

# Business Plan

## Children Car Seats Business in United Kingdom



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## Executive Summary

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The business plan presented in this paper is a plan for a baby car seats retailer in UK. The business will purchase manufactured children car seats from various suppliers especially from Chinese origin for exploiting their low cost benefits. The business will deal in only recommended seats as prescribed by UK government for various age groups of children. Low cost will be made sure through tough bargaining with suppliers. The whole plan will start work on a initial capital investment of 270,500 pound. It would be cheaper to start a retail shop for baby car seats in a well known market of UK. Business will achieve break even by selling 11074 seats. While strict controls have to be implemented for achieving implementation goals as set in the plan. The plot of the plan is based on market and competitors analysis. The plan takes into account marketing mix and its variables, sales forecast income projections for first years, implementation plan and control measures.

## **General Business Description - Management, Marketing and Finance**

The present plan is for a baby car seat seller business. The business will trade in baby car seats in United Kingdom. Products will be bought from whole sellers and sold at the business outlet of the company in United Kingdom. The business will market its products to parents having children from six month to twelve years of age. The company will be having business in automobile and motorcycle related industry. The industry is in phase growth as UK government has legal requirements for usage of baby car seats while on road with children in car. Increase in age limit by UK government from 7 years to 12 years will further boost the industry (BBC News, 2006). Chinese companies can provide very low cost seats meeting the legal standards for safety and security in UK. Most important strength of the business will be its low cost leadership strategy for this purpose the company will not stick to any single supplier rather it will negotiated with them for the lowest possible rates. Therefore, the business will exploit such opportunities to take advantage over the local manufacturers of baby seats in UK. The business will start as sole proprietary business but later it will convert corporation.

## **Market Environment Assessment**

Economically United Kingdom is recovering from severe aftermaths of recession in 2008. After 1992 recession, UK enjoyed larger period of economic growth and expansion. In 2008, its economy suffered high inflation due to decreasing home prices, falling financial sector and high consumer debts. Down turn in global economy added fuel to fire (CIA, 2011). Government of UK took steps to control the situation and lowered its taxes, increased public expenditures and stopped public sector borrowings (CIA, 2011). Prices of plastic are rising globally due to inelastic and straight demand. Especially polypropylene, that is major component of baby car seats as it renders flexibility and fire proofing characteristics to products made of it, is suffering price hike (Plastic Today, 2011).

## **Industry Environment**

The company will deal in baby car seat market. The company is not in direct competition with any manufacturer. However, there are few major baby car seat makers and sellers in UK. Most of them are not UK based rather they are Korean, Chinese and Japanese companies (CEIBS, 2011). One of the market leaders in UK is the Baby First that is China based company and holds up to 10% of the world's baby seat market. (CEIBS, 2011).

## Competitors

Europe enjoys the 15 million annual demands of baby care seat sets, where Europe leading brands include Britax, Maxcosi, and Chicco. Brand price ranges in pound includes expensive brands are about 200 pound, middle brand costs about 100 pound and inexpensive brands take price range from 80 to 100 pound. Britax enjoys strong brand loyalty and recognition in UK; it holds 50% share of UK market with unique designs and durability. Lerado is proud to gain incomes in Europe amounting to 158 million in 2004 calculated in terms of RMB currency unit, Lerado also sale the pre-school baby products. Wonderland is a global player, which has met European safety standards for baby care products. Baby-first conducts business in Europe through 40 brands. Other baby seat manufacturers and sellers in Europe are Teamtax, Cam and Myster.

## Market Potential

UK has population of 62,698,362 as estimated in July 2010 (CIA, 2011). 17.3% of population was consisted of children less than fourteen years of age (CIA, 2011). About 80% of total population is urban as estimated in 2010 (CIA, 2011). With these statistics, it can be estimated that a large portion of UK population is under fourteen years of age and mostly urban people like to drive in cars with their families on weak ends. Therefore, UK can be seen as a great potential market for baby car seats. Moreover, change in UK rules for increasing age limit from 7 years to 12 years will further increase in market potential.

## Market Segmentation

Market segmentation for the purpose of intended business can be on the demographic bases. Couples with children from six months to 12 years can be targeted for the baby car seats and children car seats in UK. With respect to income category people having income enough to run expenses of car can be target. However, possession of car is must for the targeted segment.

## Marketing Objectives

The marketing objective of the business would be to:

- 1- Develop a wider customer base
- 2- To sale high quality children seats at lowest possible prices
- 3- Get better profitability by controlling costs

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- 4- To sell seats that meet standard for baby car seats set by governmental regulatory body in UK

The table below shows the standard made by government for children car seats in UK

<b>Governmental Standard for Baby Car Seats in UK</b>	
<b>Category</b>	<b>Specifications</b>
<b>Birth to 9-12 months</b>	Rear-facing baby seat, up to 10- 13kg. Group 0
<b>9 months to 4 years</b>	Forward-facing baby seat: 9-18kg. Group 1
<b>4 years to 6 years</b>	Booster seat, 15kg up to 36kg. Group 2
<b>6 years to 12 years</b>	Booster seat or cushion, 22-36kg. Group 3

## Marketing Mix

### Product

The product that is the baby care seat in this case would be sold only in the prescribed categories of government of UK. Company will purchase its products from different suppliers by keeping in view their propensity to meet UK standard for children seats. Only the four categories specified by the government of UK will be purchased so that products fulfil legal and customer requirements. The table given under shows the prescribed product categories that the company will purchase from whole sellers and manufacturers.

<b>Products Types</b>		
	<b>Category</b>	<b>Specifications</b>
1	<b>Birth to 9-12 months</b>	Rear-facing baby seat, up to 10- 13kg. Group 0
2	<b>9 months to 4 years</b>	Forward-facing baby seat: 9-18kg. Group 1
3	<b>4 years to 6 years</b>	Booster seat, 15kg up to 36kg. Group 2
4	<b>6 years to 12 years</b>	Booster seat or cushion, 22-36kg. Group 3

Product will be sold in single and in bundles as per customers' needs. Various designs and types of seats will be made available so that customers get attracted to them. Preferable seats of

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established manufacturers' brands like Baby First, Cosco, Britax, Maxcosi, and Chicco etc. will be placed. Customer will be lured by the greater variety of quality products at lower prices.

## Price

As far as prices are concerned different seats categories will be sold at different prices. It would be policy of the business to bargain with suppliers and manufacturers, such that they get razor thin profit margin and no one other than this business can be able to get such a lower price. Such cost cutting strategy will make sure the shop can be a best point for baby car seats providing largest variety of brands at lowest possible prices. The table given under shows the intended prices of various seat categories. Although major brands have varying range of prices, yet they will be persuaded to provide products in this price range. The range set here is based on market research for prices of various brands.

Prices Table			
	Category	Specifications	Prices in£
1	Birth to 9-12 months	Rear-facing baby seat, up to 10- 13kg. Group 0	75
2	9 months to 4 years	Forward-facing baby seat: 9-18kg. Group 1	90
3	4 years to 6 years	Booster seat, 15kg up to 36kg. Group 2	115
4	6 years to 12 years	Booster seat or cushion, 22-36kg. Group 3	125

In addition to lowest prices, the company will also offer discounts to customers. Customers purchasing more than two seats will be offered discounts according to schedule given below.

Discounts Table	
Number of Units	Discount Rate
3 - 5	1%
6 - 10	2%
11 - 20	2.50%
More than 20	3%

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## Place

Place would be the most important and critical issue for the success of this business. The place of the shop will be any place with a space of 300 to 500 square feet area. The shop will be situated in any larger market place in UK. It will be made sure that shop be in such a market where there is no baby seats shop nearby in a radius of 30 miles and people find it feasible and easy to visit the shop while they are in that market for other reasons. The out let will have a signboard of the shop displaying shop name and pictures of baby care seats for rendering prominence in market.

Distribution and logistics of third part providers will be used. However, the company will prefer to take benefit of distribution services of whole sellers and manufacturers. Purchased seats will be stored in the 300 to 500 square feet shop while customers will buy their seats from the shop therefore the company would not need to provide delivery services at the start of business.

## Promotion

Promotional activities will play important role in achieving projected sales targets. Various promotional channels will be used. However, the most important would be personal selling. Sales force will be hired and trained to sell seat in market by assessing customers' needs. Moreover, at the start up of business TV advertisement, radio advertisement and newspapers advertisement will be managed to make people aware of the opportunity to get cheapest baby seats well known brands at their nearby location. The schedule given here shows intended expense on various promotional channels. It is important to know that £500 expense for signboard will be once so it is included in initial capital investment but it will not be included in income projections as regular marketing expense. Therefore, marketing expense for income forecast is taken as £130,000.

<b>Promotional Activities</b>	
<b>Promotional Activities</b>	<b>Estimated Expense</b>
Advertising on Television	£ 50,000
Sign Board	£ 500
Advertisement on Radio and News Papers	£ 30,000
Personal Selling	£ 50,000

## Financial Projection

### Financing Sources

For the purpose of business, start up cost is calculated to be £270,500. It would be financed wholly from the personal sources of sole proprietor.

### Sales Forecast

It is estimated that the business will sell about 19000 units of seats in first year. It is expected that least number of seats will be sold in first slot of seats for birth to 9-12 months. It is because of low birth rate in UK. Moreover, parents may feel better to restrict their travelling with such a young child. The highest number of seats is expected to be sold in the largest slot of 6 year to 12 year. This is due to two reasons. First, the slot is largest second recently government has increased age limit from 7 year to 12 year. Therefore, parents of children with age above seven will have to purchase new seats for their children. This slot shows greatest potential.

Sales Forecast for First Year				
	Category	Specifications	Projected Sales in Units	Sales Amount
1	Birth to 9-12 months	Rear-facing baby seat, up to 10-13kg. Group 0	3500	262500
2	9 months to 4 years	Forward-facing baby seat: 9-18kg. Group 1	5500	495000
3	4 years to 6 years	Booster seat, 15kg up to 36kg. Group 2	4000	460000
4	6 years to 12 years	Booster seat or cushion, 22-36kg. Group 3	6000	750000
<b>Total</b>			<b>19000</b>	<b>1967500</b>

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## Initial Capital Investment

Initial capital investment is projected to be very low it is because of two reasons. First, the business will not indulge in purchase of property rather premises will be taken on rent. Only security will be paid that would be refundable at the time business leaves the premises. Second reason for low cost is small purchase cost or running expense of seats. The company can have a medium size lot of seats in budget of £100,000

Initial Capital Investment	
Particulars	Amount
Shop Security Refundable	£ 100,000
Furniture	£ 50,000
Office Equipment	£ 20,000
Purchase of Seats	£ 100,000
Sign Board	£ 500
<b>Total</b>	<b>£ 270,500</b>

**Fixed costs**

**Variable costs**

## Financial Projections

### First Year Income Statement

Revenue	£	£
Operating Expenses		1,967,500
Cost of sales	600,000	
Office Supplies	10,000	
Marketing	130,000	
Communication	2,000	
Labor	100,000	

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		842,000
Administrative Expenses		
Office rent	300,000	
Utilities	50,000	
Insurance	45,000	
Sales and Administrative Staff	150,000	
Miscellaneous expenses	10,000	
		<hr/>
		555,000
Income from operations		<hr/>
		570,500
Income tax		171,150
		<hr/>
Net income for the year		<hr/> <hr/>
		399,350

## Breakeven Analysis

It is assumed that except for cost of sales all other cost would be of fixed type. The total of the fixed cost comes out to be £797,000. Dividing £600,000 the variable cost with number of units that is 19000 in this case, we get variable cost per unit equal to £31.57. By dividing total revenues of £1,967,500 with the total number of units, we can get average sale prices of each unit. It comes out to be £103.55. Now, contribution can be calculated as (Contribution = Selling price per unit - variable cost per unit) £103.55 - £31.57 = £71.97. The formula for break even can be applied now as (Break even = total fixed cost / Contribution per unit). It comes out to be £797,000 / £71.97 = 11074. Therefore, company will achieve breakeven point after selling 11074 units.

## Feasibility

Breakeven calculation shows the feasibility of the plan. The plan would result out into profits for the company in the first year of operations. It would not be difficult for the company to get best quality seats at 31.57 pound as the US dollar price of the seats manufactured of Chinese companies range between £ 20 to 50 based on quality and seat type (Alibaba.com, 2011). Our business would be successful in getting the best quality seats of Chinese manufacturers in UK. For example, the Baby First is one of the largest sellers in UK and Europe. Cosco,

## Risk factors

The business seems to be a successful one in current situation however it is subject to various risk factors that must be controlled and mitigated. Major risks are as follows:

- 1- The company may face trouble if the recessionary trend in UK economy prolong or slow recover takes further time.
- 2- The business will have trouble in executing planning if prices of raw material and polypropylene keep on rising in international market.
- 3- The plan may fail if the company fails to negotiate lowest prices with its suppliers. However, the current competition situation in market may reduce the risk factor.
- 4- Any change in UK laws regarding children safety in car may change the market situation and market potential. For example, reduction in age limit to 7 years may drop the market potential by more than thirty percent.
- 5- Weak management and untrained sales force may result into failure of business to achieve desired sales results.

Any one of these factors may disturb the whole business plan and major changes may be required to suit the plan into disturbed circumstances.

## Implementation Plan

Adoption of proper approach to implementation would be necessary to achieve desired results of the plan. A step-by-step approach is suggested for proper implementation of plan.

- 1- The company will find proper location of the shop in UK. For this purpose, it may need to visit various areas. Selection of place may take time but it must not be compromised, as the major part of success of plan would be dependent on it. This task may be completed in a couple of month
- 2- In next phase, the company would negotiate with various suppliers for the best possible lowest rates. After extensive negotiation and bargaining, the company will purchase seats that would be stored in shop. This phase will be completed in third month.
- 3- In the same run advertising campaign will be started. A signboard will display at the front of shop and sales force will be trained to sell seats by suggesting appropriate features to customers according to their needs. Initial training will be given after hiring in a month while training will be an ongoing process during year.
- 4- TV , Radio and newspapers ads will be designed and launched in the same month

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- 5- The business will start operating with full preparation in fourth month of activities.
- 6- From this point onward, the company will manage its account for the first year.
- 7- Sales targets will be divided into four quarters proportionally as the business is not seasonal so equal sales are expected in all the four quarters of the year.

### **Control**

The above plan will need strict control for its successful implementation. For this purpose deadline settled in first four months will be met strictly, so that business starts properly without wastage of financial resource in the form of idle shop rent due to delays in other phases. Various management and accounts reports will be generated on daily, weekly, monthly and quarterly bases so that benchmarks can be matched. Sales targets will be strictly met. Any variations in planning will be treated when the results go 1% ahead or behind the targeted figures.

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