

# BUSINESS REPORT

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## Note

This business report was compiled as a compulsory student assignment in the 2<sup>nd</sup> semester Architectural Technology and Construction Management degree course – no responsibility is taken for any advice, instruction or conclusion given within!

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## Summary

This report is a business plan for starting up a drawing office in Denmark based on the “Dynamic Business Plan” program. It includes a SWOT analysis of the company showing the Strengths/ Weaknesses/Opportunities and Threats involved and examines both financial and contractual aspects involved in depth. The report concludes that the current financial situation would make it difficult to start up such a company and recommends waiting until the building sector starts to move forward again.

## Key words

Business Plan, Private Limited Company, Start up, Establishing Budget, Operating Budget, Organization Chart, Production planning, Contribution margin, Agreement form, Marketing, Advertising, Marketing Plan.



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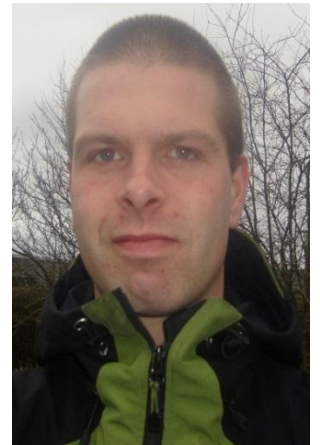
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## Introduction

This report is a compulsory assignment in the 2<sup>nd</sup> sem. Constructing Architect degree course. We learn how to start up a drawing office in Denmark on the basis of individual research, materials in Studienet and materials handed out by teachers. We will also take into consideration the environmental issues regarding the location, design, furnishing and the start-up of such a company. This is group's work, so we plan to divide the work between us according to our abilities and knowledge.

We mainly consider starting up a drawing office in Denmark and focus on the particular rules and requirements. We were particularly interested in writing a business plan and research the challenges of having own business. Thanks to this report, we have the opportunity to learn more about the business, which will be useful to us in the future.

## Research Questions:

- How we have to organize our start up budget?
- What are the most important aspects of company's budget guaranteeing prosper?
- What organization of the company is most compatible with our business intentions?
- What forms of agreements and contracts are we going to use in our business?

## Working process:

We started by analyzing the main points of the Dynamic Business plan. Our second step was dividing the research. So each group member had to focus on a particular research question and write about it. As far as interior design is concerned, two group mates came out with outline proposals and one was assigned to do it ..

Budgets Establishing Budget Operating Budget Financing Layout of the report	Jon
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Personal Goals & resources Market Description	Edward
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Interior Outline Interior Rendering in Revit Sales & Marketing Organization of the Company Introduction Research questions Conclusions Layout of the report	Desislava
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Introduction Our company's idea The product Swot Analysis	Mantas
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## Our company`s idea

The idea of our newly establish company it to make enough money , try as much as we can to have sufficient profit to enable every one as a member of the company to make good living.

With this idea in place, we have develop all the necessary plans in place we as a group have to execute into a commercial concept, and therefore esterblish our own company,the idea of our company base on productions by doing so we make our company vulnerable to our customers and public and look towards apparent feature of our productions such as how long and wide the production can last in the market also the type ,colour,durability etc.

Moreover our company also has a mission state ment as our guide lines. With these clear goal of our business has set a clear psychological pressure on or self for we to perform better as a company since the company goal of our business is precise.

## Personal goals and resources

Our company personal goal and resources are our skills of knowledge good finances. these has given us motivation and idea of commercement of a new company in the nearest future.

Aim and goal is to raise more money to expend our company and our resources . The company net work would be our closest family members to anable us to share a common dreams of managing our business.

All our staff will be place or position according to their field of expercially where they educational foundation.

Our initial finantial support will come our own group untill the business is financially sound and strong , all staff will have free access to computer and have basic knowledge of all IT programmes.





## The Product

Our company focuses on the design of single family houses. We provide our clients with accurate architectural plans and we offer the following services:

- 1: new projects
- 2: exterior and interior design/consultations

### The projects phases:

- Outline proposal
- Scheme design
- Detail design 1
- Detail design 2
- Supervision of the site

## Differences between us and other companies:

- 1: Lower price
- 2: Assure the quality of our products (projects)
- 3: Offer a better house design
- 4: Use the latest technology (computers, software (Revit, Sketch Up, AutoCAD))
- 5: Arrange that our services are high quality

## Market Description

Our market description is to know our customers and get the update of market activities to enable our management to understand our customers very well and how to treat those good and makes both part to feel good and inclusive.

Contact details of the potential customers would be essential for smooth communication and contacts, this communication will also help our company to understand our customers also will help us to do more market research and what our customers want and their expectation as well as the public. A lot of research will be made and also advertisement of our company product.



## Sales and marketing

### Ongoing sales and marketing activities for startup:

We have focused on sales and marketing in order to make ourselves visible for our potential clients. Having people informed about our new drawing office is an essential part of our advertising plan.

### Opening ceremony

The opening ceremony is a great opportunity for us to tell the world that a new drawing office has appeared in Horsens. We will invite relatives, close friends, former colleagues, business associates and the press, which has proved to be a successful way to spread the word about the start of our new business.

### E-mails

Another step would be sending e-mails to close friends and former colleagues from the university and other people we have met who we believe they would help us develop our business, because they know and trust us and could make our potential clients believe in us.

### Logo

We also plan to make a simple, easily remembered logo of our drawing office, which would be simple and consist of two or three colors at most in order to look more professional. As well as this, we will make a company stationery with our name, address and other important information.

### Web site

The company's web site is also one of the first things we would create. Initially it would be probably rather simple, containing basic information about our drawing office and then it would gradually develop to include some of our projects as students and some of the projects we have already done already in the drawing office. We also plan to include customers' opinions and e-mails to help potential clients to connect with somebody that has actually worked with our company.

### News paper advertise

We will also advertise our drawing office in Horsens Folkeblad, Horsens Posten, Vejle Amt Folkeblad and Odder Avisen as we expect our first clients to be Danish families from Horsens or towns close by. Newspaper advertising is inexpensive and we can keep doing it for long time. We also plan to advertise in Radio Horsens at the start of the drawing office and keep it going for a long time depending on how much it costs. We have decided not to make a TV advertisement at the beginning as it would be expensive, but in a long term that could be an opportunity for gathering clients.



## Facebook

Facebook is a great place for advertising nowadays so we plan to make a Facebook advertisement. It is not expensive and at the same time it will reach a lot of people.

## Organization of the company

### Legal structure of the company

We have chosen to establish Private Limited Company as we are a close circle of friends, who are going to run our own business. The liability of the shareholders is limited to the amount paid or unpaid on issued share capital. The shares cannot be sold, but could be offered to relatives, friends or employees.

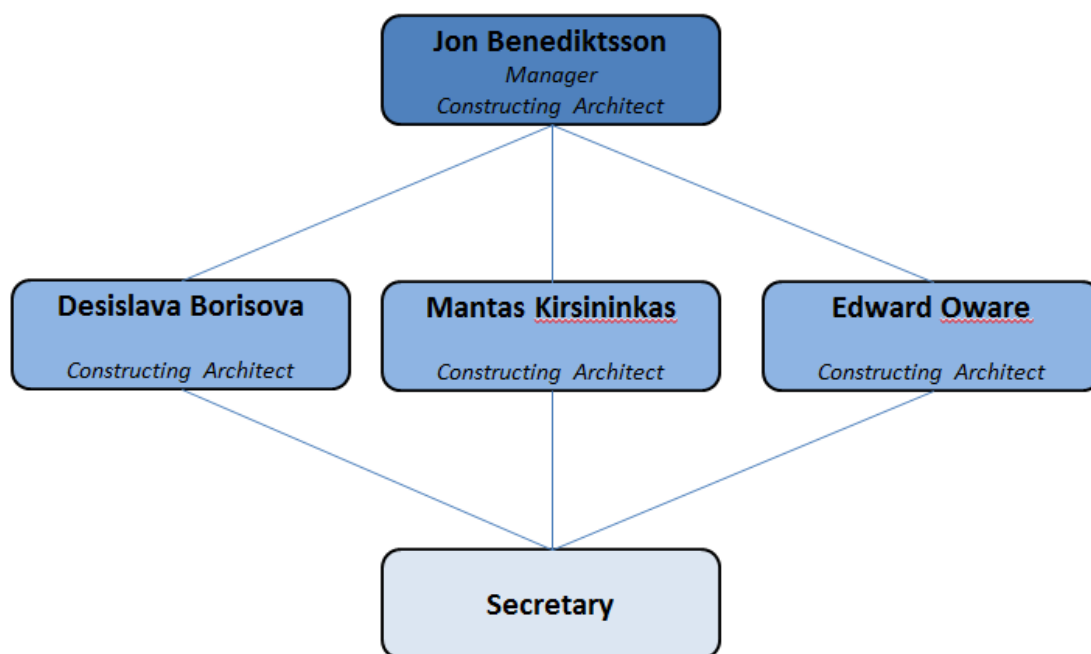


Figure 1 Organization of the company

## Bank

As soon as we register our business we will open a separate bank account for the business in order to pay company's expenses. We will make all transactions through the bank account to make financial administration easier. The bank chosen is Danske Bank.

Danske Bank

Reg Nr.6097

Konto Nr. 704627-9



### Accountant

We need someone to take care of our financial accounting, while we focus on business development and improving the quality of the projects we are working on. We will hire a secretary on a half job. This comes to say that she/ he will have to work four hours per day. The salary is 15,000,- DKK, which is the half of 30,000,-DKK average salary of an accountant.

### Business policies

In order to make our business run smoothly we have a set of rules or so called business policy. We have set prices per hour that would be published in our web site so potential customers would be able to orientate about the cost of a project. We have estimated a hour payment of around 650,-DKK per hour.

<b>Outline Proposal</b>	<b>650,-DKK/ hour</b>
<b>Scheme Design</b>	<b>650,-DKK/ hour</b>
<b>Detail 1</b>	<b>650,-DKK/ hour</b>
<b>Detail 2</b>	<b>650,-DKK/ hour</b>
<b>Supervision of the site</b>	<b>650,-Dkk/ hour</b>

Figure 2 Phases of the project and cost

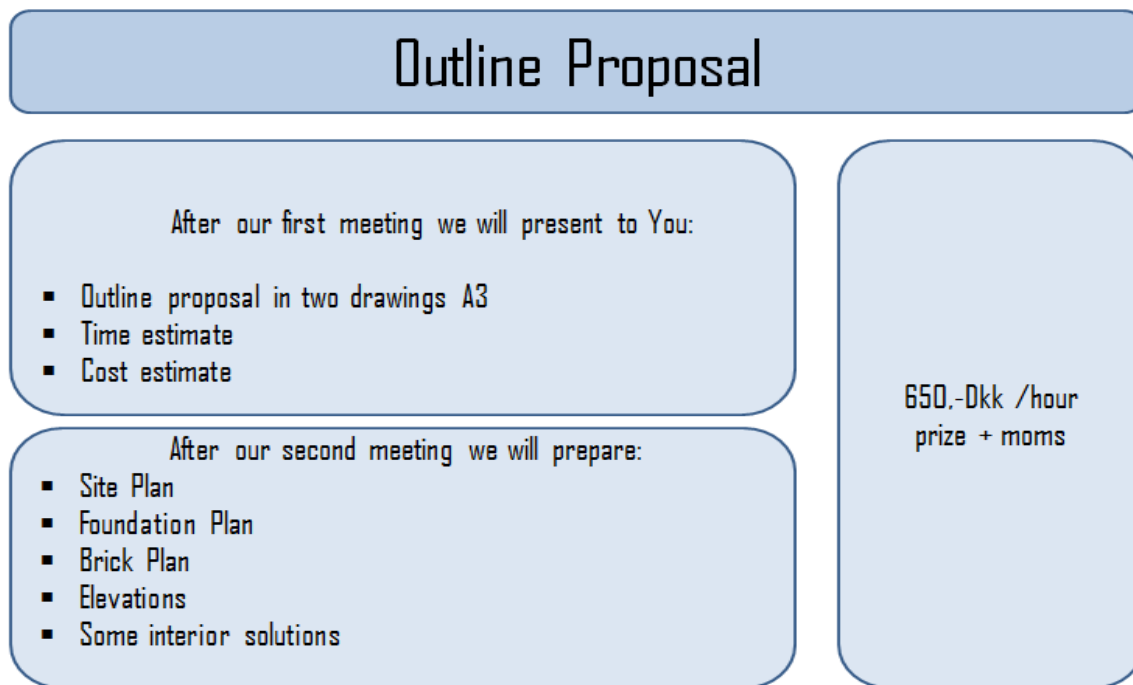


Figure 3 Outline proposal and cost

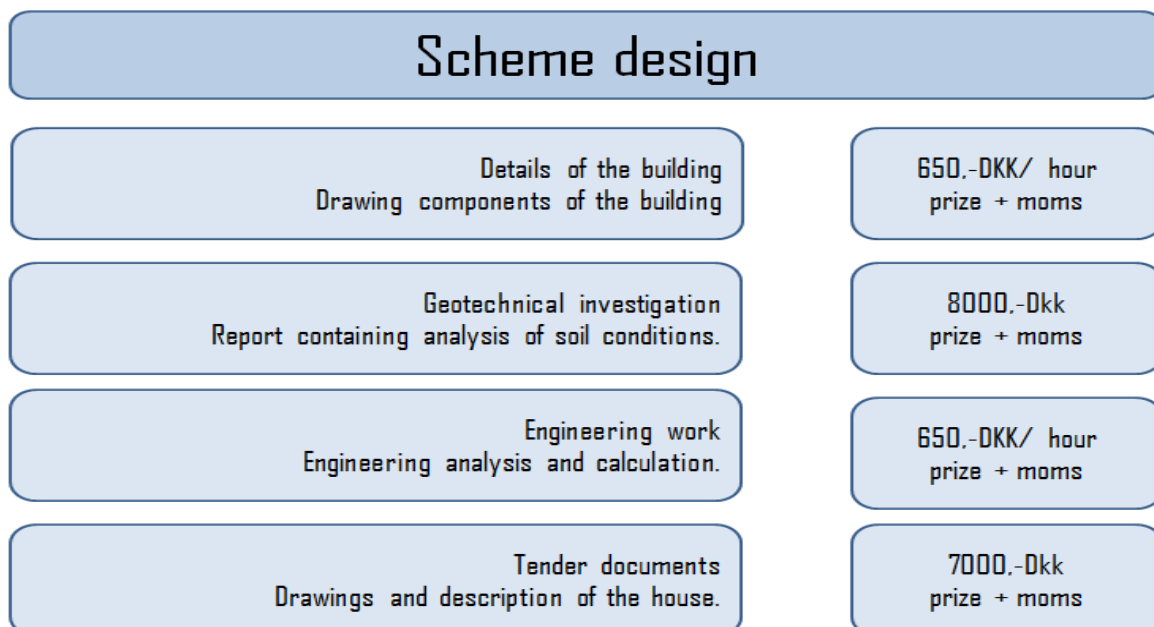


Figure 4 Scheme design and cost

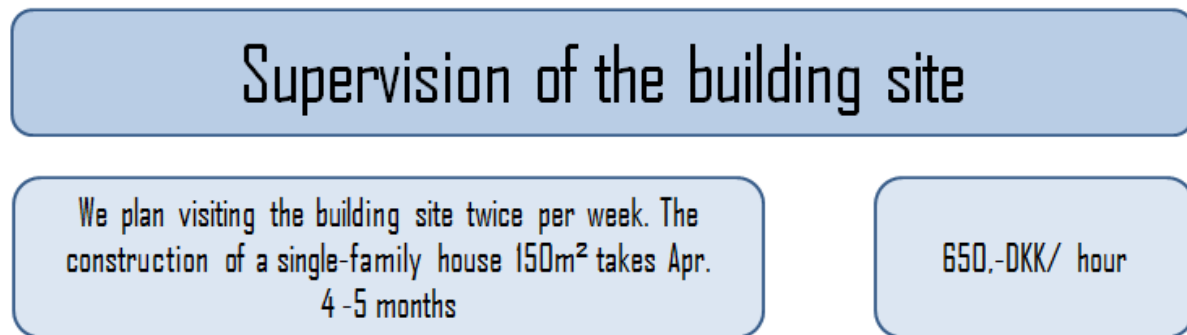


Figure 5 Supervision of the building site and cost

## Discounts

We would make discounts of 20 % of the project cost if we are assigned to build two similar buildings. The discount would apply to the twin building that has to be build. Another discount would be for so called "loyal" clients – the ones that want us to design and build for them for second time. The discount will be 10 % of the project cost.

## Insurance

We are obliged to make insurance for the staff. In our case this would be the 4 owners of the company and the secretary.

We also are going to make insurance which minimize company's risk. The project insurance is dedicated to individual construction project. The prize is 24,000- Dkk /year.



## Financing

In the starting of the company it has been decided that a starting capital of 500.000Kr is needed. We are 4 constructing architects that will start this company. That makes an investment of 125.000Kr per each person.

It is up to each person to come up with that sum. In addition to the starting capital the owners have to be able to work and not receive the first payment until the 3rd month.

## Definition of the budget

### Monthly Costs of starting budget:

#### Salary for owner-manager

The salaries for the owners are average salaries taken from jobindex.dk for a constructing architect in Mid Jylland which is 35.000Kr.

Owners will not get payment for the first 2 months but can expect them at month 3 but with no interests.

#### Salary for accountant/ secretary

The secretary's job description is to manage the book keeping, writing letters and answering phone. To reduce non value adding cost in the first year, the secretary will only have a ½ job.

#### Taxes, including social security

In the first two months there will be paid 22% of the total salaries' for Social insurance charges and employers' contributions that will include 140.000kr per month for the owner's salaries. The total cost for each month is 27.900Kr.



### **Rent**

The housing that the company has decided to rent is a 150m<sup>2</sup> office in Horsens. The office interior needs to be renovated to fit our needs and expectations; we expect that the owner will pay for that work. Cost of renting this office is 62.500Kr per month.

### **Advertising / marketing**

To attract new customers to our company we will advertise in local magazines and newspapers, advertising properly can be too expensive for our newly started company. There for will we as well try to use free publicity like local radio, Facebook, family and friends. Estimated yearly cost is 24.000Kr

### **Delivery expense**

There might be various products or documents that we need to have sent to us, assumed cost 400Kr per month.

### **Supplies**

Paper, office supplies, coffee and other supply related cost is assumed 2.000Kr per month.

### **Telephone**

Each person in this company will have a mobile phone with a free call (friend subscription) to other staff members. The office will have a VoIP phone and an internet connection the total cost for telephone/internet is 1.666Kr per month.

### **Heating and Electricity**

The cost for heating the office and electricity over 3 months is 10.000Kr

### **Work insurance**

Is assumed to be 10.000Kr per year.





### **Project Insurance**

To protect the company from cost of mistakes that can occur in a drawing office, a project insurance will be bought for 24.000Kr per year.

### **Webpage, mail and server hosting**

Our server is a webhost server and will host the webpage with our mail accounts and file saving. The cost is 1.000Kr per month.

### **Maintenance / IT**

Reaper cost is assumed 6.000Kr per year.

### **Car cost**

To reduce the starting cost for the first months the staff will use their own cars for transport and get paid 15Kr per driven Km. Total cost per year is assumed 60.000Kr

### **Miscellaneous and unknown cost**

Miscellaneous unknown cost is estimated 1% of monthly cost or 29.400Kr per year.

## **Starting Costs:**

### **Computers**

The company will need 5 computers so each person working in the office can have his/hers own. Four of these computers are used by the constructing architects, and there for need to be powerful and of good quality for the drawing programs witch this drawing office uses. The secretary / accountant will only use accounting and writing programs and will there for not need as powerful computer. The cost of these computers will be 6500Kr for each computer for the constructing architects and 4000Kr for the secretary



### **Plotter and printer**

The plotter we will buy is a used one to minimize the starting cost and there for the prize is 10.000Kr. The printers will be bought new one 3in one A4 witch can print, scan and copy and one A3 and the prize is assumed to be around 4.000Kr.

### **AutoCAD Revit**

This is the drawing program the drawing office will use. It will be bought online at Autodesk.com for 35.000Kr per program with 1 year support and update.

### **Decorating and remodeling**

Complete set of office furniture is needed the budget is set at 60.000Kr

### **Installation charges**

Phone, internet, mobile phone and lights need to be connected or installed. The cost is assumed to be 3000Kr.

### **Software**

There are few programs that the drawing office will buy, for example accounting software, Microsoft Dynamics C5 and MS office. Any other program will be open source. The cost is 14.000Kr for Ms Office and 1.800Kr per year subscription for Microsoft Dynamics C5.

### **Legal and other professional fees**

We assume that 3 hours of legal assistant is needed with total cost of 6.000Kr.

### **Licenses and permits**

We assume that there will be some cost for acquiring all documents (standards) and a permit regarding the drawing office, the assumed cost is 10.000Kr.



### Advertising and promotion for opening

To start the company formally we will have a grand opening the total cost is 4.000Kr for alcohol and other. Advertising cost is not a part of the cost above, because we have a yearly budget of 24.000kr for that.

### Other 5% of starting cost

To be on the save side we use a 5% unknown cost factor for starting cost assumed to be 14.200Kr.

## Operating budget

### Turnover

In the first two months of the operation of the company, we estimate that the turnover of the company in the first month will be 27.000Kr for one outline project. In the second month it is estimated that we will do one Skemdesign project for a 150M<sup>2</sup> house for a 1000Kr per M2 and a total sum of 150.000Kr

Projekt	Price per M2	Price for 150m2
Outline	180kr/m2	27.000
Skemd.	1000kr/m2	150.000
Detail	330kr/m2	49.500
Supervision	650kr per each	5.200
		231.700

Figure 6 Turnover for fixed price

After the first two months the company will have a full income of 327.600Kr per month and a sold working hour of 650Kr. See figure 7



Normal turn over	Per person	Per company
Normal sold working hour	650	2.600
Produktive working hour	6	24
Average working days in month	21	84
Value adding working hour per month	126	2.016
Total aver. income per month	81.900	327.600

Figure 7 Turnover for time price

The total yearly turnover is 3.480.000Kr

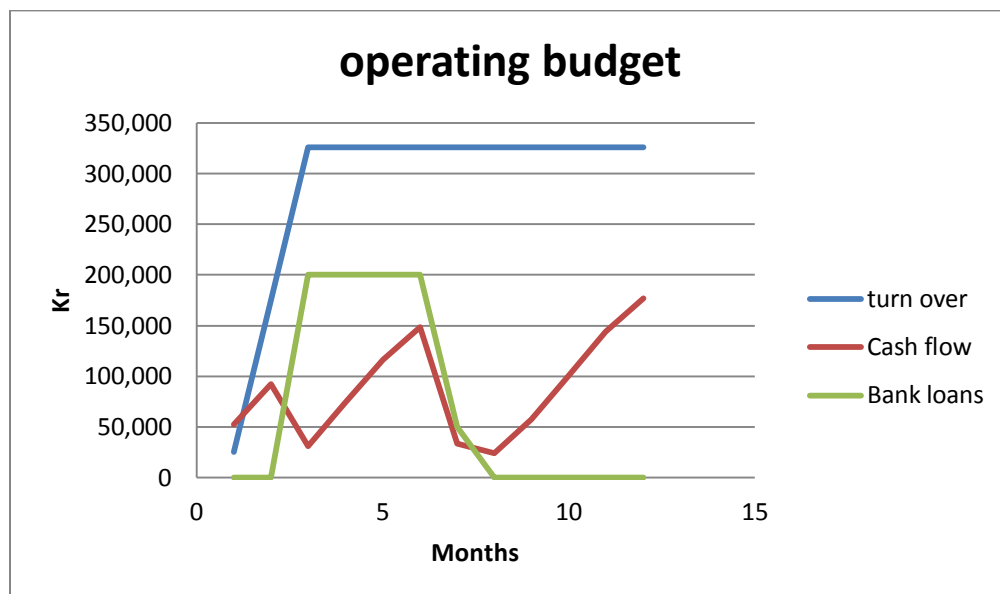


Figure 8 Operating budget diagram

### Cost

The total fixed cost of the company is with salaries 3.073.200Kr. = 100%

The variable cost with used material is 192.402Kr = 16%



### Contribution margin

The contribution margin of the company is calculated by subtracting the turn over with variable cost.

$$3.480.000 - 192.402 = 3.287.598Kr \text{ or } 82\%$$

### Brake even point

To find the brake even point on sold hours the Fixed cost is divided with the contribution margin.

$$3.073.200/650 = 5.058 \text{ hours or}$$

*Total worked hours per year is 6.048 so brake even point will be reach the 10th month.*

### Write-off

We have decided to write off all office interior AutoCAD Revit and all other electronic equipment over 5 years. The total cost of that is 50.000Kr per year.

### Bank loan

One bank loan for 200.000Kr will be taken in month 3 and 150.000Kr paid back in the 6 month and 50.000Kr in month 7.

### Poor sale/income

If the income will be less than expected than we will have to take a bigger bank loan in month 3 and for a longer time.



## Startup Budget

	Cash Needed to Start	Cost pr 1 year	% of Total
Staring Kapital	kr. 500,000		
Monthly Costs			
Salary of owner-manager	120,000	1,440,000	44.1%
Salary of accountant/ secretary	15,000	180,000	5.5%
Taxes, including social security	29,700	356,400	10.9%
Rent	62,500	750,000	22.9%
Advertising / marketing	2,000	24,000	0.7%
Delivery expense	400	4,800	0.1%
Supplies	2,000	24,000	0.7%
Telephone	1,667	20,000	0.6%
Heat and Electricy	3,333	40,000	1.2%
project Insurance	2,000	24,000	0.7%
webpage,mail and server hosting	1,000	12,000	0.4%
Maintenance / IT	500	6,000	0.2%
Car cost	5,000	60,000	1.8%
Miscellaneous and unnown cost	2,451	29,412	0.9%
Subtotal	kr. 247,551	kr. 2,970,612	90.9%
One-Time Costs			
Computers		30000	0.9%
plotter and printer		15000	0.5%
Autocad Revit		140000	4.3%
Decorating and remodeling		60000	1.8%
Installation charges		3000	0.1%
Softwere		15800	0.5%
Legal and other professional fees		6000	0.2%
Licenses and permits		10000	0.3%
Advertising and promotion for opening		4000	0.1%
Other 5% of one time cost		14190	0.4%
Subtotal	kr. 24,833	kr. 297,990	9.1%
Totals	kr. 272,384	kr. 3,268,602	100%



## **Operating budget calculation (A3)**



## SWOT ANALYSIS

### STRENGTHS

- Willingness to respond to customers' demands and expectations
- Good location for facilities
- Co-operative partners
- Ability to react to the onward sweep of trends and technologies
- Usage of the latest IT programs
- Hard-working team
- International collaboration with worldwide building companies
- Leading Building Company on the Danish Market
- 

### WEAKNESSES

- Poor knowledge about the building industry
- Cultural differences with customers
- Inexperienced Managers
- Specification in the building of single family houses
- Lack of long
- lasting experience and reputation
- Non-realistic building plans
- Staff is lacking in motivation
- 

### OPPORTUNITIES

- Support from the local authorities
- Internationally funded projects
- The penetration of new technologies
- The development of the new building tendencies
- Expansion in the customers' field
- Big scale projects
- Growth in the population rate
- Expansion in the suppliers' field
-





## THREATS

- Growth in the tariff
- Changes in the infrastructure of built-up areas
- The financial economic crisis
- The increasing influence of the environmental law
- Crashing of the World Building Market
- Rivalry between the newly established small companies on the building market
- Short-term partnerships

## Conclusions

This report has been researched and written as a compulsory assignment in the 3<sup>rd</sup> sem. Constructing Architect degree course. We have gained better understanding of how to start and manage our own business. We start a company with capital of 500, 000, Kr and we need to loan from the bank 200,000 Kr. We would be able to return the loan within four months. In order to cover all our expenses and have a profit, we will work for 650,-Kr per hour, but of course salary will always be negotiated in the beginning of a project. We would have to hire a secretary on a half-job to take care of our accounting. Her/his salary would be 15, 000,-Kr per month.

The key point for having prosperity in our business is having enough clients, being able to pay taxes and to pay our salaries and secretary. We pay social insurance, employee contribution (22 % of the salary) and 25 % of our income. In order to be able to cover all our costs we need to have enough clients. We have made a plan for advertising in order to spread the word about our new business. We will start our drawing office with an opening ceremony, inviting close friends and relatives, former colleagues and the press. Contacting the local newspaper and having articles written about the new drawing office is a great way to advertise. We will also make radio and Facebook advertisement.

Private limited company is the legal form of the company we have chosen to establish. The liability is equal for all the four members as we put in equal amount of capital – 125, 000,- DKK each. One of the company's owners is assigned to be a manager and a constructing architect. The three others have the positions of constructing Architects.

In the appendix we have put the outline proposal for the office as well as the agreement form we will use for operating our business.

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