

Dana Water Cooling Systems

Business Plan



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Executive Summary

The proposed business has the aspiration to grow to become one of the leading water cooling systems not just in Dubai, Sharjah and Ras Alkhaimah. The business will put in place conscious and consistent strategies for growth.

The strategies will include regular and consistent advertising aimed at ensuring the services of the proposed business are well known and can easily be identified with a large percentage of the potential customers. It is not enough to create awareness and gain publicity; the proposed business will aim to go beyond this by initiating a sales drive that can convert the publicity into real sales and growth. By creating quality water cooling system the business will be able to create its own position in the market as an authority which will in turn ensure its growth. Competitive pricing strategy will ensure that the prices of services are competitive and will be helpful in ensuring the growth of the business.

Business Description

The name of the proposed business is the Dana Water Cooling Systems. Specifically, the business will be supplying water cooling systems to businesses and individuals. The name has been coined out of the business' core function. It will be located in Dubai, Sharjah and Ras Alkhaimah. The locations were chosen because these are populous cities with hotels and would provide a ready market. We will provide our customers with high quality water coolers that will be effective and long-lasting. The business will commence operations in October 2015. It will operate as a sole proprietorship based on the following factors:

- 1.** The proprietor undertakes all the risks of water harvesting and purification; there is no sharing of the profits accruing from business operations.
- 2.** There are few legal requirements, for instance, business license need to be met for the business to start operations; in this arrangement decision making process is made short and easy because there no other people to be consulted.

The major activities of the proposed business will include the provision of quality drinking water. The business will focus on provision of quality water services. The target customers will be upcoming as well as established local quality water services to be located Dubai, Sharjah and Ras Alkhaimah. This is a very busy location that mostly frequented by people from different parts of the world (Unger & Fuchs, 2005). It makes an ideal location for the proposed business because of several reasons which include:

- 1.** It is easily accessible; the road network around the area is excellent thus making entry and exit easier.
- 2.** Accessibility to quality water services, which are all vital for smooth operation of the proposed business.
- 3.** Proximity to target customers – the proposed location is near many of its proposed customers since most of the upcoming quality water services in Sharjah and Ras Alkhaimah and its environs so are the models.

Product or Service Description

The Dana Water Cooling Systems in the United Arab Emirates will be a franchising one of Dana Water Heaters and Coolers Factory L.L.C. in the GCC. Thus it will sell the mains water point-of-use coolers for

offices, homes, schools, restaurants, camps and other places. Dana is one of the most used brands of drinking water cooling systems. The company has over 40 years of experience on the market. The products are exported to Qatar, Bahrain, Oman, Kuwait, Saudi Arabia, Kenya, Jordan, Yemen, Libya and other countries all over the world (Dana Group). However, the company regularly signs new franchising contracts in various countries (Unger & Fuchs, 2005).

This business is ideal for investment because there are glaring market needs for the same. Further, the expected return on investment is high, as well as payback period. These two factors are important because they determine how much an investor gets for his money, and the time it takes to recover the investment sum and start enjoying profits. Water cooling systems have a high demand in the middle East due to the high temperatures, making it easy to sell Dana products.

Distribution Strategy

The distribution of water services can only be done effectively by word of mouth. Therefore to distribute the services of the proposed business, the strategy will mainly involve networking by both the proprietor and the employees of the Dana Water Cooling Systems.

To aid the achievement of this strategy, the business will use the phone and email services to introduce its services. It will also invest into social media, where advertisement and introduction of new products will be done. It is expected to boost the growth of the market share for the business. The business will also use road as means of transport. It will be used mainly when getting in touch with customers as well as potential customers.

The proposed business will consider direct selling as the best way of distributing its services to its customers. The proposed business will need good human relations between customers and the employees hence direct selling will ensure that this is well enhanced. Issuance of receipt before the service will ensure good and satisfying distribution process. The distribution problems that the business will anticipate are as follows:

- Political instability that causes the business to have difficulties in accessing its products, thus affecting the sales volume pricing and hence profits.
- Power black outs will also affect in a way that some of the machines cannot operate without power.

Service Delivery Process

The service delivery process can be divided into the following steps: First in the water delivery process involves satisfying consumer demands in the UAE. Orders are mostly received by word of mouth and are normally be in response to the sales and marketing efforts of the members of staff or as a result of advertising and promotional campaigns by the business. After getting the order the delivery process now begins proper. The proposed business draws a contract that binds the two parties. After signing of the contract the customers outlines some of the ingredients they would like in the mineral content and probably the people that should appear in the drinking water. These are necessary logistic that once agreed upon the process moves to the next stage. The next step involves the purification process of water (Zenith International, n.d).

After the purification of water is done the clips are then reviewed together with the customers to ensure that they are satisfactory. In

the event that they are what the customer was looking the process will then move on the next level. On the other hand, if they the purified water, so far are not appealing then a new set of ingredients will then be organized, perhaps on different preference of the customer's choice. Once the customer is happy with the water content, the delivery process then moves to the next level. The next stage after shooting is now combining together all the water mineral ingredients to make the satisfying consumption pattern.

Market Analysis

The Middle East water cooler market has climbed to 4.1 million units in 2013 (Middle East water cooler market up to 5 million units). The growth in mains water point-of-use coolers has accelerated to over 10% a year" (1.1 million raise in 2013), while the number of bottled water coolers was only 4.3 million in 2013 (Middle East water cooler market up to 5 million units). There are many other evidences that the market of mains water point-of-use coolers in the Middle East will keep rising in the nearest future. The most likely buyers are commercial customers (small and medium businesses), which include restaurants, offices and others (Aaker & McLoughlin, 2010).

Competitor Analysis

The target market for the proposed business is mainly Dubai. According to the last census report, Nairobi has a population of approximately 9.3 million people; including children (United Arab Emities, n.d.). Approximately 98% of the population at one time or another needs water consumption services.

The market share is tabulated, as follow.

Table 4: current market share

Name of competitor	Market share of target market	Percent (%) per year
Al Ain Mineral Water Company	75,000	22
Alfalaj Pure Drinking Water Company	120,000	36
Awafi Mineral Water Est	89,000	26
Emirates Natural Drinking Water Company	52,000	16
Total	334,500	100

The table above presents the current market share of the target market; it shows that only 57% of the potential market has been exploited by the current players in the industry. It leaves about 43% of the market untapped which where Dana Waters Cooling Systems in the UAE will be targeting (Aaker & McLoughlin, 2010).

Assessing the competition and developing cutting-edge strategy to create a competitive edge for the proposed business will be a priority. The potential competitors for the proposed business are the established in water provision services in the UAE. The potential competitors of proposed business will include the following entities: Al Ain Mineral Water Company, Copyrite, and Emirates Natural Drinking Water Company. All the above potential competitors are located in UAE. Some of them are quite a distance from the proposed business

but are capable of denying the proposed business the opportunity of serving more customers (Aaker & McLoughlin, 2010).

The proposed business will be located in a strategic place that will offer the business the following advantages:

- 1.** The premise provides for ample parking space. It is secure since Dubai, Sharjah and Ras Alkhaimah police station is just nearby, it is within a good supply of roads network. The building that houses has the necessary infrastructure, which is, water, electricity, and telephone and internet cable connectivity.
- 2.** It is located in Dubai, which will help attract more customers considering many potential customers are also frequent customers to the hotel.
- 3.** The Location is in an open place which makes it easy to find, and accessible to all the potential customers.

In comparison the potential competitors are not so lucky in terms of their locations, for example, Al Ain Mineral Water is located in the backstreets of Duabi that is insecure, the area is also not so well supplied with the necessary infrastructures such as proper street lighting.

Awafi Mineral Water Est Records is located quite far away from any police station which makes its location unsafe to visit Emirates Natural Drinking Water Company, and Alfalaj Pure Drinking Water Company are both located in an up-market location, but the second and third storey in a building that is not well marked which makes identifying and accessing them quite a problem.

The table below analyses the sizes of the potential competitors on the

basis of their assets, sales volume and number of employees.

Below are some of the advantages the proposed business has over its potential competitors as a result of its size. Being a sole proprietorship, the business is easy to manage, decision making is easy and takes shorter time. Although these decisions may not be as good as corporate ones, they will be discussed and agreed by the managers to improve them. The proprietor is also experienced in running such companies, making him the ideal person to head Dana. Secondly, the company provides an environment for creativity among members of staff, easy to access credit from financial institutions.

The size of the proposed business could also be a disadvantage because of its difficulty to attract highly qualified employees because the business will be new and may take a while to stabilize.

The competitive advantage of the proposed business includes the fact that it is located at a very strategic location, it has state-of-the-art facilities, and it has a competent management and well established distribution channels.

Marketing Plan

The target customers will mainly be upcoming as well as established local schools, institutions, hospitals, and organisations requiring quality water services. The such as Al Ain Mineral Water Company, Alfalaj Pure Drinking Water Company, Awafi Mineral Water Est, and Emirates Natural Drinking Water Company, the business will reach its primary customers through advertisements both audio and audio visual media and it will also use flyers to create its existence. The competitors' main weaknesses are their locations and quality whereas

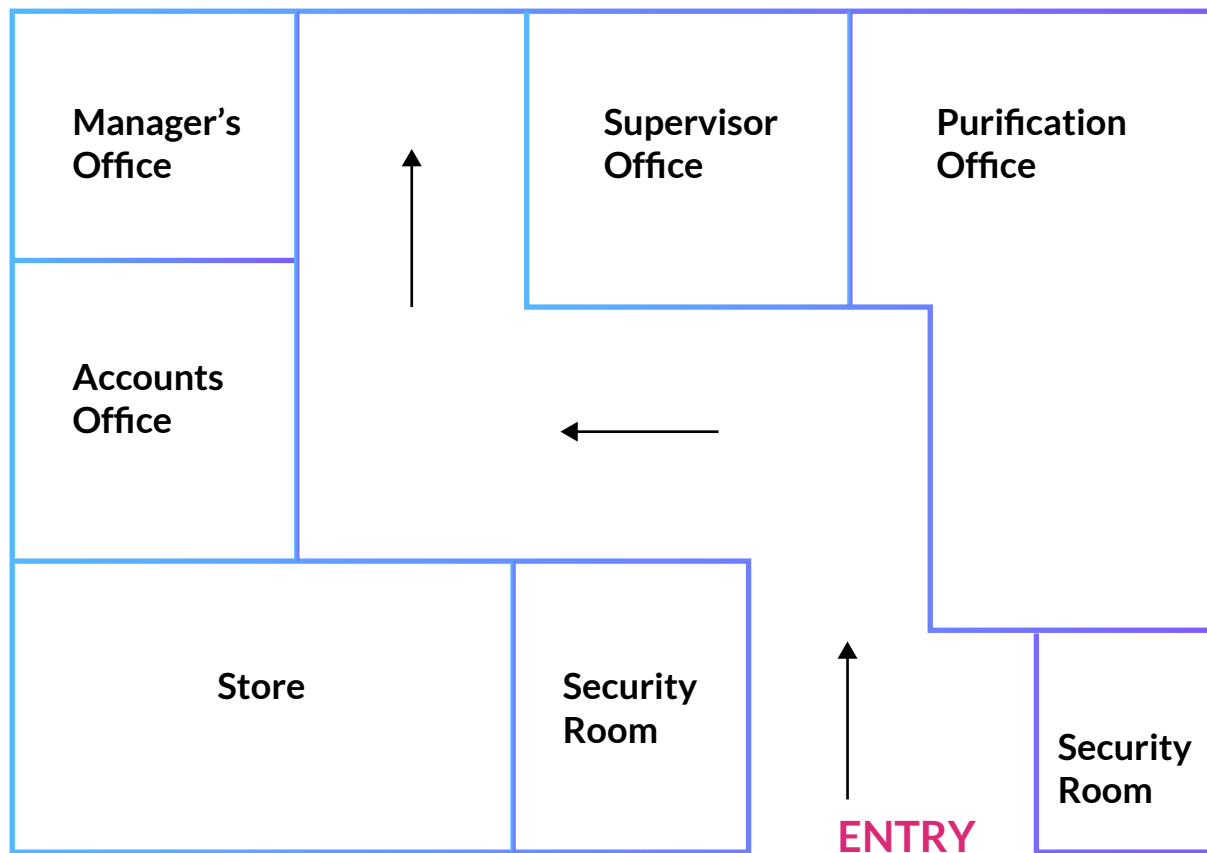
their vulnerabilities are their reputations in terms of ways of offering services to customer's satisfaction. The proposed business will be advantaged since its small and thus management will be easy and its location will be strategic since it will be surrounded by potential customers and has adequate security.

The proposed business will offer mainly focus on provision of water cooling services. The main group of potential customers are the corporate customers can also be referred to as institutional customers, which constitute the registered companies, non-governmental organizations as well government ministries and parastatals. These institutions require daily water consumption, for other events that they organize at different times in the year. The income levels of this category of potential customers depend mainly on the size of the company or budgetary allocations for a ministry or parastatals. Their revenues range from at least AED 2,000 and 2,000,000 per annum. Despite the variation in size and general composition the potential customers will be looking for quality water provision services. They want to fit in a given social status which will be communicated through the quality water provision in the UAE. It can only be achieved if the service provider guarantees quality water for consumption.

In terms of when the customers will purchase or the seasons when the sales are high is not clear in this industry. Most corporate customers will need more water services not only for the daily consumption, but also at the end of the year mainly to cover end year of parties or any such events. It is also notable that most couples choose to wed during the December holidays which mean that business will be a little higher at this time. The remainder of the potential customers is expected to purchase at any time without restrictions to any given time or season.

Location and Layout

Fig.2.0: Dana Water Cooling Systems Layout

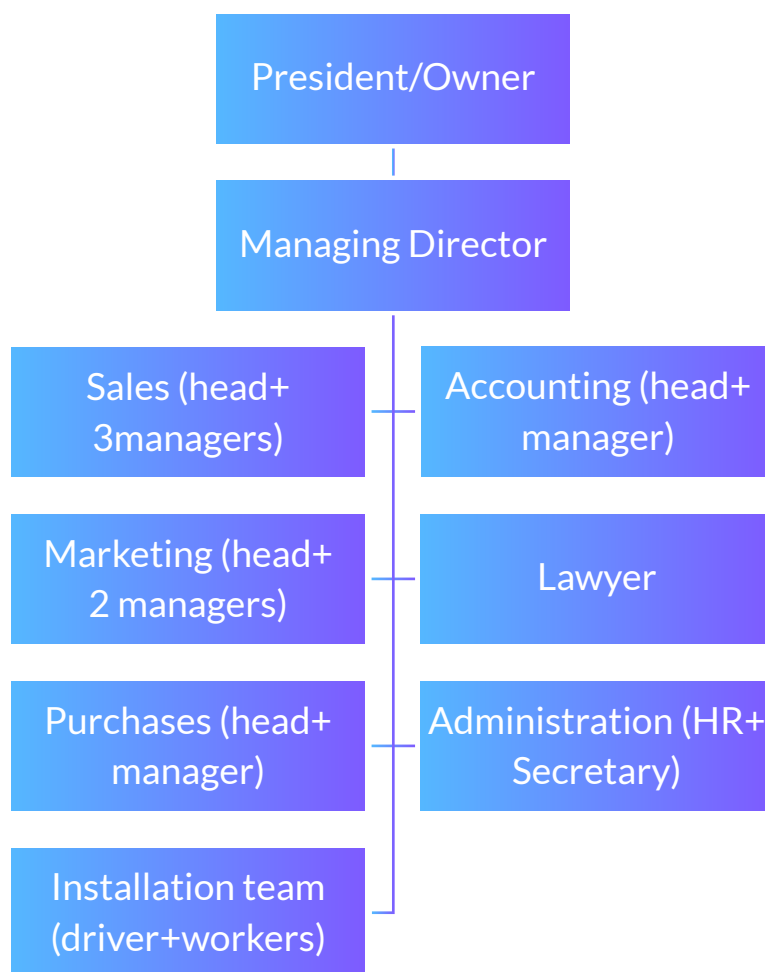


The space available for the proposed business is adequate and allows for limited expansion. For this reason the business will opt for the open office plan to avoid obstructing and space consuming walls. This will enable the business to utilize the available space optimally. It is estimated that the office space will be adequate for the proposed business for at least the first three years of operation.

When growth sets in and expansion is inevitable there are plans for acquiring more space on other floors of the same building or anywhere else nearby.

Management Team

Fig. 4.: Operation plan



The business will be ruled by the owner of the company. The first office is going to be opened in Abu Dhabi. Each department will report to the head, who, in turn, will report to the managing director every month. The company will supply the products by cars. The water coolers will be delivered to the customers by car and installed right after the delivery. Dana Water UAE will need an office in the city with a warehouse, a cargo van (Toyota Transit or similar), and office equipment (furniture, computers, telephones, copiers and others). At the beginning, there will be only one office, and the products will be

distributed in person. However, there are plans to open several offices in Dubai, Sharjah, and Ras Alkhaimah.

Financial Projection

Pre-Operational Plan

Pre-operational costs are the expenses incurred by Dana Water Cooling Systems before start of operations. These will include the following:

Table 1: Pre-operational Plan

Items	AMOUNT (AED)
Prepaid rent	12,000
Renovations and redesign	25,000
Water/electricity connection	5,000
Prepaid insurance	10,000
Recruitment costs	4,500
Staff training / induction	10,000
Advertisement/promotion	40,000
Research/design	5,000
Postal box rental	4,700
Licenses and permits	15,000
Bank account opening	10,000
Sundry expenses	30,000
Total	102,700

Assumptions

- A refundable deposit will be paid for the following expenses: rent, water, electricity and bank account opening.
- The pre-operational costs do not include the cost of fixed assets.

Working Capital

Working capital (WC) is given by = current assets (CA) less current liabilities (CL)

Table 2: Dana Waters Cooling systems working capital

Current Assets	At Opening (AED)	End of 2015 (AED)	End of 2016 (AED)
Stock	-	68,400	82,100
Debtors	-	574,500	691,200
Deposits	32,000	32,000	32,000
Bank	185,000	403,120	931,805
Total Current Assets	218,500	1,079,520	1,737,105
Current Liabilities			
Trade Creditors	-	164,200	198,500
Total Current Liabilities	-	164,200	198,500
Working Capital (A – B)	218,500	915,320	1,540,105

Assumptions

- The venture will generate profits in Year 1
- The trade creditors will be maintained at 10% of purchases.
- Debtors will be maintained at 10% of sales.

DANA WATERS COOLING SYSTEMS **Proforma income statement** **(profit and loss account)**

Table 3

Entries	1st Year (2015) AED	2nd Year (2016) AED	3rd Year (2017) AED
Sales	2,880,000	3,454,500	4,492,800
Less: Direct Costs			
Opening Stock	-	68,400	82,100
Purchases	820,800	985,000	1,231,250
Goods Available for Sale	820,800	1,053,400	1,313,350
Less Closing Stock	68,400	82,100	102,625
Cost of Sales	814,400	971,300	1,210,725
Gross Profit	2,065,600	2,485,300	3,282,075
OPERATING EXPENSES			
Salaries	994,500	994,500	994,500
Selling & marketing expenses	84,000	120,000	180,000

Entries	1st Year (2015) AED	2nd Year (2016) AED	3rd Year (2017) AED
Insurance	72,000	72,000	72,000
Rent	72,000	72,000	72,000
Electricity	30,000	32,000	48,000
Telephone	24,000	32,000	51,000
Entertainment expenses	60,000	120,000	210,000
Bank charges	14,500	10,000	12,000
Council rates	15,000	14,500	18,000
Transport expenses	210,000	300,000	360,000
Miscellaneous expenses	54,000	60,000	72,000
Total operating expenses	1,633,000	1,830,000	1,989,000
Net profit before tax	432,600	655,300	1,293,075
Tax 5%	21,630	32,765	64,700
Net profit before tax	410,970	622,535	1,228,300

Assumptions

- Tax is charged on business profits at the rate of 5% per annum.
- All expenses will increase with about 10% in the second and third year.
- The business will be profitable from the first year of operations.

DANA WATERS COOLING SYSTEMS PROFORMA BALANCE SHEET

Table 4

Entries	At opening (AED)	2nd year (AED)	3rd year (AED)
Fixed Assets			
Motor van	400,000	400,000	400,000
Water dispenser	231,000	231,000	231,000
Computers	44,500	44,500	44,500
Water cooling systems	64,500	64,500	64,500
Furniture & Fittings	40,000	40,000	40,000
LESS: Provision For Dep. 5%	-	39,150	78,300
Total Fixed Assets	783,000	743,850	704,700
Current Assets			
Stock	-	68,400	82,100
Debtors	-	574,500	691,200
Deposits	32,000	32,000	32,000
Bank	185,000	403,120	931,805
Total Current Assets	218,500	1,079,520	1,737,105
Current Liabilities			

Entries	At opening (AED)	2nd year (AED)	3rd year (AED)
Trade Creditors	-	164,200	198,500
Total Current Liabilities	-	164,200	198,500
Working Capital (A – B)	218,500	915,320	1,540,105
Total Assets	1,000,000	1,310,970	1,833,505
Financed By:			
Owners Equity	500,000	500,000	910,970
Donations from parents	200,000	200,000	200,000
Loan	300,000	200,000	100,000
Net Profit	-	410,970	622,535
Net worth	1,000,000	1,310,970	1,833,505

Loan or Proposal Schedule

Assumptions

- Bank loan will be repaid in three years.
- All assets will be depreciated at the rate of 5% per annum calculated on straight line.
- The CA will supersede the CL.

DANA WATERS COOLING SYSTEMS PROJECTED CASH FLOW STATEMENT

Table 6

Inflow	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
Opening Balance	-	-	13,300	51,950	107,342	183,724	276,166	398,406	460,294	572,128	668,670	775,200	583,950
Cash Sales	220,000	224,000	231,000	239,000	243,000	245,000	269,000	233,000	254,000	234,500	234,000	252,000	2,880,000
Credit Sales	-	-	30,000	42,000	63,000	72,000	72,000	58,000	84,000	94,500	104,800	98,200	720,000
Total Cash Inflow	220,000	224,000	274,300	332,950	413,342	500,724	617,166	689,406	798,294	904,128	1,007,470	1,125,400	4,183,950
Cash Outflow													
Cash purchases	47,600	38,500	33,500	37,050	36,850	34,600	28,500	32,800	31,100	38,050	35,450	32,000	423,000
Payments To Creditors	-	-	11,000	14,100	15,900	13,200	12,800	13,600	15,600	15,500	14,900	14,400	141,000
Salaries/wages	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	83,000	994,500
Advertising expenses	50,000	1,600	5,400	3,000	4,000	4,600	6,400	9,000	8,000	8,600	9,400	10,000	120,000

Inflow	JAN	FEB	MAR	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT	NOV	DEC	TOTAL
Insurance	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	102,000
Rent	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	54,000
Electricity	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	38,400
Telephone	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Bank charges	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	1,100	13,200
Council rates	47,600	38,500	33,500	37,050	36,850	34,600	28,500	32,800	31,100	38,050	35,450	32,000	423,000
Miscellaneous expenses	4,500	5,000	5,000	3,850	3,500	3,650	3,900	5,400	3,300	4,600	4,200	5,600	54,000
Travel expenses	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	300,000
Entertainment expenses	2,000	2,200	1,900	2,408	2,718	2,408	2,460	3,112	2,466	2,408	2,520	2,300	28,900
Council rates	14,000	-	-	-	-	-	-	-	-	-	-	-	14,000
Total Cash Outflow	580,500	210,700	222,350	230,608	229,618	224,558	218,760	229,112	226,166	235,458	232,270	229,800	3,139,300
Net Cash Inflow	360,500	13,300	51,950	107,342	183,724	276,166	398,406	460,294	572,128	668,670	775,200	895,600	1,412,050

Assumptions

- The prices of items will remain as the same presented.
- Most of the items will be paid on a monthly basis
- Payments for rates to the council will be done at the beginning.

$$\text{Break even level} = \frac{\text{fixed expenses} \times \text{sales} - \text{variable costs}}{\text{Sales}}$$

$$\text{Year 1} = \frac{1,155,000 \times 2,880,000 - 1,304,830}{2,880,000}$$

$$= 863,708$$

$$\text{Year 2} = \frac{1,155,000 \times 3,454,500 - 1,621,865}{3,454,500}$$

$$= 1,155,499$$

$$\text{Year 3} = \frac{1,155,000 \times 4,492,800 - 2,070,575}{4,492,800}$$

$$= 1,174,999$$

Desired Financing

The desired financing is the amount of money required to start up the business venture.

Table 7: Desired Financing

Items	AMOUNT (AED)
Pre-operational cost	102,700
Working capital	114,300
Fixed assets	783,000
Total	1,000,000

Proposed Capitalization

The proposed capitalization of the proposed business will be as follows:

Table 7: Desired Financing

Items	AMOUNT (AED)
Owner's equity	600,000
Bank loan	200,000
Relatives	200,000m
Total	1,000,000

Profitability Ratios

Gross profit margin

$$\begin{aligned} &= \frac{\text{Gross profit} \times 100}{\text{Sales}} \\ 2015 &= \frac{2,065,600 \times 100}{2,880,000} \\ &= \text{AED}71.72 \end{aligned}$$

$$2016 = \frac{2485,300 \times 100}{3,454,500}$$

$$= \text{AED}71.9$$

$$2017 = \frac{3,282,075 \times 100}{4,492,800}$$

$$= \text{AED}73.05$$

Return on equity

$$= \frac{\text{profit after tax} \times 100}{\text{Equity}}$$

$$2015 = \frac{410,970 \times 100}{700,000}$$

$$= \text{AED}58.7$$

$$2016 = \frac{622,535 \times 100}{700,000}$$

$$= \text{AED}88.9$$

$$2017 = \frac{1,228,300}{700,000}$$

$$= 92.2\%$$

Return on investment

$$\begin{aligned} &= \frac{\text{profit after tax} \times 100}{\text{Total investment}} \\ 2015 &= \frac{410,970 \times 100}{700,000} \\ &= \text{AED}41.09 \\ \\ &= \frac{622,535 \times 100}{700,000} \\ 2016 &= \text{AED}62.25 \\ \\ &= \frac{1,228,300}{1,000,000} \\ 2017 &= \text{AED}84.83 \end{aligned}$$

THE IMPLEMENTATION SCHEDULE

Table 9

EVENT	EXPECTED START DATE	COMPLETION
Business generation	Jan 2015	Feb2015
Feasibility report	Feb 2015	March 2015
Lease of equipment	Dec 2015	-
Recruitment	Dec 2015	Jan 2016

EVENT	EXPECTED START DATE	COMPLETION
Advertisement	Nov 2015	-
Start of the venture	Jan 2016	-
Customer appointments	Feb 2016	-

Action Plan

Table 10

No of item	Activity	Time	Implementing body
1	Feasibility study	8 weeks	Owner
2	Business plan formulation	12 weeks	Owner
3	Site selection	16 days	Owner
4	Purchase of machinery and equipment	12 weeks	Owner
5	Purification testing	4 weeks	Quality Control supervisor
6	Loan application	8 weeks	Owner
7	Marketing services	Continuous	Sales and Marketers
8	Business Inauguration	24 hours	Sales and Marketers

Appendices

The long term goals of the proposed business will be as follows:

- To be the market leader in water provision in the market by the year 2017.
- To control 50% of the UAE market share by the year 2017.
- To open outlets in the major towns of UAE, which are Dubai, Sharjah, and Ras Alkhaimah by the year 2017.
- To employ 500 employees by the year 2017
- To set up a training facility for people providing baking skills by the year 2017.

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