit is $20,921.

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INTRODUCTION

This document represents a business plan for ABC – well-capitalized company specialized in offering paint lessons while drinking wine. ABC is planned to be the epicenter of AAA's Art and Culture promotion. The company aims to provide a warm, comfortable and homey environment that allows people to come together to produce art while having fun. Understanding that AAA itself is a muse, we aim to promote AAA by way of art. Providing a one stop shop infusing art & culture into our experience. We will offer group parting experience with instructors in addition to the paint space for avid artist that wish to simply paint. We will also offer small native nibbles that expose our clients to Bermudian food specialties.

The company will be located in Hamilton, the capital of AAA.

We start with analyzing the external environment of the company in order to understand the industry where the company will work and see whether the market is big enough to be profitable.

EXTERNAL ANALYSIS

INDUSTRY ANALYSIS

In this section we will make a quick overview on AAA as a country, and put more emphasis on the tourism industry.

AAA is a North Atlantic business and tourism center with a population of 66,363 people (January, 2016). It is also a long-established tourism resort attracting more than half a million tourists annually. It has no natural resources on its own in its 21 square miles, no oil, no gas, and no heavy industry. It is one of the most isolated yet highly populated places anywhere in the world and one of the most regulated countries.

After International Business, Tourism is the second most important industry in AAA's economy. This small island has developed itself as a magnet for tourism. Tourism is a driving economic engine in AAA. Its impact to the local economy was $391 million in 2014 with 584,000 visitors. The AAA Tourism Authority is focused on growing economic impact by increasing the number of visitors and increasing visitor spending through enhanced products and experiences. Referencing data from 2014, an average tourist spends US$669.5. However, the average is consisted of high-spend type of tourists (the ones that come by air need hotel, dining, etc.) and low-spend type (the ones that come by cruise).

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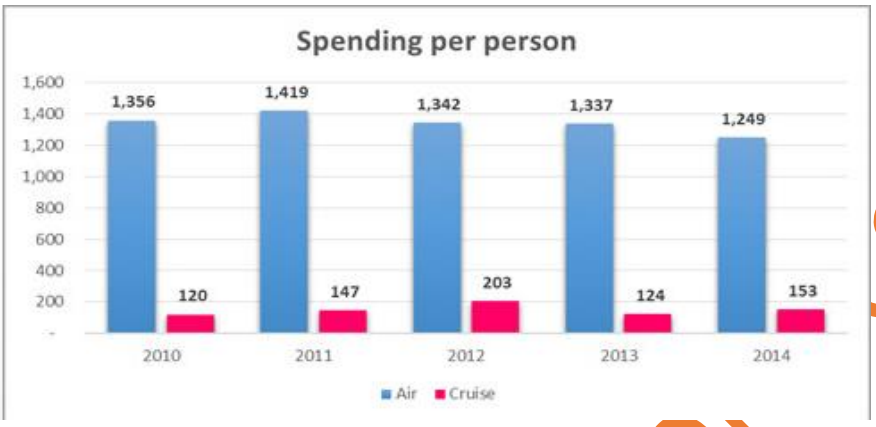
The chart below shows that AAA's tourism industry in 2014 obtained the most benefit from air visitor arrivals with spending per person totaling approximately $1.249, while cruise passengers currently spend an average of $153.



Tourism is an important industry in AAA, as it also creates job opportunities. Currently, most of the employment that derived from AAA's tourism industry is directly related to air visitors. Our company will specifically target the cruise ship visitors and the host classes will be incorporated into the cruise ship schedule where they can experience AAA through food and paint. Despite targeting cruise ship visitors, the company will look to attract air visitors too. According to the Department of Statistics 2013 Tourism Satellite Account approximately 3,558 persons held tourism related jobs, and out of them 73% are Bermudian (these totals include Government related jobs as well). If we look at the private sector only, the tourism employs approximately 3,211 people. Of these private sector jobs 55% are hotel jobs while 13% are in restaurants.

In addition to the summer holiday tourism, AAA has to offer much more. There are plenty of events and traditional festivals in AAA that take place round the year. Many of them attract overseas participation and are of great appeal and excitement to both locals and tourists. AAA hosts cultural events, sports, social, musical events, performing arts, food and festive celebrations and more. Some of the relevant (to this business plan) art events in AAA are: AAA Festival of Performing Arts, AAA Art Walk, AAA Beach Art Festival, etc.

From the industry research, we can conclude that the tourism industry in AAA has a potential to grow new business and generate more employment. According to AAA Tourism forecast 2015-2020, the total tourism related spending is expected to increase to $476 million by 2020 driven by a combination of higher arrival figures and increased per person spending.

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MARKET ANALYSIS OF TOURISM MARKET

In this section we will look at the market potential (both local and tourists) in order to see market profitability.

As of 1 January 2016, the population of AAA was estimated to be 66,363 people. This is an increase of 0.60% compared to population of 65,970 the year before. During 2016 AAA population is projected to increase by 395 people and reach 66,758 in the beginning of 2017. The increase is partially due to increased immigration to AAA (139 people).

This will be an excellent opportunity for growth of our business and cultural tourism. As of the beginning of 2016, AAA had the following population age distribution:

- 11,925 young people under 15 years old (6,003 males / 5,922 females)
- 44,443 persons between 15 and 64 years old (21,936 males / 22,508 females)
- 9,995 persons above 64 years old (4,159 males / 5,837 females)

All these age groups are target of ABC, therefore the bigger the total population, the bigger the market.

Another important perspective to see for our target market are the foreign visitors. In 2014, the number of total visitors was 580,257, from whom air visitor's number is 224,377 and cruise visitor's number is 355,880. This number of visitors is not equally distributed throughout the year, but it has seasonality aspect. The chart below shows visitor arrivals by month for 2014. As can we see, the peak month is July (18%). Off-season, the total number of visitors November - March in 2014 is 67,932 visitors.

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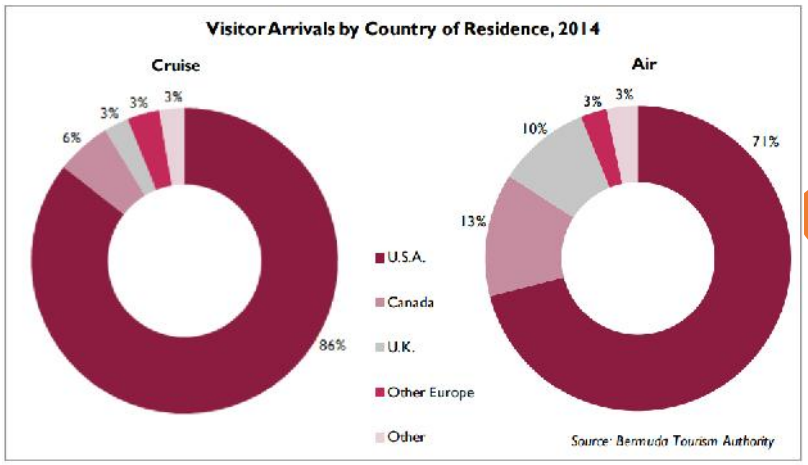
Another perspective on the visitors can be made based on country of residence. The chart below, shows that USA has more visitors to AAA than all other countries combined. The chart separates the visitors that come by Cruise and by Air, as early research shown that there is significant difference among their average spending.



ABC will be targeting both local and tourists (cruise and air) offering its painting classes. The most important objective is to successfully penetrate the 9 am to 3 pm time market. During this time, most local people in AAA are working and in order to get maximum utility from that time frame, our company will schedule classes for visitor clients in this time frame. For the local people who are working and also visitors, the classes will be scheduled after working hours and on the weekend.

This offers without any doubt the most important element in the future development of profits. The prime objective is to gradually increase penetration of this market sector from its present near zero level to 90% of full capacity by the end of second year. ABC will offer painting classes while drinking wine for kids/parents, free workers/retirees, offices/corporate, groups (friends organizations).

COMPETITON

In this section we will focus on companies and organizations from AAA that offer art educational programs. We will first focus on **direct competition** – companies that ABC need to compete directly as it will offer the same service to the same market and **indirect competitors** – companies which offer broader cultural and art educational programs but to the same market.

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DIRECT COMPETITION

Looking at the AAA market, several entities were identified that offer similar services to ABC. Below highlights the most relevant:

1. AAA Plein Air – It is a company that offers knowledge sharing painting classes. Their goal is to introduce painters, at all levels of expertise, to the joys and tribulations of working on location. The meetings are Sundays and occasionally Saturdays, starting 9:30AM up till noon and are on places all over the island (public or private).Their members get a specific benefits and discounts for the classes. The membership fees per year are:
    - Individual member: US$50;
    - Family membership: US$85;
    - 3 year individual member: US$120;
    - 5 year individual member: US$225;
    - Friend of the BACD: donation US$250 and over;
    - Life member: US$500;
    - Student: free.
2. Masterworks Museum of AAA Art – museum which purpose is to enrich the community through art and education by:
    - Building and displaying a unique collection of AAA inspired art through art;
    - Fostering a better understanding of AAA's history and culture, offering art education to all, embracing diversity of ability and financial means;
    - Using the museum to create a stimulating cultural center for residents and visitors;
    - Attracting, inspiring and developing artists from home and abroad.

They offer art educational programs through all year. If a person becomes a member, it gets access to few benefits and discounts for the programs. Their membership fees per year are:

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- Student (18–25 years): US$35;
- Senior citizen (65+): US$35 (per individuals);
- Individual: US$50;
- Family: US$75;
- Supporter: US$125;
- Patron: US$250;
- Fellow: US$500;
- Benefactor: US$1000;
- Art lover: US$2000.

3. Kaleidoscope Arts Foundation (KAF) - non-profit community arts center dedicated to teaching art to children. Their mission is Empowering Children through art. Classes are offered to toddlers through to adults though the emphasis is on children. Classes run through the three school terms and there are 14 weeks of camps offered per year. Their classes, workshops and parties are performing through all months. (March - April, October - December, etc.). Its prices for one class are from US$240 to US$470.
4. Joseph Sweeney Art – individual artist who offers painting educational courses. The course's duration is usually from one to three months and the prices for one course are from US$295 to US$625.
5. PAFA Museum - is internationally known for its collections of 19th- and 20th-century American paintings, sculptures, and works on paper. They offer Community Education programs about studio art courses, workshops and programs for art students and art appreciators of all ages (Family Programs, School & Teacher Programs, Teen & Pre-College Programs and Adult Programs).

   They also have unique art school which attracts some of the most committed and promising art students from across the country and around the globe to study painting, drawing, printmaking, sculpture and illustration with a distinguished faculty of working artists. Every member gets benefits and discounts for the courses, workshops and programs. The membership fees per year are:

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- Individual: US$55;
- Family: US$80;
- Friend: US$150;
- Patron: US$300;
- Benefactor: US$500;

6. AAA Society of Arts (BSoA) - the oldest established arts organization in AAA which offer Arts Education Classes & Workshops. The most of them are performing in April. Their members have some benefits and discounts for the classes. The membership fees per year are:
    - Student: US$20;
    - Senior (65+): US$40;
    - Adult: US$55;
    - Family: US$75;
    - Single patron: US$125;
    - Art teacher and Charity: No charge.
7. Margaret Best – Is an individual, Botanical Artist and Teacher who conducted group workshops, destination workshops and private tuition at venues in the USA, Canada, the UK, AAA, Italy, Morocco and South Africa. Her workshops for painting are performing through all year.

Our company needs to compete directly with these 7 companies. Our main differentiation strategy would be the aspect of drinking wine while painting. Our clients will feel more comfortable and more inspired for painting, but most importantly stress-free. None of the competitors have this feature – they are only focused on selling more classes and workshops. We want to build a pleasant environment for our artists with dynamic and fun classes where they can actually enjoy.

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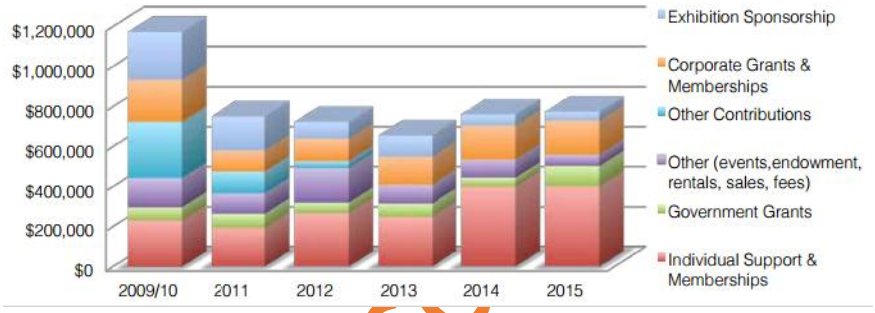
INDIRECT COMPETITION

As indirect competition, we have considered the companies and organizations that offer cultural courses, classes and workshops (but are not directly competing on the painting classes industry). Below will be explain the most important:

1. AAA National Gallery (BNG) – Art museum which is the home of AAA's national art collection and is at the center of the Island's vibrant arts scene. BNG has built a diverse collection and exhibition program of past and present works by local and international artists. The chart below shows the revenue of BNG from 2009 to 2015.



The vision of the AAA National Gallery (BNG) education outreach is to bring the art experience to every child in AAA. Their ARtreach educational program is designed for:

- Teachers and Educators;
- Early Years Program (2-4 years);
- Teen Programs (11-17 years);
- Adult & Senior Programs (18+ years);
- Family & Community Programs (All ages);
- YCA Film & Photography Programs;
- BNG Art Tours (All ages);
- Annual Student Art Competition.

All their members have corresponding benefits and discounts for the educational programs. The following is a list of membership levels per year:

- Regular membership: from US$50 to US$75;

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- Contributing membership: from US$150 to US$600;
- Director’s circle membership: from US$1000 to US$5000+;
- Corporate membership: from US$1000 to US$10 000+.

2. AAA Arts Centre – non-profit registered charity that provides an area for the display and sale of an endless variety of local artists' work which includes paintings, sculptures, jewelry and pottery. Workshops covering a wide variety of subject matter take place on a regular basis at the Arts Centre. Ranging from watercolor to palette knife painting, silk screen printing to gilding these workshops encourage participants to widen the scope of their knowledge and expertise in a relaxed, friendly environment. Any interested person may apply to become a member of the Association and the membership fees will be used to support the achievement of the objects of the Association. Membership of the Association shall consist of the following categories: General members, Junior members, Students, and Studio members.
3. ART TIMES - provides a quarterly commentary and resource for the fine and performing arts and includes: art editorials, art reviews, essays and critiques; short fiction and poetry; opportunities listings, essays on dance, theater, film, music and an extensive calendar of cultural events. In addition to publishing they organize events and workshops.

These 3 companies are part of not so large amount of companies that offer general art courses. Their main disadvantage is that they are mainly focused on exhibition of original artwork by local artists. Our differentiation is that by knowing our market it will help us to offer several additional services but all related to the same market.

TRANSPORTATION TO AAA

Transportation is another important aspect of this business plan, because all the painting materials and canvas will need to be imported.

Based on our research, we concluded that shipping by sea is cheaper than shipping by air. Dry containers 20' and 40' are suitable for most types of cargo and these are their specifications.

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	20' dry container		40' dry container	
Tare weight	2,300 kg	5,071 lbs	3,750 kg	8,268 lbs
Payload capacity	25,000 kg	55,126 lbs	27,600 kg	61,200 lbs
Cubic capacity	33.2 m^3	1,172 cu ft	67.7 m^3	2,389 cu ft
Internal length	5.9 m	19.4 ft	12.03 m	39.5 ft
Internal width	2.35 m	7.7 ft	2.35 m	7.7 ft
Internal height	2.39 m	7.9 ft	2.39 m	7.9 ft
Door opening width	2.34 m	7.7 ft	2.34 m	7.7 ft
Door opening height	2.28 m	7.5 ft	2.28 m	7.5 ft

Below we will explain the most relevant shipping companies from USA to AAA.

1. MyUS - pioneering global company that opened US retail channels to international shoppers (they already have several customers from AAA). On their website, there is a calculator that once you specify weight, it will find the best price for it. For example, the table below gives prices for a package of 50 kg and different waiting time.

MyUS Shipping Partner	Average transit time	MyUS Cost with Basic Membership Up to 60% less than retail shipping	MyUS Cost with Premium Membership Up to 80% less than retail shipping
DHL Express	1 - 4 business days	USD 555.33	USD 462.61
FedEx Economy	5 - 10 business days	USD 455.77	BEST VALUE **USD 379.41**
FedEx Priority	1 - 4 business days	USD 576.20	USD 480.33
UPS Expedited	2 - 8 business days	USD 668.36	USD 556.97
UPS Worldwide Saver	1 - 4 business days	USD 980.33	USD 816.95

Their costs include (once you become member):

- Simplified shipping rates based on weight;
- Free package storage and consolidation;
- Deep discounts with global carrier partners;
- Customs documentation completion.

2. Cargo Experts – company specialized in international container shipping and ocean freight. You need to create a profile in order to get an online quote, but from their website, they ship containers:

- 20 Foot Dry Box
- 40 Foot Dry Box
- 40 Foot Dry Box High Cube

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3. BDA Express – We will also consider end-to-end service as it is the easiest and fastest way to get shipment from the U.S. to AAA. They offer ocean and air shipping of household goods and general cargo, full import and export services, packing, etc. Full Container Load (FCL) and Less than Full Container Load (LCL) services to and from AAA, complete with documentation, customs assistance, insurance, storage and complete service delivery are all available.

4. AAA Forwarders – company that handles both import and export as well as air and ocean freight from door to door. Their container transport includes standard 20' and 40' containers, trailers, and any other heavy transport. Based on their calculator, to ship material of 50cm height, 50 cm width and 50cm length (invoice value of US$100), will cost US$124.5 with average duty of 23.5%.

SHIPPING COSTS USA-AAA

Below we've presented 3 examples for shipping to AAA:

1. Shipping a 20ft container by sea – This gives price indication of shipping one full 22ft with estimated value of US$5000. The shipping is from four places: Jacksonville USA, New York USA, New Jersey USA and Zhanjiang China.
2. Shipping 50kg LCL by sea–This option gives price indicators of shipping less than full container of 50kg, 1m^3 and estimated value of US$5000.
3. Shipping 50kg by air – The last option is shipping of 50kg by air to AAA airport and value of US$5000.

Shipping options	Option 1 (20ft)	Option 2 (1m^3)	Option 3 (Air)
Jacksonville, USA	$417.84 - $461.83	$233.70 - $258.30	$905.90 - $1,001.26
New York, USA	$877.14 - $969.48	$233.70 - $258.30	$905.90 - $1,001.26
New Jersey, USA	$882.09 - $974.94	$233.70 - $258.30	$905.90 - $1,001.26
Zhanjiang, China	$2,158.89 - $2,386.14	$400.64 - $442.81	$1,052.90 - $1,163.74

***Shipping to Hamilton, AAA (source)**

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INTERNAL ANALYSIS

COMPANY BACKGROUND

ABC is a start-up company that will be established in 2016. The founder and CEO, XYZ, attended CedarBridge Academy graduating as Head Girl and Salutatorian. She was well rounded student involved in sporting activities, co-curricular events and community service. After that, she enrolled at St. John's University in Queens, New York graduating with a major in Risk Management and Insurance and a minor in Philosophy. She has worked within AAA's Insurance industry for 10 years in more than 5 companies. She is currently working as an Underwriting Trainee in the Excess Casualty line of business, but will terminate that job when the company starts.

Beyond education and work, XYZ was heavily involved with public service. She was mentoring teenage girls through public service sorority and offers help to various organizations in need. XYZ has an experience in event planning and execution, and has great planning skills. As a result of being involved within various groups, XYZ has a capability to work in group, coordinate and control the overall work. These assets will be of great benefit for the start-up and growth of the company.

Combining XYZ's background, education, work experiences, public involvement and skills and capabilities, brought up the idea of starting ABC – a company specialized in giving paint classes while drinking wine. This company will attract the tourists and local people from all ages offering additional services.

PRODUCT/SERVICE SPECIFICATION

ABC is expanding its offerings. Our primary focus is now on offering art instruction classes, specifically paint classes while drinking wine in groups of 10-20 people in group, depending on space. The duration of one class will be from 2 to 2.5 hours. We will tailor our classes by market segment and time of day, providing instructional opportunities during the morning and mid-day, after school sessions, and evening classes. Based on the different segmentations we can offer the following **services**:

- Parent-kid Co-painting (Mommy and I /Daddy and I) — offers family friendly painting on Saturdays at 4pm and Sundays at 4pm.

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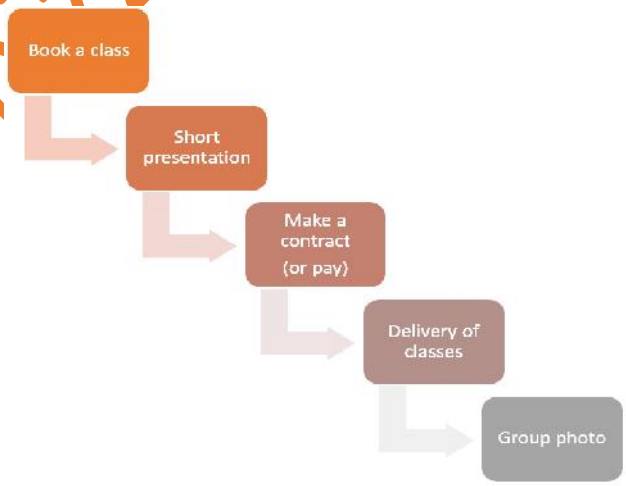
- Special needs classes:
    - For kids with Autism (want to partner with Autism group in AAA- 10% off) - Our kids themes are designed to inspire all children.
    - For Adults (partner with Mid Atlantic Wellness Institute MAWI - 10% off) - inspiring adults to have fun, get creative and feel proud of their work
- Seniors Day - Wednesdays seniors can paint for 25% off
- Group offers: Girls Nights, Guys Nights, Birthday Parties (for all ages) and Corporate Team Building Parties
- After Dark - sexy painting (18+)

Another revenue stream is from offering **art supplies** to the general public – these materials are currently in demand in AAA. People can come and buy painting materials for own purposes.

Finally, the last revenue stream is a **commission** from sold art works. Customers will have the possibility to exhibit their art in our gallery and try to sell it. ABC will charge commission on the sold pictures.

PROCESS WORKFLOW

Below will be explained the process workflow of ABC, explaining all steps that are happening from having a prospect up to successful paint class:



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1. **Book a class –** This is the first stage of the process which begins with interest of a prospect to visit a paint class or other additional service. It can be done by telephone, e-mail, referring to our website or to come directly in our studio.
2. **Short presentation about the class –** The Art & Business Director, TBA, will guide the prospects through our services, explaining them individually. She will tell all details about the service, the price, location, time and other basic information. Furthermore, she will give a brochure about the company and its services.
3. **Make a contract (or pay) -** The potential customer that would be willing to use our services, will need to sign a contract or pay in advance. The contract consists the group of the customer, price, time and place for the class, duration, penalties and other important details.
4. **Delivery of classes –** Once the payment is made, the customer can visit the classes at the planned time and place. The chief artist gives customer the needed materials for the class and guides the customer throughout the classes.
5. **Group Photo –** After the class ends, we will take a group picture of the masterpieces to post online for additional promotion for our business and then we handle the cleanup.

MARKETING STRATEGY

In this section we will focus on our marketing strategy in order to make our business closer to customers.

The primary marketing channel will be **social media.** We will have a fan page on Facebook in order to build a closer relationship with our customers, to find new potential customers and increase sales. Our page can help us market our business, and it is a place where customers can learn more about our services. And best of all, our page is free, easy to set up and gives us online presence. And with the Facebook Pages Manager app, we will manage our page and quickly respond to customers wherever they are. Another social media used as marketing channel will be Instagram, Twitter and other social media. These marketing channels will allow our business to be accessible on mobile devices. On Instagram we will capture and share our customer's moments.

Local listing will be also our marketing tool to promote our services. In addition to social media, we will create profile on most famous Bermudian websites that cover culture and

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arts in order to increase awareness among tourist about us. For example, the website "Nothing to do in AAA" is the best local resource for upcoming AAA events, activities. Here we will add our upcoming events.

The **group photos** of each event will be another marketing tool. These photos will be placed in our **website** in order to make our business closer to the public. Also these will be shared among the participants who will continue sharing on their social media which will increase our online coverage. In addition to online advertising, we will use **Google Adwords** in order to target our ads to people that are Googling for cultural events in AAA. We will find the best keywords that are most commonly searched and will advertise on them. Signing up for Google AdWords is free. We will pay when someone clicks our ad to visit our website, or call us.

Another marketing channel will be creation of **business brochure** in order to give our business a professional image. Our brochure will be filled with company' information, pictures in a printed form that will be handed out to potential customers or anyone that comes in our studio.

Finally, the **word of mouth** has shown a significant impact in small places like AAA. Get people talking about our business, our art, will gain trust and interest to the customers, and will provoke trials.

ORGANIZATIONAL STRUCTURE

As this is planned to be a small company, there will not be a need of a formal organizational structure.

The company will have **CEO** (XYZ) and **Art & Business Director – TBA**. There will be one full time **Chief Artist- TBA** who will give the paint classes to the target. This company will offer slots where people (that get paid per gig) trained by chief artist can lead a paint class. Also, there will be a website that offers memberships for art instructors to host their own classes, but they must be trained by chief artist. Another purpose of the company will be the "Student Select Program" by two **Support Staff** and finally, ABC will employ **one cleaner** for set-up, clean-up assistance.

In future, if the company grows, it will employ more full time and part time chief artists, marketing manager, sales manager.

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SOCIAL RESPONSIBILITY

Our social responsibility refers to a business practice that involves participating in initiatives that benefit society. We will offer the following programs:

- **"Collaborative Sharing Opportunity"** – with this program we will offer local caters the opportunity to get business by supplying AAA nibbles to ABC clients. In addition to this, we will rotate between interested caters in order to get everyone a change to share food and earn money to sustain their business.
- **"Student Select"** – this is an educational program through which we will employ two students who are attending AAA college, to give them an opportunity to gain income to finance their educational cost. We will focus on teaching skills that are imperative to their success as a student and will aid into their smooth transition into another role.
- **"International Relationships"** – we will seek to build international relationships, particularly on the east coast to attract more visitors to arrive by air flight to AAA during "off season". This will contribute to the AAA Tourism Authority's Arts & Culture Season initiative.

SWOT ANALYSIS

SWOT analysis represents a summary of aforementioned.

The Strengths and Weaknesses are based on the internal structure of the company, services and market served. It shows where the company is good and where not.

The Opportunities and Threats are based on the external analysis of the industry, market and competition. It shows what the company can capture or risk in the future.

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SWOT ANALYSIS

Strengths:	Weaknesses:
- Small and flexible organization - Experienced chief artists - Multiple services - Strong differentiation strategy	- Financial resources - Rent a studio - Shipping costs - Lack of entrepreneurial experience
Opportunities:	**Threats:**
- Tourism industry growth - Not strong competition - Developed shipping industry - No income tax or profits tax for shipping - Governmental support of art and cultural business	- Established companies which organize cultural events - Increased competition - Climate change can impact tourism

RISK MANAGEMENT

From the SWOT we've identified several weaknesses and threats that need to be taken into consideration, in order to reduce the risk of failure. Below the table explains the probability of the risks to happen and their impact from 1(less) to 5 (highest). Then the probability and impact are multiplied in total. The action column shows the main possibilities to reduce the risk.

Risk management	Probability (1-5)	Impact (1-5)	Total	Action
Lack of financial resources	3	5	15	The company needs to secure sufficient financial resources in order to be able to operate efficiently and sufficiently well to promote success. Strategy: **Risk Transfer.** One opportunity is to apply to AAA Tourism Authority to cover the full cost. Another opportunity is a credit from bank.
Potential risk associated with the workspace	2	5	10	This is a risk because of the costs to rent a studio. It is essential to have a studio where the classes will be organized. Strategy: **Risk Mitigation**. The main solution for reduce this cost is to research carefully and to find cheaper workspace for rent, or to rent a smaller workspace.
Potential risk associated with shipping	2	4	8	The company's costs will increase with shipping the basic materials from USA, and it needs to account for the risks. These costs are inevitable and they must be carefully planned. Shipping calculator estimates the time and cost of delivery based on the destination and service. Strategy: **Risk Transfer**. We will use external partner for shipping.
Lack of entrepreneurial experience	5	3	15	ABC will be the first company of XYZ. Because of that, she has not any entrepreneurial experience, but she can avoid this thread with her skills, capabilities and additional educating. Strategy: **Risk Transfer.** On top of this, XYZ will use external advisors to guide her through the start-up process.
New to the market	5	2	10	As being new on the market, the company might struggle attracting potential companies. Strategy: **Risk Mitigation.** This will be overcome by posting ads on google, local listing, social media, we are building our brand. Also we are offering multiple services for all groups of age, birthdays and other private parties.
Risk of increased competition (both from existing and new companies)	4	3	12	In order to avoid this threat, the company needs to clearly differentiate from the competitors and show some unique qualities. Strategy: **Risk Mitigation.** This can be solved with organizing events for paint and drinking wine while painting, offering cheaper classes and unique services.
Climate change can impact tourism	1	5	5	This is a potential threat for the company and the probability to happen is very low. Strategy: **Risk Mitigation.** In case it happens, the main solution will be focus on the local people in AAA or offering online courses.

MISSION AND VISION

Mission: We are dedicated to providing a relaxed, fun, focused paint class while drinking wine in friendly, pleasant surroundings.

Vision: Leading art promoter in AAA.

FINANCIAL PLAN

For the financial plan, a detailed financial model was created in order to see the profitability of ABC. The cash for beginning the business is $5,000.

SALES FORECAST

The main assumptions made in the sales forecast are:

a) The company will offer paint classes. The price for one paint class is $75. The company will offer 30 classes per month and the number of clients per class is 20. According to this, the revenue per month is $45,000.

b) The second service is selling art supplies. The cost for buying art supplies per piece is $5 and the price for selling one piece from art supplies is $15. The number of sold art supplies per month is 200 and this makes a monthly revenue of $3,000.

c) The last revenue is the commission from art sale. The commission from art sale per picture is $200 and the monthly number of sold pictures is 10. This makes a monthly revenue of $2,000.

Below is the table that shows the revenue from these three services for 2016-2018 and the revenue per months in 2016. As it can be seen, ABC will earn $600,000 in the first three years. The revenue is the same in these years because all numbers of classes, art supplies and sold pictures are invariable. Also the prices for all these services will not change in the first three years.

				2016										
Revenues	**2016**	**2017**	**2018**	**Jan-16**	**Feb-16**	**Mar-16**	**Apr-16**	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**	**Nov-16**	**Dec-16**
Revenue from paint class	$540,000	$540,000	$540,000	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000	$45,000
Revenue from art supplies	$36,000	$36,000	$36,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Comission from art sale	$24,000	$24,000	$24,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000
Total revenue	**$600,000**	**$600,000**	**$600,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**	**$50,000**

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DIRECT COSTS AND CONTRIBUTION MARGIN

The direct costs of the company are the salary of Chief Artist, paints and canvas for the classes, wine bottles and glasses and procurement of art supplies. The table below shows that all these costs amounts $324,022 and will be equal in the first three years.

The Contribution Margin is the difference between the total revenue and direct costs.

				2016											
Direct Costs	**2016**	**2017**	**2018**	**Jan-16**	**Feb-16**	**Mar-16**	**Apr-16**	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**	**Nov-16**	**Dec-16**
Monthly Salary Chief Artist	-$50,000	-$50,000	-$50,000	-$4,166.67	-$4,166.67	-$4,166.67	-$4,166.67	-$4,166.67	-$4,166.67	-$4,166.67	-$4,166.67	-$4,166.67	-$4,166.67	-$4,166.67	-$4,166.67
Paints for classes	-$80,726	-$80,726	-$80,726	-$6,727.20	-$6,727.20	-$6,727.20	-$6,727.20	-$6,727.20	-$6,727.20	-$6,727.20	-$6,727.20	-$6,727.20	-$6,727.20	-$6,727.20	-$6,727.20
Canvas for classes	-$105,696	-$105,696	-$105,696	-$8,808.00	-$8,808.00	-$8,808.00	-$8,808.00	-$8,808.00	-$8,808.00	-$8,808.00	-$8,808.00	-$8,808.00	-$8,808.00	-$8,808.00	-$8,808.00
Procurement of Art supplies	-$12,000	-$12,000	-$12,000	-$1,000.00	-$1,000.00	-$1,000.00	-$1,000.00	-$1,000.00	-$1,000.00	-$1,000.00	-$1,000.00	-$1,000.00	-$1,000.00	-$1,000.00	-$1,000.00
Wine bottle for classes	-$72,000	-$72,000	-$72,000	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00
Wine glass for classes	-$3,600	-$3,600	-$3,600	-$300.00	-$300.00	-$300.00	-$300.00	-$300.00	-$300.00	-$300.00	-$300.00	-$300.00	-$300.00	-$300.00	-$300.00
Total Direct Costs	**-$324,022**	**-$324,022**	**-$324,022**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**	**-$27,001.87**
Contribution Margin	**$275,978**	**$275,978**	**$275,978**	**$22,998.13**	**$22,998.13**	**$22,998.13**	**$22,998.13**	**$22,998.13**	**$22,998.13**	**$22,998.13**	**$22,998.13**	**$22,998.13**	**$22,998.13**	**$22,998.13**	**$22,998.13**

INDIRECT EXPENSES

In addition to the direct costs, ABC has identified the indirect costs. These costs in the first year are $230,004 and in the next two years they will increase. In the **second and third year**, the total indirect costs will increase for $24,000. This increase is a result of the monthly salary of XYZ which in the first year is zero. In the next two years her monthly salary will be $2,000. The other indirect costs are the same.

				2016											
Indirect Costs	**2016**	**2017**	**2018**	**Jan-16**	**Feb-16**	**Mar-16**	**Apr-16**	**May-16**	**Jun-16**	**Jul-16**	**Aug-16**	**Sep-16**	**Oct-16**	**Nov-16**	**Dec-16**
Monthly Salary Sanae	$0	-$24,000	-$24,000	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Monthly Salary Art & Business Director	-$38,004	-$38,004	-$38,004	-$3,167.00	-$3,167.00	-$3,167.00	-$3,167.00	-$3,167.00	-$3,167.00	-$3,167.00	-$3,167.00	-$3,167.00	-$3,167.00	-$3,167.00	-$3,167.00
Monthly Salary Support person	-$30,000	-$30,000	-$30,000	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00
Monthly Salary Support person	-$30,000	-$30,000	-$30,000	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00
Monthly Salary Cleaner	-$30,000	-$30,000	-$30,000	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00	-$2,500.00
Marketing and Promotion	-$24,000	-$24,000	-$24,000	-$2,000.00	-$2,000.00	-$2,000.00	-$2,000.00	-$2,000.00	-$2,000.00	-$2,000.00	-$2,000.00	-$2,000.00	-$2,000.00	-$2,000.00	-$2,000.00
Workspace rent	-$72,000	-$72,000	-$72,000	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00	-$6,000.00
Office supplies	-$6,000	-$6,000	-$6,000	-$500.00	-$500.00	-$500.00	-$500.00	-$500.00	-$500.00	-$500.00	-$500.00	-$500.00	-$500.00	-$500.00	-$500.00
Total Indirect Costs	**-$230,004**	**-$254,004**	**-$254,004**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**	**-$19,167.00**

FORECAST INCOME STATEMENT

As it can be seen from this statement, ABC will working will working profitable from the first year ($44,921). The next two years the earning is decreasing. The sum of contribution margin and total indirect costs gives the Earning Before Tax. The AAA corporate tax is 0%. This tax is calculated if the earning before tax in a month is bigger than zero, then it is multiplied with 0%, which means that the tax in each month will be zero. Earning After Tax is a sum of earning before tax and tax. As it can be seen from the table the Earning after tax is decreasing in second year and in the third year is equal as in the second year. In the second year it will be increase for $24,000. This decreasing is a result of XYZ's salary.

Forecast Income Statement	2016	2017	2018
Revenues			
Revenue from paint class	$540,000	$540,000	$540,000
Revenue from art supplies	$36,000	$36,000	$36,000
Comission from art sale	$24,000	$24,000	$24,000
Total revenue	**$600,000**	**$600,000**	**$600,000**
Direct Costs			
Monthly Salary Chief Artist	-$50,000	-$50,000	-$50,000
Paints for classes	-$80,726	-$80,726	-$80,726
Canvas for classes	-$105,696	-$105,696	-$105,696
Procurement of Art supplies for the shop	-$12,000	-$12,000	-$12,000
Wine bottle for classes	-$72,000	-$72,000	-$72,000
Wine glass for classes	-$3,600	-$3,600	-$3,600
Total Direct Costs	**-$324,022**	**-$324,022**	**-$324,022**
Contribution Margin	**$275,978**	**$275,978**	**$275,978**
Indirect Costs			
Monthly Salary XYZ	$0	-$24,000	-$24,000
Monthly Salary Art & Business Director	-$38,004	-$38,004	-$38,004
Monthly Salary Support person	-$30,000	-$30,000	-$30,000
Monthly Salary Support person	-$30,000	-$30,000	-$30,000
Monthly Salary Cleaner	-$30,000	-$30,000	-$30,000
Marketing and Promotion	-$24,000	-$24,000	-$24,000
Workspace rent	-$72,000	-$72,000	-$72,000
Office supplies	-$6,000	-$6,000	-$6,000
Total Indirect Costs	**-$230,004**	**-$254,004**	**-$254,004**
Earning Before tax (EBITDA)	**$45,974**	**$21,974**	**$21,974**
Depreciation	-$1,053	-$1,053	-$1,053
Earning Before tax (EBIT)	**$44,921**	**$20,921**	**$20,921**
Tax	$0	$0	$0
Earning After tax	**$44,921**	**$20,921**	**$20,921**

PROJECTED CASH FLOW STATEMENT

The cash flow is divided in 3 sections.

The **cash flow from operations** is calculated by returning the depreciation and tax to the Profit after tax. In other words it is the EBITDA. This cash flow will decrease in the second and third year for $24,000 and it will be $21,974.

The **cash flow from investment** is the investment in fixed assets that the company is making the first year in order to have successful operations. ABC have $4,211 negative cash flow from investments in the first year. About the last cash flow, there is no **cash flow from financing activities**.

Projected Cash Flow Statement	2016	2017	2018
Cash flow from operations	$45,974	$21,974	$21,974
Investments	-$4,211	$0	$0
Cash flow from investments	-$4,211	$0	$0
Cash flow from financing activities	$0	$0	$0
Total cash flow	**$41,763**	**$21,974**	**$21,974**
Cash beginning of period	**$5,000**	**$46,763**	**$68,736**
Cash end of period	**$46,763**	**$68,736**	**$90,710**

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***Some of the parts of the business plan have been hidden due to confidentiality.**