



# Aftermarket Internet Applications

BUSINESS PLAN AUTOAFTERMARKET.COM

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133 West Parker Parkway  
Indianapolis, Indiana 46206

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*AutoAftermarket.com offers business Internet solutions to the automotive aftermarket. Primary services will include full scale e-commerce websites and business-to-business systems to address the growing concern for doing business with automobile manufacturers. Our mission is to provide our clients with Internet business services that help them become more successful and a leader in their industry. This plan was provided by Mark Kotcher and was compiled in conjunction with the business planning courses of St. Louis University's Entrepreneurship Program.*

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## EXECUTIVE SUMMARY

Brian Kelley, Ford Motor Company's Vice President of Global Consumer Services, was recently quoted as saying, "Ford, General Motors, and DaimlerChrysler welcome the participation of automotive manufacturers and suppliers in this exchange...of strategic sourcing....This combination will allow suppliers to channel their efforts through a single exchange and will reduce overall inventories, develop industry standards, and provide productivity to all participants." AutoAftermarket.com gladly accepts this invitation.

A web development company with a new twist on the industry will be formed at the beginning of fiscal year 2001 in Indianapolis, Indiana, located in one of the top 5 most networked counties and the second largest automobile producing cities in the United States. AutoAftermarket.com, an Internet consulting company specializing in e-commerce and business-to-business applications will be targeted towards automotive aftermarket manufacturers and large-scale distributors.

AutoAftermarket.com's goal is to become a pioneer applications service providers in automotive aftermarket Internet applications, a concept that has so far only been attempted by general web houses that don't necessarily understand the complexity of the industry.

At its inception, AutoAftermarket.com will be the only automotive aftermarket focused Internet company in its

Источник бизнес-плана: <http://www.referenceforbusiness.com>



target market. We will have two databases on our own server that will allow consumers and other businesses to look up parts by the manufacturers' part number, or by application. This will enable the user to in effect look up parts in a virtual catalog. The possibilities for the customer will be limitless. This offering will give us a distinct competitive advantage because it will reduce startup costs for our customers dramatically.

The target market has been shown to spend heavily for one-time setup costs for Internet and Intranet applications based on AutoAftermarket.com's research. These figures are based on sales through web development companies without automotive experience. Our pricing structure is based on a conservative approach for worst-case scenarios. Prices and sales figures should be considered conservative and are subject to real market conditions.

John Teller, a May 2000 Indiana University M.B.A. graduate, with a focus in entrepreneurship and management, and a veteran in the automotive aftermarket, will manage AutoAftermarket.com, a sole proprietorship with one family investor. John has experience at the manufacturer, distributor, and jobber level throughout his career. The primary purpose of this plan is to obtain the funding necessary to get AutoAftermarket.com off the ground.

As will be discussed further, AutoAftermarket.com breaks even in the first year, despite using a conservative approach. Numbers in the first year are also based on lagging startup sales in the first 6 months. We are expecting some heavy development time to ensure that we are marketing the very best product. This relatively fast break-even occurs because our overhead costs are low and our primary costs are our salaries.

## Objectives

1. Sales of \$317,000 in 2001 and over \$800,000 by 2003.
2. Net income more than 30 percent of sales by the third year.

## Mission

AutoAftermarket.com offers business Internet solutions to the automotive aftermarket. Primary services will include full scale e-commerce websites and business-to-business systems to address the growing concern for doing business with automobile manufacturers.

Our mission is to provide our clients with Internet business services that help them become more successful and a leader in their industry. It is critical for us to be a pioneer and leader in automotive aftermarket Internet business solutions by providing our clients with services that help them and their customers become more successful.

## Keys to Success

AutoAftermarket.com will specialize in automotive aftermarket Internet solutions. While other consulting firms in the region offer Internet solutions on a broad base, there are none that we know of who specialize in this area. With today's unpredictable economic environment within the automotive aftermarket, it is increasingly difficult for companies to successfully stay in business and remain profitable. This can be seen in the increasing trend of consolidation within the industry. Our services will differ from our competitors in that AutoAftermarket.com will offer creative, innovative, and effective solutions to these business problems. Too many consulting firms try to develop standard models to solve key business problems. We realize that business problems within a particular industry have a variety of solutions; what may be right for one business in a particular industry would not necessarily meet the needs of another business in another industry. This will be our distinct competitive advantage. We realize and understand the complex nature of the automotive aftermarket, and it is that fact that enables us to give the highest quality services to our clients.



## COMPANY SUMMARY

AutoAftermarket.com is a new company that provides high-level, industry specific expertise in the automotive aftermarket. We will offer three services to our customers:

1. Business-to-business and business-to-consumer e-commerce solutions for the aftermarket, enabling companies to more effectively sell their parts worldwide.
2. Customized web-based design.
3. Web hosting on a state-of-the-art server with unparalleled speed.

## Company Ownership

AutoAftermarket.com is a sole proprietorship owned by John Teller. John's father, Richard Teller, will own a stake in the business of which the details are not determined at this time. Richard will also make available a revolving line of credit up to \$100,000 if the need arises. Richard has total assets in excess of \$2 million and is willing to cosign up to \$500,000 for the business. As of this writing, the company has not been chartered and is still considering alternatives of legal formation.

## Start-up Summary

Total start-up expenses including hardware, software, furniture, miscellaneous supplies, and initial rent and salaries comes to \$119,162. John and Richard will be contributing a total of \$25,000 to the business.

Start-up Expenses	
Legal	\$1,000
Stationery, etc.	\$100
Brochures	\$10,000
Salaries - 3 months	\$43,749
Furniture	\$5,000
Rent - 3 months	\$4,932
Software	\$2,050
Software License	\$25,000
Travel	\$2,880
Start-up Expenses	\$570
Expensed Equipment	\$2,609
<b>Total Start-up Expenses</b>	<b>\$97,890</b>

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<b>Start-up Assets Needed</b>	
Cash Requirements	\$0
Other Short-term Assets	\$0
<b>Total Short-term Assets</b>	<b>\$0</b>
Long-term Assets	\$21,272
<b>Total Assets</b>	<b>\$21,272</b>
<b>Total Start-up Requirements</b>	
Left to finance:	\$0
<b>Start-up Funding Plan</b>	
<b>Investment</b>	
John Teller	\$10,000
Richard Teller	\$15,000
Other	\$0
<b>Total investment</b>	<b>\$25,000</b>
<b>Short-term Liabilities</b>	
Unpaid Expenses	\$0
Short-term Loans	\$0
Interest-free Short-term Loa	\$0
Subtotal Short-term Liabiliti	\$0
Long-term Liabilities	\$94,162
<b>Total Liabilities</b>	<b>\$94,162</b>
Loss at Start-up	(\$97,890)
<b>Total Capital</b>	<b>(\$72,890)</b>
<b>Total Capital and Liabilities</b>	<b>\$21,272</b>
<b>Checkline</b>	<b>\$0</b>

### **Start-up Assets Needed**

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**Total Assets** \$21,272

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**Left to finance:** \$0

### **Start-up Funding Plan**

#### **Investment**

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**Loss at Start-up** (\$97,890)

**Total Capital** (\$72,890)

**Total Capital and Liabilities** \$21,272

**Checkline** \$0



## Company Locations and Facilities

To keep our overhead costs low, AutoAftermarket.com will be located at the Technology Towers in Indianapolis. This technological incubator is located in downtown Indianapolis and has meeting rooms, telephone services, copier and fax services, secretarial services, fixed utilities (included in rent), and even low cost T-1 lines.

## SERVICES

AutoAftermarket.com offers the expertise an automotive aftermarket corporation needs to have to develop their product distribution in new and innovative ways. This may be through a full-blown e-commerce website, or something as simple as a web page with an e-mail address.

### Service Description

There is no doubt that the Internet has become an integral part of the U.S. culture over the past 10 years. Though it appears that the automotive aftermarket has been behind the times. With recent announcements in the automobile industry, it is evident that the automotive aftermarket will be receiving a full reality check on their competitiveness through the Internet.

On February 25, 2000, Ford, General Motors, and DaimlerChrysler announced that they are planning to combine their efforts to form a business-to-business integrated supplier exchange through a single global portal. This will create the world's largest virtual marketplace. Ford President and CEO Jacques Nasser stated: "Today's announcement is another example of how the Internet is transforming every piece of our company and our industry. It's exciting, it's dramatic, and it's only going to accelerate. By joining together, we can further increase the pace of implementation."

What this means for the automotive aftermarket is that if a company wants to be a strategic supplier for any of the car manufacturers, they must have a business-to-business strategy in place on the Internet. This is where AutoAftermarket.com comes in. Unlike our generic webhosting competitors, AutoAftermarket.com will have all the tools required to interface with the largest automakers by utilizing a cataloging and part number database. This will dramatically reduce their startup costs and implementation time, putting them ahead of their competition.

The company will host a state-of-the-art website owned and maintained by AutoAftermarket.com where automotive aftermarket customers can host their site, have e-mail capabilities, and utilize a database that will enable corporations to sell their products and services online to any audience. We will have a staff that will design the web pages to their specifications and the backend technology that enables clean and effective online cataloging and e-commerce transactions.

Danny Chessin, Executive Vice President of Hahn Automotive (which happens to be in the Top 20 among automotive chains in the U.S.) states that "particularly in the auto parts business a real barrier of entry for 99 percent of the companies to get on the Internet is the cataloging issue." Hahn is currently the only company of 70,000 utilizing NPI/Triads' electronic catalog on the Internet for this very reason. We feel very confident that once AutoAftermarket.com develops this sophisticated database, potential customers will not be able to pass up this service.

Our vision is to make AutoAftermarket.com a clearinghouse for all automotive part transactions on the web. This will require our customers to have an inventory management and ordering system already in place. Fortunately, just about every manufacturer, distributor, and jobber in the United States have these systems in place.

AutoAftermarket.com will not only create the customer's web page, but will also have the cataloging and part number technology developed and on-hand, as well as having the capabilities to host the customer's website on



our automotive aftermarket-dedicated server.

We plan to supplement these larger applications (i.e. projects that require more time) with web pages that don't at this time require an e-commerce application for small to medium-sized customers. Our product will be distinctive because we will have a graphic artist on staff with automotive aftermarket experience who can offer more creative artistic solutions than our competitors. Also, it will be to our customers' benefit to have their web page on AutoAftermarket.com because if they ever do want to conduct business online, the technology will already be in place.

These generally take less time and will be critical to the cash flow of AutoAftermarket.com. We believe that there is a significant market for manufacturers that want to put some of their "bright star" applications on their web page for DIYs or prospective distributor purchasing agents. A professional purchasing manager will be investigating all avenues of research to find out if their supplier is offering the best products and services possible. It is our belief that this market research will take place online.

An example of where this type of application has been successful in the automotive aftermarket can be found with Kelley Performance Products, maker of carburetors, fuel injectors, ignition systems, engine systems, and customized engine parts for racing and street applications. Kelley's embracement of the Internet has cut their costs and workload according to Mack Miller, communications manager. "It was basically born out of a major frustration I've had for many years to supply artwork to our customers quickly and effectively." Because of the Internet, distributors and catalog companies can now acquire photos in minutes rather than waiting for Kelley to process film and duplication at a photo lab, and then package the artwork for shipment. Prior to their Internet implementation, Miller was spending approximately \$50,000 to supply their customers with art.

A feasibility study of the Internet environment will be conducted for each customer with any service we offer. It is important to AutoAftermarket.com that we help enhance the selling process of our customers. Our knowledge of the automotive aftermarket, as well as the Internet, will be fully utilized to offer the best solution for our customer. It is our belief that we are not successful unless our customer is successful. The amount and type of customers that can benefit from an online system is limitless. We feel confident that once the customer spends the initial cost of getting on the Internet, both our companies will enjoy a profitable relationship by reaching more customers.

## Competitive Comparison

Internet consulting within the automotive aftermarket is virtually nonexistent. There is only one other company that we know of that claims to cater to the automotive industry. InternetSource, based in Charlotte, North Carolina, has a package known as "E.MBRACE" that gives manufacturers and distributors of automotive products an affordable way to conduct business profitably over the Internet. It is a package that can be "quickly incorporated into your existing business systems without extensive customization or IT staff." Although they claim to focus around the automotive aftermarket, there is not one person on their corporate staff that has any automotive experience.

Another industry participant worthy of mentioning is Network Partners Incorporated (NPI), based in Austin, Texas. They would be considered more of an alternative product than a direct competitor. NPI has been a supplier of computer systems to the automotive aftermarket for many years. Their market share of distributor-to-jobber automation services is estimated at around 60-70 percent. It is best designed for interactions between the distribution center and jobber stores, although some major service shops have it, too. It is basically an online perpetual inventory system that runs on their supplied machines. The hardware is quite expensive, as is the software, maintenance, and in-house consultant. There are many drawbacks besides the expense, including that the system is not in real time (overnight refresh) and it is not Windowsbased. Regardless of its market share, it is known for being extremely user-unfriendly.





## Sales Literature

The business will begin with a detailed corporate brochure establishing the different services AutoAftermarket.com will offer. It will quote various industry experts detailing what advantages other corporations have recognized after automating their supply chain. This brochure will be developed as part of the startup expenses.

## Fulfillment

AutoAftermarket.com provides intellectual services and will employ three professionals with varying degrees of experience. One e-commerce professional with 5 plus years of experience will be hired for projects of medium to large magnitudes. A general web specialist will be hired with 3 years' industry experience for smaller applications as well as assisting the e-commerce professional. Also a graphic artist who has experience in the automotive aftermarket will be on staff so that AutoAftermarket.com can offer superior looking services. While all reports will be produced and edited by John Teller, the physical reports will be formatted, printed and bound by the secretarial services at Technology Towers. It is forecasted that another web specialist will be added in year two and another e-commerce professional will be added in year three.

## Technology

The enterprise server where the physical data will reside is a PowerEdge 8450 supplied by Dell. It represents the highest performance in an industry-standard server with up to 8 Intel Pentium III Xeon processors. It is also armed with Intel's Profusion chipset which keeps the data moving with its advanced crossbar architecture. The machine we have selected comes with 4 Intel processors, 1 gigabyte RAM, twin 18-gigabyte SCSI hard drives, 10 hot-plug PCI slots, and the Linux operating system. We will also add 4 18-gigabyte hard drives every subsequent year. AutoAftermarket.com will be leasing this machine at \$1,381 per month.

We will also be utilizing a NetForce 2200 manufactured by Procom Technology to provide instant storage for our internal network, as well as overflow for the web server. The model we have selected has 6 25-gigabyte hard drives. The NetForce 2200 acts as a data pump that offers file storage and sharing on the network, distributing 150 gigabytes of data more quickly than if it was stored on a general-purpose file server. It is designed for CAD/CAM or digital photo applications and will be a benefit to AutoAftermarket.com for a cost of \$10,675.

AutoAftermarket.com will maintain the latest Windows and Macintosh capabilities including complete e-mail and corporate website on the Internet so that companies looking for our service will have a direct link to us. We will have state-of-the-art equipment, including 3 Compaq Presarios, 1 Macintosh, top-of-the-line peripherals, interoffice network, and all the latest software. Software packages will include Macromedia Dreamweaver UltraDev for e-commerce, ColdFusion for web development, the Adobe Publishing Collection for graphic art, and Acid Pro for online digital music.

Security issues will be a major technological issue, especially with regard to the e-commerce sites we will set up for manufacturers and distributors. We will plan on using all the latest data encryption techniques available throughout the industry. For locking up e-commerce security, we plan on using Entrust Technologies' patented certification revocation list distribution technology mainly because it is part of the Internet Engineering Task Force standards. We are also optimistic because they offer free licenses to parts of its patented technology.

If the customer plans on having high volumes of e-commerce transactions, we will also recommend that they get in touch with WebTrust Organization. Accountants who do on-site audits of e-commerce security systems, transaction integrity, and personal information administer this organization. The cost for a WebTrust seal will range from \$5,000 to \$100,000 per year depending on the site's amount of business. The accounting houses will then check in every 90 days to ensure that Net firms are up to compliance with all terms of the seal program.



We will also recommend that our customers look in to purchasing insurance to protect themselves against Internet hackers. There are many companies such as ACE USA, AIG, and Sedgwick that offer e-commerce insurance policies that cost between \$25,000 and \$125,000 in annual premiums for companies with less than \$1 billion in revenues.

## Future Services

We will continually expand our services based on industry trends and changing client needs. Some visionaries within the Internet industry believe that the Internet of the future will include utilities like cellular phones, microwaves, and even washing machines and refrigerators. The beauty is that for any of these items to interact over the Internet, a programmer's skills will be required. It will be critical for AutoAftermarket.com to stay abreast of all new technologies that will affect our customers.

## MARKET ANALYSIS SUMMARY

AutoAftermarket.com will be focusing on manufacturers and distributors in the automotive aftermarket that want to increase their competitive edge, especially when supplying the automobile industry, and open up communication lines with their customers.

### Market Segmentation

The annual U.S. production of motor vehicle parts and accessories is valued at over \$90 billion. The industry is made up of two principal sections: original equipment manufacturers (OEMs) and aftermarket suppliers. OEMs sell parts and components directly to automobile manufacturers for the production of new vehicles. Aftermarket suppliers manufacture and sell replacement parts for use in vehicles already on the road. The majority of automotive parts manufacturers sell to both OEMs and aftermarket companies.

### Target Market Segment Strategy

The target markets that we will focus on are the manufacturers and distributors of auto parts. During the first year we will pay particular attention to the manufacturers because of the urgency with the major automakers. The plan is to break down manufacturers into two categories: original equipment manufacturers and aftermarket manufacturers. Following is a list of 6 of the top 20 that we will be pursuing heavily as customers, due to their profile, selling patterns, and the existence of established contacts:

- Dana Corporation
- Delco Electronics Corporation
- TRW Incorporated
- Robert Bosch Corporation
- Nippondenso Company Limited
- ITT Automotive

We will also focus on some of the major aftermarket companies based on the same criteria such as the following:

- Tenneco Automotive
- Federal-Mogul Corporation
- Echlin, Incorporated
- Tenneco, Incorporated
- Monroe Auto Equipment Company

Segmenting the automotive distributors will be done by determining who is primarily oriented to the consumer





(do-it-yourself) and who is oriented towards the professional installer. The do-it-yourself distributor will be more interested in reaching a large, nationwide audience for parts that can ship from any one of a hundred warehouses they own. We will recommend that they develop a program around free shipping just like Stan Roland does with Smartcars.com. Because of their increased volume and strategic sourcing, they are able to offer free shipping and significant discounts. Following are some of the chains we will target and the percentage of DIY business as reported by their CEO:

Autozone	90%
O'Reilly Auto Parts	50%
R&L Warehouse (Federated)	50%
Smyth Automotive (Pronto)	40%
Hub City Warehouse	40%

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R&L Warehouse (Federated)	50%
Smyth Automotive (Pronto)	40%
Hub City Warehouse	40%

The non-DIY distributor will be more interested in improving their distribution chain than reaching the consumer, which we certainly can do through the Internet. However, AutoAftermarket.com sees this as an opportunity. Perhaps a distributor classified as "non-DIY" would benefit most by gaining DIY sales, a target market that they have never even identified. How could a company pass up the opportunity to increase their consumer sales without having to add additional sales people or a major advertising/marketing campaign? Following is a list of companies in our target market that we see as an excellent opportunity:

Merrill Company	15%
Barron Motor, Incorporated	20%
Jarvis Supply Company (Federated)	20%
Cape Warehouse (Pronto)	20%
Pat Young Service Company	25%

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During the first three years, AutoAftermarket.com will call on a 600-mile radius area around Indianapolis, including metropolitan areas such as Kansas City, Memphis, Detroit, Cleveland, Cincinnati, St. Louis, and Chicago. Many regional and national manufacturers, distributors, and specialty shops reside in this area. 61.6 percent of all manufacturers and 21.9 percent of all distributors listed in the "1999 Top 100 Auto Parts Chains" in the contiguous United States reside in this area primarily due to the strategic sourcing of car manufacturers. There is a limited offering of automotive aftermarket focused Internet consultants in the country, so there is a lot of potential opportunity.

## Market Needs

By far, the greatest market need will come out of the major automakers' requirement of electronic strategic sourcing. As Harold R. Kutner, Group Vice President of General Motors Worldwide says, "It's the largest Internet business ever created. Nobody will be better. Nobody will be faster. Nobody will offer more to everyone involved." This no doubt will fuel the rest of the automotive aftermarket to become Internet-ready.

Another market need that AutoAftermarket.com will fulfill is the fact that the automotive aftermarket is in a major consolidation period. It is becoming more and more difficult to remain competitive. Many companies are looking for new and innovative ways to create additional sales. Another aspect of bringing automotive aftermarket companies online is that it will reduce the purchasing cycle, thereby directly reducing operating costs.



Another problem that AutoAftermarket.com tries to solve is to have more effective orders, i.e. fewer errors. Most companies experience a key-entry error rate of between 3-5 percent. Consequently, it is estimated that the handling of an error costs 5 to 10 times that of handling information transmitted correctly. A general rule of thumb for the cost of manually handling an incoming purchase order is somewhere between \$50 and \$75. Imagine eliminating just key-entry errors: this would save the customer 5 to 10 times that of \$50 to \$75. Also, by some estimates, the \$75 handling charge when combined with an electronic ordering system can slash the cost of processing a purchase order to as little as \$6.

## Market Trends

The world's major auto manufacturers are currently restructuring their operations in North America, Europe, Asia, and Latin America. The parts manufacturers have responded to globalization by strategizing their operations to supply auto parts worldwide. This has resulted in a sharper focus by parts manufacturers on their core competencies in order to become more competitive. This in turn has changed the look of the automotive parts industry. Many automotive manufacturers have undergone strategic mergers and acquisitions in order to pool their resources and gain a competitive edge. Manufacturers who have been unable to do this have been forced to close their doors. The value of mergers and acquisitions soared annually, nearing a record \$19 billion in 1997, up 27 percent from the previous year. Although this sounds like a weakness of the industry, AutoAftermarket.com will utilize this shortcoming as a selling point.

## Market Growth

The automotive parts industry accounted for slightly over 4 percent (\$157 billion) of total U.S. manufacturing shipments in 1997. It is projected that by 2003, industry shipments may approach \$189 billion.

The compound annual growth rate for the past ten years was 9.5 percent. More recent years have seen increases of 5 and 6 percent, somewhat lower than previous. Traditionally, growth in the U.S. aftermarket has been directly related to the size and age of the vehicle fleet. As discussed previously, the primary reason for this relatively low level of growth has been the dramatic improvement of quality in U.S. auto manufacturers.

Domestically, firms have restructured themselves in an effort to maintain their competitive position with Japan. This consolidation of the market to become more competitive plays a key role in the future growth of the industry. To give an example, Dana Corporation between 1993 and 1996, completed 24 purchases or joint ventures. In 1998, they announced their acquisition of Echlin, creating a company worth \$13 billion in annual sales.

Future growth for U.S. automotive firms will continue to be technology-driven with more and more government regulation. Fuel efficiency, safety, and environmental regulations will open up new windows in the parts market. Consolidation and competition will remain major issues for U.S. aftermarket suppliers over the long term. Many firms will become more competitive by automating their manufacturing and supply chain with Enterprise Resource Systems. Any ERP such as SAP and J. D. Edwards can and will link the entire industry to the Internet in some capacity, whether it's linking the supply chain together (B to B) or making products available to the end-user (B to C).

## Service Business Analysis

The consulting business consists of thousands of smaller consulting organizations and individual consultants for every one of the few dozen well-known companies.

Consulting participants range from major international name-brand consultants to tens of thousands of individuals. One of AutoAftermarket.com's challenges will be establishing itself as a "real" consulting company, positioned as a relatively risk-free corporate purchase.



## Distributing a Service

Consulting today is sold and purchased mainly on a word-of-mouth basis, with relationships and previous experience being by far the most important factor. Some of the smaller jobs tend to go out on bid with online sites such as E-Lance and Yahoo!

The larger, more well known Internet consulting firms like Razorfish and Web USA have locations in major cities and major markets, and executive-level managers or partners developing new business through industry associations, business associations, and chambers of commerce and industry.

## Competition and Buying Patterns

The traditional buying process for consulting services varies by type of client and by type of service. Businesses find and choose consulting firms using several methods. Referral businesses find consultants through their lending institutions, business or industry associations, friends or colleagues, and the Yellow Pages. Businesses contact these consulting firms to obtain proposals and price quotes for the required services. A consulting firm is chosen based on the needs of the client, such as price, quality of proposal, as well as the reputation, past experience, and level of expertise of the consulting firm.

This was verified by General Parts Incorporated, the largest member of the CARQUEST buying group and the largest privately owned corporation in North Carolina. When they realized the need for an online presence and an Intranet, they went by different referrals from people within the industry, as well as their internal IS people. After a number were referred, the process of interviewing began until a final decision was made.

## STRATEGY & IMPLEMENTATION SUMMARY

Companies in the automotive aftermarket will not necessarily seek out Internet consultants who are focused towards the automotive aftermarket because, for all intents and purposes, they don't exist. This is the type of industry where AutoAftermarket.com must have an aggressive sales campaign with brochures, and advertisements in industry journals, and must be constantly making contacts. Fortunately, John Teller has many contacts throughout the industry. Also, John's father is well known, being an industry executive himself, so the Teller name has an excellent reputation.

## Strategy Pyramids

Our main strategy is to emphasize the business-to-business automation as automotive after-market firms strive to become more competitive, especially with the automobile manufacturers. In a sense, we will be pioneering a relatively new market, so deviating from the strategy is not an option.

Underneath this strategy, our main tactics are utilizing industry experience, advanced technical knowledge based assets, and unparalleled communication and educational skills.

Our industry experience will aid us in understanding the customer and the customer's customer to bridge the communication gap between the jobber and professional installer. We will stay active in various trade organizations like the Automotive Warehouse Distributors Association and the Automotive Parts and Accessories Association to build and maintain relationships throughout the industry. We will constantly maintain our presence by targeting customers based on industry knowledge first, and technological skills second.

Our technological skills will help us get the job done after the program is sold. Part of a successful consulting business is to keep as close to the schedule as possible. It is much like law firms, all that matters are billable hours. It will be critical that our technical skills be excellent and to not go over 10 percent on projects. Otherwise, AutoAftermarket.com runs the risk of a tarnished reputation.



Our communication skills will be extremely important in educating the customer and the end user on how to utilize the system we have built. It is relatively easy to put together an Internet system that functions, but having the ability to educate the users is when the project is truly finished. Our focus on education will be another distinction of AutoAftermarket.com from the competition.

John has extensive training experience with PCs at the distributor level, as well as ERPs at the manufacturing level. In fact, John was part of the implementation training team in SAP/R3 for pricing database management, as well as sales analysis for Moog Automotive.

## Value Proposition

One of our major value propositions is that AutoAftermarket.com will have already spent the money, time, and resources to develop a sophisticated behind-the-scenes approach to cataloging and SKU database management. A single company to do this independently would be extremely expensive and time consuming. Our pooling of resources will benefit the customer in the end to get them faster to market.

Another value proposition is that because of our excellent relationships with manufacturers, our database will be more up-to-date than anyone else in the industry. Most companies wait until the next issue of *Triad's Electronic Catalog* because it is a quarterly publication. But, AutoAftermarket.com's customers will be more up to date than anyone else in the industry because we will constantly update the database whenever new applications are released.

Our clients will benefit from a team of experts with experience in the aftermarket to come into their business for a specialized product that will help them become more effective selling entities. They will be happy to pay top dollar for industry-specific expertise, especially since it addresses critical competitive issues. Our e-commerce developments are a one-time variable cost, whereas the alternative is a management team including major additions to their MIS department that would be a fixed cost, and this person would not be as skilled at the specific job that we do.

## Competitive Edge

We start with a critical competitive edge: there is no competitor we know of that can claim anywhere near as much specific technological expertise, coupled by the fact that we have grown up in the industry with experience at all levels. Our positioning on this fact is very hard to match, but only if we maintain this focus in our strategy, sales and marketing, education, and industry relationships. It is important to note that hiring more generalized Internet consultants would tend to dilute the expertise that AutoAftermarket.com brings to the table.

Another competitive edge that will distinguish AutoAftermarket.com from the competition is that not only do we provide e-commerce publishing services, but we also have heavily invested in machine and database capital to ensure that our site runs at the greatest speed with the latest technologies. It will be updated every month for new applications and prices automatically because all e-commerce applications at AutoAftermarket.com run on the same database behind the scenes.

## Marketing Strategy

Part of our marketing strategy will be to offer our e-commerce service for free to a smaller company to prove to the industry what we can do. This customer must be chosen carefully, however, because we would not want to get into a 6-month implementation. It needs to be someone relatively local so that we may work with them more closely to iron out any bugs that may be in the system. One good candidate that we are considering is Superior Chassis located in Gary, Indiana. They have one main product line with a standard set of part numbers that would be relatively simple when compared to some of the larger, more complex companies. Because the automotive aftermarket works on a word-of-mouth basis, especially with IS consultants, we believe this would



get our name out there.

Part of this marketing technique will require us to have a website at [www.AutoAftermarket.com](http://www.AutoAftermarket.com) that shows our capabilities and what we are all about. We will also show links to the sites that reside on our system, such as Superior Chassis in our previous example. We feel confident that when word travels about our new service, prospects will jump on our website to at least check us out.

When we are going through this implementation process, we would like to have some press coverage as well. *Aftermarket Business* would more than likely want to carry the story, especially to address how the automotive aftermarket is responding to the automobile industry's massive changes. *Aftermarket Business* happens to be the largest publication of its kind and would be a great avenue to make our name heard, especially in light of a headline such as, "AutoAftermarket.com addresses Automakers e-commerce Issues: For free!!!" Imagine the number of hits our site would get in that day alone.

AutoAftermarket.com will have two brochures; one for manufacturers and one for distributors (consequently, the distributor version will be written generically enough to be used for other applications as well). The manufacturing brochure will include details of the automakers' requirements and why it is critical for them to have business-to-business capabilities. The distributor version will focus more towards doing business online, whether business-to-business or business-to-consumer and what they may be missing out on in the future.

We will also run a couple of ads throughout the year in trade magazines. One in particular that we would like to run is an ad focusing around online manufacturers. We may even look into working out an interview about how critical it is to be online in order to be a major automotive supplier.

Another marketing strategy that AutoAftermarket.com will utilize is to go directly to the automotive manufacturers and form a strategic alliance to gain some business through them. If we were able to establish an excellent rapport and reputation with one of them, it would make all the difference in pursuing new customers. Fortunately, John's grandfather, Walt Johnson, used to be the Vice President of Personnel at Ford Motor Company for many years. We feel confident that we could get a meeting together because of some old contact to try to be their "go-to" firm when a manufacturer is looking to get online. It will be very critical for us to get the first customer under our belt to show that we are capable.

We will also hold two free seminars per year to educate companies about what AutoAftermarket.com can do for them. One will be held in Indianapolis and the other will be held in Las Vegas at the Automotive Warehouse Distributors Association (AWDA) annual conference. We believe that showing people our capabilities face-to-face tends to be more effective.

## Positioning Statement

For manufacturers and distributors of auto parts who intend to stay competitive by automating the selling transaction, AutoAftermarket.com offers very specialized, industry specific expertise. Unlike the general Internet consultants, AutoAftermarket.com can provide a superior Internet commerce solution along with a top-notch ASP designed to be immediately effective in the automotive aftermarket.

## Pricing Strategy

AutoAftermarket.com will be priced at the upper edge of what the market will bear, competing with general Internet consultants. The pricing fits with the general positioning of AutoAftermarket.com as high-level, industry specific expertise. We will require 50 percent up front with the balance at project completion.

E-commerce consulting will be based on \$130 per hour, and \$90 per hour for general web design. Graphic design portions of projects will be priced around \$40 per hour. These numbers were established through a pricing analysis based on general web-consulting, as well as price quotes throughout the industry.

We will be charging \$150 per month for a company to host its e-commerce site on our server. For this service





they receive e-mail capabilities, high-speed access for themselves as well as their customers, use of an unparalleled database and catalog, and unlimited service from our staff. For a general website, we will charge \$50 per month, which seems to be the middle of the road for business site hosting.

For our service, we will also require that the company pay back to us 1 percent of all sales gained on our server. We believe that the market can bear 1 percent of its total earnings.

## Promotion Strategy

Our promotion strategy will be three-fold. Our primary strategy will be the high-quality brochure sent to strategic individuals as mentioned previously. We will also run a couple ads per year in various automotive trade magazines. Lastly, we will offer two free seminars once a year to be held in Indianapolis and Las Vegas for industry professionals to learn more about what the Internet can do for their aftermarket company. This demonstration should generate some major activity. Needless to say, there is no better sales tool than actual demonstrations.

Business-to-business e-commerce services will be the key product offered to the OEM/aftermarket manufacturers. Our main selling point will be that the system we will design will be tailored to their business strategy and will reduce operating costs considerably. According to Intersearch Corporation, most executives believe that an Internet-based electronic trading system would increase the accuracy of billing by 31 percent, increase the accuracy of orders by 29 percent, reduce the purchase cycle by 62 percent, and reduce operating costs associated with this cycle by 45 percent. Gartner Group takes this further by saying that the most successful Internet strategies are those where companies use the Web to strengthen the distribution chain. Once we have some projects completed, we will show potential customers what we have done previously.

Our other major product segment will be to build websites for aftermarket companies. These generally take less time to compile and are good for keeping the cash flow of the business in good standing. Our web pages will be better than the competition because of our vast experience with the automotive field. One of our selling points will be that our graphic artist has worked in the automotive parts manufacturing industry in a graphic arts capacity for over a year.

## Marketing Programs

Our most important method of gaining recognition throughout the industry will be networking with key executives through current relationships. We do not believe that a major advertising campaign will bring major inquiries on our services. However, we will run some ads in automotive trade magazines to at least get our name out in the industry. Our annual budget for magazine advertising will be no more than \$7,500. We will plan to run a small ad every quarter in two automotive journals: one focused on manufacturing and one focused on distributors.

## Sales Strategy

Our key sales strategy will be to first send out the corporate brochure to highly qualified prospects within the industry. This will be followed closely by a phone call from John Teller to set up a meeting to discuss. In the first few months, John will be taking the e-commerce professional to these meetings so that he/she can demonstrate what they have done in the past and what they can do for the customer. Once a couple of customers have been established, John can make these calls independently (unless it is a major proposal) and use examples from what AutoAftermarket.com has done for other customers.

It will be vital to our business to sell quality based on technological background and business industry experience. We will also exploit the fact that most consultants are not an ASP, and virtually none of them have both an ASP and come from the automotive aftermarket. It is certainly not our intention to be the low cost provider. AutoAftermarket.com's services are much more valuable than the competition. Any Internet company





can build a website, but only AutoAftermarket.com truly understands their customer and the industry. Business-to-business e-commerce only becomes truly effective when solutions are industry-specific.

## Sales Forecast

The following table and chart give a run-down on forecasted sales. We expect sales to be sluggish as AutoAftermarket.com tries to establish itself. We do expect sales to increase within a few months of startup. We are also forecasting higher increases at the beginning of each year due to budgets being established. The sales budget is based on \$130 per hour for e-commerce work/business-to-business work, \$90 per hour for general web programming, and \$40 per hour for graphic design. The budget takes into account 70 percent efficiency.

Sales are considerably higher in years 2 and 3 due to adding one employee per year. We expect an increase in sales of 83.5 percent in year 2, and 61.5 percent in year 3. We are confident that once the word is out that there is an Internet consultant with automotive experience, our market niche will be booming.

Sales	2001	2002	2003
Graphic Design	\$46,072.00	\$59,156.00	\$59,565.00
Web Development	\$103,661.00	\$265,044.00	\$265,724.00
E-Commerce	\$149,737.00	\$192,258.00	\$387,172.00
% Sales	\$1,796.91	\$15,584.00	\$109,191.00
Web Hosting - General	\$8,974.40	\$28,673.00	\$28,697.00
Web Hosting - E-Commerce	\$7,137.17	\$12,525.00	\$25,272.00
<b>Total Sales</b>	<b>\$317,378.48</b>	<b>\$573,249.00</b>	<b>\$875,621.00</b>

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<b>Total Sales</b>	<b>\$317,378.48</b>	<b>\$573,240.00</b>	<b>\$875,621.00</b>

## Sales Programs

We do not want to run any promotions or discounts at this point. There is little point in offering discounts or free services to a virtually untapped market. As mentioned previously, our discounts will occur if there is added business or a long-term relationship is established.

## Strategic Alliances

The major strategic alliance that we want to form is with Ford Motor Company. If a manufacturer ever asks automakers where they can find a company to put them on the Internet, we want them referred to us.

## Milestones

The accompanying table lists important program milestones, with start and end dates, and budgets for each. The milestone schedule indicates our emphasis on planning for implementation.

What the table doesn't show is the commitment behind it. We will hold monthly follow-up meetings every month to discuss the variance and course corrections to ensure that everything is completed in a timely fashion.



Milestone	Start Date	End Date	Budget
Purchase Hardware and Software	12/1/00	1/1/01	\$25,931
Set-up Office	1/1/01	1/15/01	\$5,000
Pursue Loan	7/1/00	9/1/00	\$0
Brochures	10/1/00	11/1/00	\$10,000
Hire Staff	10/1/00	12/15/00	\$300
New Hire - Web Design	1/1/02	2/1/02	\$300
New Hire - E-Commerce	1/1/03	2/1/03	\$300
New Computer Year 2	1/1/02	1/15/02	\$2,199
New Computer Year 3	1/1/03	1/15/03	\$2,199
Totals			\$46,229

Milestone	Start Date	End Date	Budget
Purchase Hardware and Software	12/1/00	1/1/01	\$25,931
Set-up Office	1/1/01	1/15/01	\$5,000
Pursue Loan	7/1/00	9/1/00	\$0
Brochures	10/1/00	11/1/00	\$10,000
Hire Staff	10/1/00	12/15/00	\$300
New Hire - Web Design	1/1/02	2/1/02	\$300
New Hire - E-Commerce	1/1/03	2/1/03	\$300
New Computer Year 2	1/1/02	1/15/02	\$2,199
New Computer Year 3	1/1/03	1/15/03	\$2,199
Totals			\$46,229

## MANAGEMENT SUMMARY

The management team for at least the first few years will be John Teller, founder and owner of AutoAftermarket.com. As we grow, we may take on additional management expertise if the volume of business justifies it.

### Organizational Structure

Everyone in one respect or another will report to John Teller. However, the office will be structured so that everyone has enough room to grow and hone their individual skills to enhance their business success. To do this, the web designer (typically with less experience and expertise than the e-commerce professional) will report to the e-commerce manager. It is John's intent for this to be a mentor role so that the web developer could then step up and fulfill an e-commerce role some day. As mentioned previously, education is a critical success factor for AutoAftermarket.com.

The graphic designer will technically report to John, but it will be critical to foster a creative environment for this position. This artist should be making many graphic decisions on their own. This will be a fast-paced, facilitating role.

### Management Team

AutoAftermarket.com is a sole proprietorship owned by John Teller. John has the benefit of having grown up in the automotive aftermarket industry, holding positions at jobber stores, distribution centers, corporate offices, and manufacturers. He has gained a vast knowledge of information systems within an automotive aftermarket environment. He is certified for training in SAP-R/3 with Sales Information Systems and Pricing Database Management, which he accomplished while an integral part of an SAP implementation team for a leading automotive aftermarket manufacturer. John has a business management degree from Ohio State University and will have completed a specialized M.B.A. in management/entrepreneurship from Indiana University. He has held various positions of increasing responsibility in sales and marketing, as well as MIS consulting for a medium-sized distributor. AutoAftermarket.com will initially have four employees. Additional staff support



will be obtained as further success of the company allows in subsequent years.

## Management Team Gaps

Certainly the biggest gap in the management team is the lack of a professional with a financial background. If enough volume were present, a chief financial officer would be considered to ensure that AutoAftermarket.com is on the right path. Unfortunately, cost just doesn't allow it in the short-term.

## Personnel Plan

The following table summarizes our personnel expenditures for the first three years, with compensation increasing from \$175,000 the first year to about \$345,000 in the third. We believe this plan is a fair compromise between fairness and expedience and meets the commitment of our mission statement. The detailed monthly personnel plan for the first year follows.

Personnel	2001	2002	2003
Graphic Designer	\$30,000	\$31,500	\$33,075
Web Developer	\$45,000	\$92,250	\$96,863
E-Commerce Professional	\$100,000	\$105,000	\$215,250
Other	\$0	\$0	\$0
<b>Total Payroll</b>	<b>\$175,000</b>	<b>\$228,750</b>	<b>\$345,188</b>
<b>Total Headcount</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Total Payroll Expenditure</b>	<b>\$175,000</b>	<b>\$228,750</b>	<b>\$345,188</b>

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Graphic Designer	\$30,000	\$31,500	\$33,075
Web Developer	\$45,000	\$92,250	\$96,863
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Other	\$0	\$0	\$0
<b>Total Payroll</b>	<b>\$175,000</b>	<b>\$228,750</b>	<b>\$345,188</b>
<b>Total Headcount</b>	<b>3</b>	<b>4</b>	<b>5</b>
<b>Total Payroll Expenditure</b>	<b>\$175,000</b>	<b>\$228,750</b>	<b>\$345,188</b>

## FINANCIAL PLAN

We are predicting that the business will grow at a relatively rapid rate. Fortunately, financing that growth will not be much of an issue due to a low number of fixed costs. Our major expense by far is salary at over 50 percent of the total expenditure per year. As long as collection goes well, these salaries will be covered with profits to spare. Part of our strategic plan is to offset the major e-commerce projects with smaller web design projects to keep our cash flow in good standing. Keep in mind that we are assuming start-up capital of \$94,162. This will be the only long-term loan required for AutoAftermarket.com, at least for the first 3 years.

## Important Assumptions

AutoAftermarket.com recognizes that collection days are critical. We will make it a corporate goal to keep collections within 30 days. We are assuming that we will do a fairly good job at collecting. Interest rates, tax rates, and personnel compensation are based on conservative assumptions.

General Assumptions	2001	2002	2003
Short-term Interest Rate %	12.00%	12.00%	12.00%
Long-term Interest Rate %	12.00%	12.00%	12.00%
Payment Days Estimator	30	30	30
Collection Days Estimator	30	30	30
Tax Rate %	28.00%	28.00%	28.00%
Expenses in Cash %	10.00%	10.00%	10.00%
Sales on Credit %	50.00%	50.00%	50.00%
Personnel Burden %	0.00%	0.00%	0.00%



General Assumptions	2001	2002	2003
Short-term Interest Rate %	12.00%	12.00%	12.00%
Long-term Interest Rate %	12.00%	12.00%	12.00%
Payment Days Estimator	30	30	30
Collection Days Estimator	30	30	30
Tax Rate %	28.00%	28.00%	28.00%
Expenses in Cash %	10.00%	10.00%	10.00%
Sales on Credit %	50.00%	50.00%	50.00%
Personnel Burden %	0.00%	0.00%	0.00%

## Break-even Analysis

Break-even Analysis:	
Monthly Units Break-even	19,519
Monthly Sales Break-even	\$19,519

Assumptions:	
Average Per-Unit Revenue	\$1.00
Average Per-Unit Variable Cost	\$0.02
Estimated Monthly Fixed Cost	\$19,129

## Break-even Analysis:

Monthly Units Break-even	19,519
Monthly Sales Break-even	\$19,519

## Assumptions:

Average Per-Unit Revenue	\$1.00
Average Per-Unit Variable Cost	\$0.02
Estimated Monthly Fixed Cost	\$19,129

## Projected Profit & Loss

	2001	2002	2003
Sales	\$317,378.48	\$573,240.00	\$875,621.00
Direct Cost of Sales	\$0.00	\$0.00	\$0.00
Production Payroll	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00
Total Cost of Sales	\$0.00	\$0.00	\$0.00

Gross Margin	\$317,378.48	\$573,240.00	\$875,621.00
Gross Margin %	\$1.00	\$1.00	\$1.00

Operating expenses:			
Server Lease	\$16,572.00	\$16,572.00	\$16,572.00
Database Licenses	\$1,500.00	\$26,500.00	\$26,500.00
Advertising/Promotion	\$7,500.00	\$8,250.00	\$9,075.00
Travel	\$11,520.00	\$15,322.00	\$20,378.00
Payroll Expense	\$174,999.96	\$228,750.00	\$345,187.50
Depreciation	\$4,254.00	\$4,694.40	\$5,134.40
Payroll Tax Expense	\$13,179.00	\$17,477.00	\$24,548.00
Utilities	\$0.00	\$0.00	\$0.00
Insurance	\$7,440.00	\$10,492.00	\$15,527.00
Rent	\$13,152.00	\$13,152.00	\$13,152.00
Vehicle Expense	\$4,500.00	\$4,500.00	\$4,500.00
Office Expense	\$696.00	\$870.00	\$1,044.00
Phone Expense	\$1,800.00	\$1,980.00	\$2,178.00
Organization Dues	\$150.00	\$150.00	\$150.00
Total Operating Expenses	\$257,262.96	\$348,709.40	\$483,945.90

Profit before Interest and Taxes	\$60,115.52	\$224,530.60	\$391,675.10
Interest Expense Long-term	\$10,367.42	\$8,617.33	\$6,580.72
Taxes Incurred	\$13,929.47	\$60,455.71	\$107,826.43
Net Profit	\$35,818.63	\$155,457.55	\$277,267.95
Net Profit/Sales	11.29%	27.12%	31.67%

	2001	2002	2003
Sales	\$317,378.48	\$573,240.00	\$875,621.00
Direct Cost of Sales	\$0.00	\$0.00	\$0.00



	2001	2002	2003
Production Payroll	\$0.00	\$0.00	\$0.00
Other	\$0.00	\$0.00	\$0.00
<b>Total Cost of Sales</b>	<b>\$0.00</b>	<b>\$0.00</b>	<b>\$0.00</b>
Gross Margin	\$317,378.48	\$573,240.00	\$875,621.00
Gross Margin %	\$1.00	\$1.00	\$1.00
<b>Operating expenses:</b>			
Server Lease	\$16,572.00	\$16,572.00	\$16,572.00
Database Licenses	\$1,500.00	\$26,500.00	\$26,500.00
Advertising/Promotion	\$7,500.00	\$8,250.00	\$9,075.00
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Utilities	\$0.00	\$0.00	\$0.00
Insurance	\$7,440.00	\$10,492.00	\$15,527.00
Rent	\$13,152.00	\$13,152.00	\$13,152.00
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Net Profit/Sales	11.29%	27.12%	31.67%

## Projected Cash Flow

	2001	2002	2003
Net Profit	\$35,818.63	\$155,457.55	\$277,267.95
Plus:			
Depreciation	\$4,254.00	\$4,694.40	\$5,134.40
Change in Accounts Payable	\$9,238.24	\$7,407.52	\$5,751.50
Current Borrowing (repayment)	\$0.00	\$0.00	\$0.00
Increase (decrease) Other Liabilities	\$0.00	\$0.00	\$0.00
Long-term Borrowing (repayment) (\$14,612.42)	(\$15,476.92)	(\$18,466.60)	
Capital Input	\$0.00	\$0.00	\$0.00
Subtotal	\$34,698.46	\$152,082.55	\$269,687.25
Less:	\$2,001.00	\$2,002.00	\$2,003.00
Change in Accounts Receivable	\$16,920.25	\$13,640.63	\$16,120.70
Change in Inventory	\$0.00	\$0.00	\$0.00
Change in Other Short-term Assets	\$0.00	\$0.00	\$0.00
Capital Expenditure	\$0.00	\$3,399.00	\$3,399.00
Dividends	\$0.00	\$0.00	\$0.00
Subtotal	\$16,920.25	\$17,039.63	\$19,519.70
Net Cash Flow	\$17,778.21	\$135,042.93	\$250,167.56
Cash Balance	\$17,778.21	\$152,821.14	\$402,988.69

	2001	2002	2003
Net Profit	\$35,818.63	\$155,457.55	\$277,267.95
Plus:			
Depreciation	\$4,254.00	\$4,694.40	\$5,134.40





	2001	2002	2003
Change in Accounts Payable	\$9,238.24	\$7,407.52	\$5,751.50
Current Borrowing (repayment)	\$0.00	\$0.00	\$0.00
Increase (decrease) Other Liabilities	\$0.00	\$0.00	\$0.00
Long-term Borrowing (repayment)	(\$14,612.42)	(\$15,476.92)	(\$18,466.60)
Capital Input	\$0.00	\$0.00	\$0.00
<b>Subtotal</b>	<b>\$34,698.46</b>	<b>\$152,082.55</b>	<b>\$269,687.25</b>
Less:	\$2,001.00	\$2,002.00	\$2,003.00
Change in Accounts Receivable	\$16,920.25	\$13,640.63	\$16,120.70
Change in Inventory	\$0.00	\$0.00	\$0.00
Change in Other Short-term Assets	\$0.00	\$0.00	\$0.00
Capital Expenditure	\$0.00	\$3,399.00	\$3,399.00
Dividends	\$0.00	\$0.00	\$0.00
<b>Subtotal</b>	<b>\$16,920.25</b>	<b>\$17,039.63</b>	<b>\$19,519.70</b>
<b>Net Cash Flow</b>	<b>\$17,778.21</b>	<b>\$135,042.93</b>	<b>\$250,167.56</b>
<b>Cash Balance</b>	<b>\$17,778.21</b>	<b>\$152,821.14</b>	<b>\$402,988.69</b>

## Projected Balance Sheet

<b>Assets</b>			
<b>Short-term Assets</b>			
Cash	2001	2002	2003
	\$17,778.21	\$152,821.14	\$402,988.69
Accounts Receivable	\$16,920.25	\$30,560.88	\$46,681.57
Inventory	\$0.00	\$0.00	\$0.00
Other Short-term Assets	\$0.00	\$0.00	\$0.00
<b>Total Short-term Assets</b>	<b>\$34,698.46</b>	<b>\$183,382.01</b>	<b>\$449,670.26</b>
<b>Long-term Assets</b>			
Capital Assets	\$21,272.00	\$24,671.00	\$28,070.00
Accumulated Depreciation	\$4,254.00	\$8,948.40	\$14,082.80
<b>Total Long-term Assets</b>	<b>\$17,018.00</b>	<b>\$15,722.60</b>	<b>\$13,987.20</b>
<b>Total Assets</b>	<b>\$51,716.46</b>	<b>\$199,104.61</b>	<b>\$463,657.46</b>
<b>Liabilities and Capital</b>			
Accounts Payable	\$9,238.24	\$16,645.77	\$22,397.27
Short-term Notes	\$0.00	\$0.00	\$0.00
Other Short-term Liabilities	\$0.00	\$0.00	\$0.00
<b>Subtotal Short-term Liabilities</b>	<b>\$9,238.24</b>	<b>\$16,645.77</b>	<b>\$22,397.27</b>
Long-term Liabilities	\$79,549.58	\$64,072.66	\$45,606.06
<b>Total Liabilities</b>	<b>\$88,787.82</b>	<b>\$80,718.43</b>	<b>\$68,003.33</b>
Paid in Capital	\$25,000.00	\$25,000.00	\$25,000.00
Retained Earnings	(\$97,890.00)	(\$62,071.37)	\$93,386.19
Earnings	\$35,818.63	\$155,457.55	\$277,267.95
<b>Total Capital</b>	<b>(\$37,071.37)</b>	<b>\$118,386.19</b>	<b>\$395,654.14</b>
<b>Total Liabilities and Capital</b>	<b>\$51,716.46</b>	<b>\$199,104.61</b>	<b>\$463,657.46</b>
<b>Net Worth</b>	<b>(\$37,071.37)</b>	<b>\$118,386.19</b>	<b>\$395,654.14</b>

## Assets

<b>Short-term Assets</b>	2001	2002	2003
Cash	\$17,778.21	\$152,821.14	\$402,988.69
Accounts Receivable	\$16,920.25	\$30,560.88	\$46,681.57
Inventory	\$0.00	\$0.00	\$0.00
Other Short-term Assets	\$0.00	\$0.00	\$0.00
<b>Total Short-term Assets</b>	<b>\$34,698.46</b>	<b>\$183,382.01</b>	<b>\$449,670.26</b>
<b>Long-term Assets</b>			
Capital Assets	\$21,272.00	\$24,671.00	\$28,070.00
Accumulated Depreciation	\$4,254.00	\$8,948.40	\$14,082.80





## Assets

Short-term Assets	2001	2002	2003
Total Long-term Assets	\$17,018.00	\$15,722.60	\$13,987.20
Total Assets	\$51,716.46	\$199,104.61	\$463,657.46
<b>Liabilities and Capital</b>			
Accounts Payable	\$9,238.24	\$16,645.77	\$22,397.27
Short-term Notes	\$0.00	\$0.00	\$0.00
Other Short-term Liabilities	\$0.00	\$0.00	\$0.00
Subtotal Short-term Liabilities	\$9,238.24	\$16,645.77	\$22,397.27
Long-term Liabilities	\$79,549.58	\$64,072.66	\$45,606.06
Total Liabilities	\$88,787.82	\$80,718.43	\$68,003.33
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Net Worth	(\$37,071.37)	\$118,386.19	\$395,654.14

## Business Ratios

### Ratio Analysis

Profitability Ratios:	2001	2002	2003	RMA
Gross Margin	100.00%	100.00%	100.00%	0
Net Profit Margin	11.29%	27.12%	31.67%	0
Return on Assets	69.26%	78.08%	59.80%	0
Return on Equity	0.00%	131.31%	70.08%	0
<b>Activity Ratios</b>				
AR Turnover	9.38	9.38	9.38	0
Collection Days	19	30	32	0
Inventory Turnover	0	0	0	0
Accts Payable Turnover	9.97	9.97	9.97	0
Total Asset Turnover	6.14	2.88	1.89	0
<b>Debt Ratios</b>				
Debt to Net Worth	19.4	0.68	0.17	0
Short-term Liability to Liability	0.1	0.21	0.33	0
<b>Liquidity Ratios</b>				
Current Ratio	3.76	11.02	20.08	0
Quick Ratio	3.76	11.02	20.08	0
Net Working Capital	\$25,460	\$166,736	\$427,273	0
Interest Coverage	5.8	26.06	59.52	0
<b>Additional Ratios</b>				
Assets to Sales	0.16	0.35	0.53	0
Debt/Assets	172%	41%	15%	0
Current Debt/Total Assets	18%	8%	5%	0
Acid Test	1.92	9.18	17.99	0
Asset Turnover	6.14	2.88	1.89	0
Sales/Net Worth	\$0	4.84	2.21	0
Dividend Payout	\$0	\$0	\$0	0

<b>Profitability Ratios:</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>RMA</b>
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**Analysis:**

*"How profitable are we?"*

Return on Assets—The only reason that the return on assets ratio decreases over the three-year period is because the firm's cash position is so strong. Rest assured, 59.8 percent in year 3 is representative of an extremely profitable company.

*"How much are we really earning on the money we take in?"*

Net Profit Margin—Net profit shows a steady increase from 11.29 percent to 31.67 percent in year 3, exceeding AutoAftermarket's goal. By year 3, the firm is earning 32 cents on each dollar it takes in. This is representative of a high growth company.

*"Do we have enough money to pay our employees?"*

Current ratio—AutoAftermarket.com's high ratio is an indication of the firm's ability to service current obligations through its strong cash business.

*"Do we have enough equity or are we living mostly on borrowed money?"*

Debt to Net Worth—AutoAftermarket.com displays its long-term success by decreasing this ratio from a high of 19.4 to 0.17 in year 3. This proves that AutoAftermarket.com is not living on borrowed money; rather, its success is based on its equity.

*"How efficiently are we using our capital?"*



Total Asset Turnover—This ratio shows that AutoAftermarket.com did business with its capital 6.14 times in year 1 and 1.89 times by year 3.

## ASSUMPTIONS

1. Sales forecast is based on the following rates per hour:

i. E-Commerce	\$130
ii. Web Development	\$90
iii. Graphic Design	\$40

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ii. Web Development \$90

iii. Graphic Design \$40

All forecasts assume a 70 percent efficiency, i.e., 30 percent of time spent will not be considered billable hours. Monthly sales figures are based in the number of available nonweekend workdays.

2. Salaries are based on market rates in the Indianapolis area. All hiring will be done in said area.
3. Salary increases are based in 5 percent per year.
4. Rent is based on \$13.15 per square foot @ 1,000 square feet.
5. Phone expense is based on \$150 per month (\$35/month line, \$7 x 4 rental units, \$87 long distance charges). Subsequent years include a 10 percent increase for increased volume.
6. Insurance is based on the following:

i. Worker's Comp	\$3.25 / \$100 in salaries
ii. Liability	\$5.25 / \$1,000 in revenue

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ii. Liability \$5.25 / \$1,000 in revenue

7. Utilities are included in the monthly rent.
8. Capital expenditures for computers in years 2 and 3 are based on the top of the line, most expensive retail machine available through Microwarehouse ( <http://www.warehouse.com> ).
9. Payroll tax expense based on the following:

i. FICA: Social Security	6.2% capped @ \$72,600
ii. FICA: Medicare	1.45%
iii. Unemployment: Federal	0.80%
iv. Unemployment: State	5.51% (average)

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ii. FICA: Medicare 1.45%

iii. Unemployment: Federal 0.80%

iv. Unemployment: State 5.51% (average)

10. Office expense based on \$50 supplies per month plus \$8 T-1 Internet connection through the Technology Towers. Subsequent years are based on 25 percent and 20 percent increases respectfully.
11. Vehicle expense is based on \$0.30 per mile at an average of 300 miles per week for 50 weeks (2 weeks vacation).
12. Travel expense is based on 2 major travels of 800 and 400 miles spending 8 nights a month out of town. Breakfasts, dinners, hotels, and incidentals such as the occasional entertainment of customers estimated at \$120/day. Subsequent years increase by one third/year.
13. Organization dues based on membership to the following:

i. The HTML Writers' Guild	\$100/yr
ii. The International Webmasters Association	\$50/yr

i. The HTML Writers' Guild \$100/yr

ii. The International Webmasters Association \$50/yr

14. Advertising expense based on two ads @ \$300 and \$325 per month in industry publications to be



determined. Subsequent year increases based on 10 percent increases annually.

15. Depreciation is calculated based on the direct method amortized over 5 years and is based on the following items:

- i. Year 1: 3 Compaqs, 1 Mac, 1 Color Laserjet Printer, 1 Storage
- ii. Year 2: 4 Compaqs, 1 Mac, 1 Color Laserjet Printer, 1 Storage
- iii. Year 3: 5 Compaqs, 1 Mac, 1 Color Laserjet Printer, 1 Storage

16. Taxes incurred are based on a 28 percent standard rate.

17. Interest expense based on 12 percent.

18. Accounts Receivable estimates based on 50 percent of sales on credit (50 percent is due up front).

## Start-up Costs:

- 1. Legal costs are based on an estimate from J. Christian Goeke of Goeke and Hilliard for startup costs and various "boilerplate" agreement documents.
- 2. Brochure costs based on an estimate from Mulligan Printing.
- 3. Salaries based on 3 months payments.
- 4. Furniture estimated based on retail prices from Office Max.
- 5. Rent based on 3 months payments plus 1.5 months deposit.
- 6. Software based on the following:

i. Macromedia Dreamweaver UltraDev	\$389.95
ii. ColdFusion 4.5	\$429.95
iii. Adobe Publishing Collection	\$949.95
iv. Acid Pro 2.0	\$279.95

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- 7. Travel based on 3 months sales prospecting prior to startup.
- 8. Expensed equipment based on the following:

i. Epson 800 Scanner	\$699.95
ii. Toshiba 2.14 megapixel Digital Camera	\$499.95
iii. HP Photosmart P100	\$400.00
iv. HP Laserjet 2100	\$699.99
v. 4 NIC Cards	\$260.00
vi. 1 HUB	\$49.00

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vi. 1 HUB	\$49.00

- 9. Long-term assets based on the following:

i. 1 Procom	\$10,675.00
ii. 3 Compaq Presario 5888s	\$6,597.00
iii. 1 Macintosh	\$3,000.00
iv. QMS Magicolor 2 Laser Printer	\$999.95

- 10. Start-up expense is comprised of \$70 for filing with the state of Indiana, and \$500 for recruitment on the web (Monster.com membership) and a weekly ad in the *Post Dispatch*.