

# 1. Executive Summary

The automobile service industry is one of the growing business segments within the economy. The current growth rates show that there is a strong demand for companies that provide all kinds of car repair services for private and business customers. Compared to other business activities, the business has low risks because of low required investments in the start-up phase. New forms of cost cutting and service optimization will help to set up a successful business. The revenues of this business have a growth rate of about 12% to 15% per year. A company that provides comprehensive service activities for customers can be sure to have a high demand and a strong competition advantage.

The goal of this start-up is the operation of a car repair service company that offers a selected range of automobile services as well as car equipment for sale. New forms of marketing and distribution will increase sales revenues and utilize personnel capacity.

## 1.1 Business Opportunity

The car service industry currently shows strong growth marked by high demand, but also growing costs. The development of new business strategies and solutions seems critical for new industry players to obtain market share and survive in this highly competitive industry. The choice of services, as well as the development of new products, can be one strategy in this field of business. Additionally, sound cost management is of critical importance for a solid stream of revenue. Big industry players have shown that even in a competitive market, growth rates of more than 10% can be sustained. Companies that reacted flexibly to their changing environment with new technologies show significantly higher revenues and margins and increased shareholder value.

The operation of a car repair and service company that offers a range of repair and maintenance services, as well as car equipment, is the core of this start-up. The following products will be offered:

- car repair service
- car care service
- business fleet service
- car equipment sales
- cleaning services

A strong focus of this business will be placed on the development of new and innovative strategies for obtaining and retaining customers, which delivers significant value to the customer. As an add-on, a broad range of customized company services will be offered, which will help utilize company and employee capacity. The range of products is selected to provide solid growth potentials.

The operation of this business requires a good knowledge of cars and technology to develop a competitive service concept to increase customer satisfaction. The demand to explain the handling of special products for customers is likely to require a high degree of individual customer advice. However, it is critical that this service is offered, with a strong focus on cost management.

One central goal of the proposed business strategy is the development of a unique corporate identity. Such identity will create customer loyalty and help gain a competitive advantage. Therefore, it is planned that in addition to the selection of new and interesting services, a company design be developed. For this reason, the service around the offered applications and the additional businesses are very extensive.

The required investment for the proposed business is moderate compared to other companies in the industry. Leasing costs are expected to be the main fixed cost driver, whereas no other substantial investment in fixed assets is required. Depending upon the location, the minimum required investment amount ranges between \$30,000 and \$35,000 in the start-up phase, based on a 12-13% average revenue margin. This amount is well within the financial requirements observed for other comparable companies.

## 1.2 Product/Service Description

The business will operate in the car repair and service industry with a variety of services and car equipment sales. An additional source of revenue is the sale of customized service offers. This can range from the maintenance and cleaning of firm cars to the development of a car quality service and fleet management for business customers. Cross selling is planned to be one of the prime strategies in this business since all products are targeted to serve a similar need and can easily be combined. Synergy in selling products across business segments is likely to boost earnings further. Net earnings are expected to be at least 6% above traditional service businesses with only one or two sales segments.

Figure 1.1 shows the revenue mix across segments in the start-up phase. This projection is based on the expected strategic direction, investment amount and business environment. Being the core business, the car repair service for individuals is expected to generate the largest share in revenues. The sale of car equipment is expected to be another important generator of revenues which also helps utilize invested capacity. The sale of customized services for companies is expected to be intensified depending upon market conditions.



Figure 1.1 Share of business sections