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Seats: A Business Plan

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Seats: A Business Plan
An honors thesis submitted in partial fulfillment of the requirements
for the degree of BSBA, Supply Chain Management

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Business Plan

Executive Summary

Every year over 88 million people participate in recreational boating on lakes all across the U.S. (<http://www.statista.com/topics/1138/recreational-boating/>). While enjoying their favorite aquatic activities, these people have needs and desires just like any other time in life, but with a relatively high opportunity cost to acquire goods. Obviously boats are mobile, but making a trip to the marina and back costs both money and time that boaters would rather be spending having fun with family and friends. Each time a boat sets sail, it is highly likely for its passengers to forget certain essential products to stay safe and happy during the day. People want to get as much time and utility out of a day on the lake as possible and we want to facilitate that for them. The Seats model, a mobile vending vessel, will fill this gap, providing food necessities and a fun environment that does not require boaters to dock their boat in order to obtain any forgotten goods. Our vessel will be stocked with the items boaters forgot to pack and will make its way around the lake--attracting crowds of lake-goers who are hungry, looking for a good time, or both. The Seats model will begin operation at Beaver Lake in Northwest Arkansas, and eventually spread to lakes across the United States.

Seats is looking at a potential partnership with the social media app RaftUp. This social media platform, which is currently in beta testing in Arkansas and Missouri, is designed to connect recreational boaters on the lakes they are spending time on. RaftUp will prove to be a valuable tool for gaining brand awareness and tracking customers on the water. (<http://www.raftup.co/about>)

To start up, we seek to obtain an SBA loan for \$50,000 in order to cover initial

costs for the business-- a boat, grill, freezers, et cetera. Long term assets like the boat can be used for multiple years and are an important initial investment. We hope to sell to approximately 40,000 lake-goers—10,000 tickets with an average of 4 customers per ticket. This would capture 1.5% of lake traffic in our first operating season of 120 days at an average of \$32 per ticket. After the first 5 operating seasons, franchising will begin. By 2021, we expect to have operations on at least three lakes in surrounding areas. Moving forward from there, we expect growth to occur at a quicker rate and foresee a fleet of over 15 boats within the next few years.

Concept

The solution to the needs and wants of recreational boaters lies in our innovative, product-serving company, Seats. Seats is a specialized boat designed to provide consumer goods such as hot dogs, ice cream, and beverages to lake-goers without them ever having to leave their boat or social hot spot. We will be mobile, moving across the lake to highly populated areas in order to distribute our services amongst a



broad market. Customers will be able to communicate with us easily and enter into a virtual queue from their phone. Initially, we plan to have orders placed either through telephone calls or text messages. After some expansion, we plan to develop our own app that will provide customers with options to browse our menu, place an order from

the app, and see how much time is left until their order is completed. Upon reaching the front of the queue, the customer's name will be called via megaphone to raft up and receive their order. Payments on the boat can be made via cash or credit card, depending on consumer preference.

Market Overview and Competitive Advantage

Approximately one third of Americans will be involved in recreational boating at some point in their lives, which means there is a potential to reach millions of customers. In the beginning, we will solely be operating on Beaver Lake in Northwest Arkansas, which boasts 2.6 million visitors annually, according to the Arkansas Army Corps of Engineers. We plan to quickly capture 40,800 customers out of that market and expand that number to 100,000 within the first three seasons of operation. As expansion begins, we will start entering the market on lakes of similar size and popularity to Beaver Lake in surrounding states.

By joining forces with RaftUp we can easily find and be found by our target audience. RaftUp is a social media platform that geographically locates, communicates



with, and brings together the boating community. The app allows users to share photos, text, and location markers with fellow lake-goers. This technological partnership will set us apart from any

potential future competitors entering the market because of market specific knowledge

and added efficiency, along with unique marketing opportunities and customer awareness. Currently there are no other competitors offering any of our services in our initial market area. For more information on RaftUp, visit <http://www.raftup.co/>.

Business Strategy

Seats will be the biggest franchise of on-the-water convenience shopping by the year 2020. An initial launch on Beaver Lake will serve as our test market and allow us to perfect the Seats model over our first two active boating seasons. Specifically, Seats will sell hamburgers, hot dogs, ice cream, bottled water, and soda. In the future, we will look into introducing other products such as sunscreen, energy drinks, and towels. Our goal is to create a model that is consistent and replicable to other lakes around the nation.

After solidifying our model, we will begin expansion across Arkansas and surrounding states, focusing on lakes with consistent high recreational boater traffic. In Arkansas alone there are 62 lakes, which we see as an opportunity to expand and franchise our business. For example, Lake of the Ozarks is local and also one of the largest lakes in the nation in terms of recreational boating. By the time we expand to this lake, the Seats team will have grown to include area managers who will oversee the implementation of the model into various new markets each summer.

Marketing of Seats will rely largely on word-of-mouth and on-board advertisement. Each of our boats will have bold, clear signage that quickly communicates our offerings. Our potential partnership with RaftUp will also help other customers learn about us and what we have to offer. RaftUp users will be able to see where a Seats boat is located, travel to that destination, and share with other lake-goers

about their experience with Seats through the application. We also have plans to implement social media marketing on Facebook, Twitter, and Instagram to incentivize



new customers and bring out early adopters. In the beginning stages, we plan to offer Seats customers a predetermined discount if they mention us on social media. We also intend to partake in paid promotions on these sites as well. In addition, we plan to utilize radio ads focusing on stations on and around the lakes in

which we operate, because of the frequency with which boaters listen to the radio while on the water.

Financial Summary

In our projections we assume to have about 10,000 transactions in the first year over our operating season of 120 days. We have calculated an average ticket cost of \$32 per boat with an average of 4 customers. Based on these assumptions we have created financial expectations for the upcoming 5 operating seasons for 2017-2019, seen in Figures 1 and 2. During 2017 we expect to generate \$326,400 in total revenue with a net income of \$122,087 (Figure 1). Our goal is to be efficient with our use of money, and to find the products that sell consistently with strong profit margins. With those efforts in mind, we hope to continue to grow revenue while restricting the growth of variable costs as much as possible.

These numbers are just for our Beaver Lake market where we will start operation in 2017 and continue indefinitely. Longer term, our goal is to franchise out the business

model in order to not be bogged down by the day-to-day operations of the business but rather oversee the business and provide a strong brand name. By 2019, our third operating season, we hope to expand to Lake of the Ozarks as our second market opportunity. There we can prove our model and make sure our business plan is scalable for lakes across the country. By 2021 we hope to be ready to test a third market and from there begin franchising.

The key assumptions of our financial projections lie in the size of the addressable market and the number and scale of lakes we will be able to expand our business model into. Beaver Lake brings over 2.6 million visitors every year, most heavily during the summer season. Our goal is to enter in a small familiar market, grow and create a consistent replicable model, and then enter new markets based on lakes with large enough traffic to predictably generate profit.

In Arkansas alone there are 62 lakes, many of which have larger visitor bases than Beaver Lake and could generate more revenue especially with an established and recognizable brand. Large bodies like Lake Ouachita and Lake of the Ozarks are geographically close and have heavy traffic. Such opportunities are obvious goals for early market entry. We aim to become a brand that is a household name, ubiquitous to lakes and boating culture. In the long term we will be able to reap the benefits of franchising fees to generate revenue with a very healthy profit margin.

Future Prospects

Seats will begin on Beaver Lake in Northwest Arkansas with the intentions of expanding to other lakes. The first additional lakes will be fairly close to Beaver Lake-- including other lakes in Arkansas, Missouri, Oklahoma, and Kansas. Eventually we will

have a model that will succeed in any sizeable lake across the United States with recreational boating. We aim to take this model and franchise it to others viewing our initial success as an opportunity. With that strategy we will provide specific market knowledge and operational strategy in return for franchising fees in the long term.

We will spend our first two operating seasons (2017 and 2018) to hone the Seats model at our first location, Beaver Lake. Over the next three years (2019-2021) we will begin to expand and offer franchises and expect to have at least two additional boats in new markets in areas close to Beaver Lake. From 2022 and beyond, our fleet will grow at a much faster rate. Fairly quickly after this point we plan to operate a fleet of over 15 boats.

As time goes on, we may seek potential partnerships with other players in the business of food delivery and transportation (particularly businesses like Schwan's Frozen Foods). Such a partnership could give us useful knowledge in the frozen foods market and add to the list of available food options at Seats.

Management and Organization

Weston White - Chief Executive Officer

Business and people are my two biggest passions in life. I love working with those around me to create growth. Giving up your time to interact with another person is one of the greatest gifts you can give. As a marketing major in the Walton College of Business, I have had countless opportunities to learn the ins and outs of business. As a Customer Acquisition intern in the marketing department of Bass Pro Shop, I gained experience in acquiring and retaining customers. As an account manager at a small company called Everything Mary, I've learned first hand how to work with limited

resources and grow business. These skills I've learned, coupled with my passions and drive will thrive in the Seats model as we bring the people what they want, where they already are.

Mycah Sandridge - Chief Logistics Officer

As a supply chain management major, I have four years of transportation and logistics knowledge under my belt. After interning in the supply chain department of Goodman Networks, a wireless telecommunications company, I learned the value of efficiency and cost effectiveness. Seats is a company that is based on the effective movement of goods from the distributor all the way to the customer. In addition, Seats also needs transportation efficiency while on the lake deciding which coves to visit and when. The knowledge I have previously gained would supplement great decision making in these areas within this company.

Rembrandt Noble - Chief Financial Officer

As a finance major, with years of experience allocating operating budgets and raising funds, I feel I can add great value to such a strong team with complementary experience and goals. I am currently the President of the Arkansas Lacrosse Team, after being the treasurer for 2 years, and have been responsible for a total budget of over \$100,000 over those 3 years. The experience has taught me the importance of understanding cash flows, timing expenses, and cost benefit analysis. Skills like these are paramount to all business, especially upstart, and will be beneficial to our team.

Funding Requirements

We are seeking initial startup funds of \$50,000 to cover initial fixed costs and inventory to start off the first season of expected business. The assumed work season

for Seats is 120 days during the summer months. Due to rapidly increasing growth because of broader brand awareness and efficiency we expect to capture a larger market share with each successive year. In conjunction with also expanding to more and larger markets, we expect to grow net income exponentially during the growth phase of our business cycle.

Appendix

Figure 1: Revenue and Net Income Projections (2017-2019)

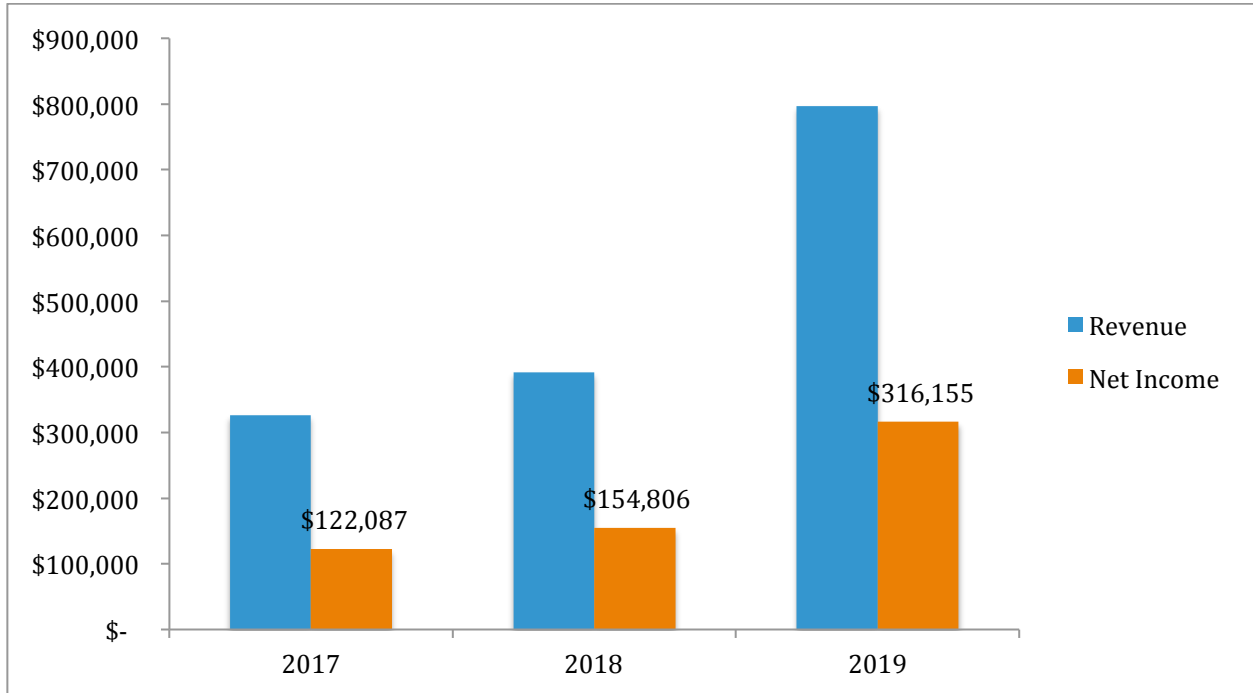


Figure 2: Financial Assumptions 2017-2019

Days of Operation	120	Average Ticket Price	\$32.00
Hours of Operation	9	Persons per boat	4
Gallons of gas per hour	5	Boaters per year	40800
Gallons of gas per day	45	Tickets per year	10200
Gallons of gas per year	5400	Tickets per day	85
Average cost of gas per gallon	\$3.00	Tickets per hour	9.44
		Tickets per minute	0.16

Figure 3: Total Cost Projections 2017

Item	Unit cost	Unit Price	Units sold per day	Units sold per year	Total cost	Revenue	Difference
Capital							
Boat	\$35,000.00				\$35,000.00		-\$35,000.00
Freezer	\$450.00				\$450.00		-\$450.00
Grill	\$500.00				\$500.00		-\$500.00
Yeti Cooler	\$900.00				\$900.00		-\$900.00
Lease	\$3,285.00				\$3,285.00		-\$3,285.00
Goods							
Ice cream	\$1.00	\$3.50	85	10200	\$10,200.00	\$35,700.00	\$25,500.00
Water	\$0.11	\$1.00	170	20400	\$2,319.77	\$20,400.00	\$18,080.23
Soda	\$0.29	\$1.50	85	10200	\$2,958.00	\$15,300.00	\$12,342.00
Hot Dog	\$0.80	\$5.00	170	20400	\$16,289.36	\$102,000.00	\$85,710.64
Burger	\$2.11	\$7.50	170	20400	\$42,951.31	\$153,000.00	\$110,048.69
Gas (per gallon)	\$3.00				\$16,200.00		-\$16,200.00
Total					\$131,053.43	\$326,400.00	\$195,346.57

Figure 4: Income Statement 2017-2021

Seats					
Income Statement					
Five-Year Analysis					
	2017	2018	2019	2020	2021
Sales					
Food	290,700	348,840	709,308	815,704	1,228,760
Beverage	35,700	42,840	87,108	100,174	150,900
Total Revenues	326,400	391,680	796,416	915,878	1,379,660
Cost of Sales					
Food	69,441	83,329	169,435	194,851	293,519
Beverage	5,278	6,333	12,878	14,809	22,309
Total Cost of Sales	74,718	89,662	182,313	209,660	315,828
Gross Profit					
Food	221,259	265,511	539,873	620,854	935,241
Beverage	30,422	36,507	74,230	85,365	128,592
Total Gross Profit	251,682	302,018	614,103	706,218	1,063,833
Operating Expenses					
Salaries and Wages	35,000	35,000	70,000	70,000	105,000
Direct Operating Expenses	3,285	3,285	6,570	6,570	9,855
Marketing	1,000	1,000	2,000	2,000	3,000
Gas	16,200	16,200	32,400	32,400	48,600
Repairs and Maintenance	1,000	1,000	2,000	2,000	3,000
Depreciation Expense	7,370	7,370	14,740	14,740	22,110
Total Operating Expenses	63,855	63,855	127,710	127,710	191,565
Income Before Tax	187,827	238,163	486,393	578,508	872,268
Taxes at 35%	65,739	83,357	170,238	202,478	305,294
Net Income	122,087	154,806	316,155	376,030	566,974

Figure 5: Balance Sheet 2017-2021

Seats					
Balance Sheet					
Five-Year Analysis					
	2017	2018	2019	2020	2021
Assets					
Cash and Equivalents	142,079	304,255	572,772	938,543	1,490,249
Accounts Receivable	0	0	0	0	0
Inventory	528	528	1,056	1,056	1,584
Total Current Assets	142,607	304,783	573,828	939,599	1,491,833
Fixed Assets	36,850	36,850	73,700	73,700	110,550
Accumulated Depreciation	-7,370	-14,740	-29,480	-44,220	-66,330
Net Fixed Assets	29,480	22,110	44,220	29,480	44,220
Total Assets	172,087	326,893	618,048	969,079	1,536,053
Liabilities and Stockholder's Equity					
Accounts Payable	0	0	0	0	0
Total Current Liabilities	0	0	0	0	0
Long-Term Debt	50,000	50,000	25,000	0	0
Total Liabilities	50,000	50,000	25,000	0	0
Retained Earnings	0	122,087	276,893	593,048	969,079
Net Income	122,087	154,806	316,155	376,030	566,974
Total Equity	122,087	276,893	593,048	969,079	1,536,053
Total Liabilities and Equity	172,087	326,893	618,048	969,079	1,536,053

Figure 6: Cash Flow Statement 2017-2021

Seats					
Cash Flow					
Five-Year Analysis					
	2017	2018	2019	2020	2021
Cash Summary					
Cash on Hand (beginning of year)	50,000	142,079	304,255	572,772	938,543
Cash Receipts					
Cash Sales on Boat	326,400	391,680	796,416	915,878	1,379,660
Cash Paid Out					
Purchases	528	0	528	0	528
Fixed Assets	36,850		36,850		36,850
Wages	35,000	35,000	70,000	70,000	105,000
Marketing	1,000	1,000	2,000	2,000	3,000
Repairs	1,000	1,000	2,000	2,000	3,000
COGS	74,718	89,662	182,313	209,660	315,828
Lease	3,285	3,285	6,570	6,570	9,855
Gas	16,200	16,200	32,400	32,400	48,600
Taxes	65,739	83,357	170,238	202,478	305,294
Long-Term Debt Payment	0	0	25,000	25,000	0
Total Cast Paid Out	234,321	229,504	527,899	550,108	827,954
Ending Cash	142,079	304,255	572,772	938,543	1,490,249