# Alpheius Renovations Marketing Plan

## Mission Statement

The core activity of Alpheius Renovations will be the renovation of kitchens, bathrooms and laundries. The business will provide a complete service, including free designs and quotes, supply and installation of equipment and fittings, all associated building services, after sales maintenance and a seven-year guarantee covering workmanship.

## Current Market Position

Alpheius Renovations is a new business and has no existing clients, projects or history to account for. However, the proprietors are experienced in the industry and have the financial capacity to conduct business successfully.

### Product

Alpheius Renovations provides materials such as timber, tiles, paint and plaster as part of their renovations services. All of the materials selected will be of the best available quality suitable for the purpose.

Competitors: These products are available in many places but at varied qualities. Alpheius Renovations expertise will ensure only quality materials are selected for use.

Products will also include a wide range of built-in appliances such as ovens, microwaves, cook tops and dishwashers. These will be reliable products and selected to suit each individual project.

Competitors: All of these products are available at many places, but Alpheius Renovations offers them as part of a service rather than as stand alone products. One renovation company in the western suburbs also offers these appliances as part of their renovations packages but they don’t service the eastern suburbs at all.

Balwyn Kitchens doesn’t supply equipment to install in new kitchens.

### Place

Alpheius Renovations will have a showroom for people to visit. This will allow some demonstration of work and products available and provide a space where projects can be discussed, planned and contracts signed.

Alternatively, Alpheius Renovations staff will visit clients’ homes to discuss projects and sign contracts. This provides a level of customer service that clients like when considering such large projects and expenses.

Competitors: Various kitchen renovation companies in the neighbouring areas work purely from a showroom for the sales and planning stages, so Canterbury has an advantage in service.

Balwyn Kitchens also provides an in home service, but they only offer kitchen make overs compared to Canterbury’s kitchen, bathroom and laundry focus. This gives Canterbury a larger target market as well as being able to offer clients more services for their home upgrades.

### Price

Alpheius Renovations pricing policy includes:

* high margin
* priced for traditional customers
* competitively priced against competition for the quality
* discounts offered when pricing three concurrent jobs at once (e.g. a kitchen, bathroom and laundry renovation)
* no set prices as each job is quoted according to its requirements
* progress payments offered
* discount offered for prompt payments

### Promotion

Alpheius Renovations is a new business so there are no existing marketing activities in place. There is no brand awareness in the renovation market.

A graphic designer has developed a logo, business cards and letterheads ready to promote the business, and a website is underway.

West Homes advertises in lifestyle magazines with some success but this is an expensive option. Alpheius Renovations can’t afford this avenue yet and isn’t sure of the returns anyway.

Balwyn Kitchens sponsors a feature section in the local paper each month and uses signage and letter box drops to promote their services.

### People

Alpheius Renovations has collected a team of dedicated and qualified staff.

The proprietors have experience in the industry but need training or experience in managing staff. They are providing training for all staff into the preferred service technique and style for the business.

The priority areas for staff training will be:

* building and production techniques
* using new products: fittings, materials, equipment
* using new machinery: outputs, operation, efficiency
* marketing skills
* selling
* communication skills
* customer service
* estimating and pricing

The proprietors plan to develop their basic business skills by attending an eight week course, 'Planning and Starting a Business', at the Box Hill College of TAFE. They will also join the Master Builders Association and attend a number of relevant industry courses. Trade shows will be attended and subscriptions will be made to relevant business and trade magazines. As staff notice deficiencies in certain areas, these will be identified and addressed through a formal training strategy.

### Processes

Alpheius Renovations currently doesn’t have many written procedures. However, they have written a set of guidelines for all staff outlining expected behaviours such as cleaning a work site at the end of each day, being helpful and courteous to customers and being punctual to work sites.

As part of the business planning process, the proprietors made notes of procedures and will employ the services of a professional writer to create an operations manual.

### Physical Evidence

Alpheius Renovations staff will all wear a work shirt with the business logo on the left pocket. This will identify them as part of Alpheius Renovations and present a neat, uniform team approach.

Initially, staff will not be provided with vehicles but it’s in the business plan to later provide utes and vans with the business name painted on the side.

Once premises are finalised, they will be set up specifically to suit the showroom requirements. Showroom staff will be required to keep the showroom neat and tidy at all times and to be welcoming to customers entering the showroom.

## Market overview

Alpheius Renovations understand that the internet is a powerful marketing tool so they are creating a website as an electronic brochure. They also make use of email by providing an email address on all documents and for all staff.

Senior staff, such as project managers, will also be using a palm computer and a mobile phone to make sure they are contactable and have all required information when visiting clients.

The building and renovation industry is doing well at the moment with interest rates staying at manageable levels and no new building regulations are under consideration. There are many older homes in the area so Alpheius Renovations have a lot of potential for work in the foreseeable future.

There are other renovation companies and builders in the area as competition but some are booking projects up to 6 months in advance so the area has work available for a new business.

Many of the people in the area are double income families where time is a bigger concern than money. Simplicity and multiple services are seen as advantages to these busy people, and they will pay extra to save themselves time and worry.

## SWOT Analysis

### Strengths

Alpheius Renovations have a number of marketing strengths, including:

* technical competence of the proprietors
* dedication of the staff
* total agreement between proprietors on their objectives
* financial resources
* good network of contacts for potential clients, suppliers and tradespersons
* ability to respond to the needs of the market
* business is located within the target market

### Weaknesses

Alpheius Renovations has identified areas where improvements are required, including:

* lack of management skills
* small size of showroom premises
* no track record in business
* no current plan for management succession in the short term
* inefficient equipment
* lack of research and development facilities
* proprietors have limited security with which to raise finance for future growth and development
* business is principally dependent on one person during the formative stages

### Opportunities

There are ample opportunities for quality home renovations in the eastern suburbs which is why Alpheius Renovations is locating itself in that area. The key opportunities available are:

* rapidly growing market due to a preference by home owners towards renovation rather than relocation
* poor reputation of many existing renovation businesses and building tradespersons
* large number of old yet valuable homes within the target market location
* availability of casual staff and tradespersons
* availability of display and manufacturing premises within the area
* high disposable income within the target market
* potential for future expansion of the business into other areas and/or franchising

### Threats

Alpheius Renovations will need to be aware of and try to overcome the following threats:

* poor reputation of the industry in the areas of quality and reliability
* potential for economic downturns
* existence of competitors within the industry
* increasing cost of materials, equipment and subcontractors
* difficulties of getting and retaining suitable staff and reliable subcontractors
* possible government regulation
* geographically diverse market
* increased number of DIYs and supported through home TV shows and magazines
* increased interest in travelling and owning new cars rather than spending money on home improvements

### Key issues

From the SWOT, the important issues to consider are:

* inexperience and lack of brand awareness
* sufficient funds for projections but limited resources for growth
* keeping projects affordable if materials costs increase unexpectedly
* need to gain knowledge in recruiting and managing staff

### Key opportunities

From the SWOT, the key opportunities include:

* providing good customer service that will put Alpheius Renovations ahead of market perceptions and earn word of mouth advertising
* popularity of renovations in the area
* utilising technology to promote business and keep in contact with staff
* good networks allow good service and joint promotion activities

### Competitor Analysis

Alpheius Renovations’ main competitors are West Homes and Balwyn Kitchens.

West Homes is too far away to threaten Alpheius Renovations’ projected customer base, but needs to be monitored in case they expand eastwards.

Balwyn Kitchens only renovates kitchens at this stage and have the following strengths and weakness:

**Balwyn Kitchens**

Strengths:

* established & well known business
* featured in Home Beautiful magazine
* two apprentices

Weaknesses

* only does kitchen projects
* not answering emails and minimal contact with staff during working hours
* no website
* lack of fully qualified staff
* high overheads with large showroom on a main road

Opportunities

* potential to do bathrooms and laundries
* vacant premises next door for expansion
* new housing development in their area - may get contract with builder to do kitchens

Threats

* new car sales yard in area
* increased number of DIYs and supported through home TV shows and magazines
* disgruntled ex-employee suing for unfair dismissal

## Assumptions

This plan is based on the following assumptions.

### Kitchen renovations only

## Strategy

### Strategy Introduction

Market research carried out by the proprietors reveals an increase in home renovation activity among home owners in their target market. Such owner/renovators, especially in the inner suburbs, subcontract the more complex work to builders. Market research also indicates that many existing kitchen, bathroom and laundry renovators do not have a good reputation, therefore, the proprietors believe they can gain a competitive advantage through the provision of top quality products and services, access to specialty items and innovative designs.

The proprietors believe the best marketing strategy combines a good network of contacts, the development of a reputation for quality and reliability and the attainment of personal referrals. This strategy will be pursued through the distribution of brochures, direct contact with home buyers in selected areas and a small display in the rented business premises.

### Target market

Our target market includes:

* people wanting larger or more modern living environments who want to stay in the area and/or avoid moving costs
* people wanting to live in area buying a property based on location not house style or condition (about one third of renovators in the area)
* home owners (about half of renovators in the area) in the middle to high income bracket, with at least two sources of income per household and a higher than average disposable income, which was predominantly spent improving quality of life
* people wanting to upgrade parts of their house in order to sell it for a better price

### Positioning statement

Alpheius Renovations - quality renovations without fuss

Alpheius Renovations are professionals caring for clients’ homes by improving their kitchens, bathrooms and laundries with quality materials and workmanship.

Alpheius Renovations supplies and installs equipment such as ovens and dishwashers, creates an environment to suit each client and advises on colours and styles.

### Branding strategy

Alpheius Renovations will slowly build up brand awareness for their name and logo. This will be done as part of the overall marketing strategy for the next three to five years.

The branding strategy includes ensuring that any marketing or advertising materials, such as business cards and staff uniforms, are created in accordance with Alpheius Renovations corporate identity style guide.

Alpheius Renovations will present its image as trustworthy and reliable.

### Product strategy

Alpheius Renovations offers personalised service whereby the design is part of the project and can be done in the client’s home with discussions. This personalised service is our USP.

Currently, they are offering bathroom renovations but they plan on extending into kitchen renovations and extensions as well.

### Pricing strategy

Alpheius Renovations pricing policy is:

* supply of built in equipment (such as microwaves, ovens) will be done with a 2 percent commission to remain competitive with whitegoods retailers
* each project will be costed as part of the quote process
* each project will include a $200 establishment fee
* the profit margin on labour of constructions and installation, materials and direct costs will be 25 percent

### Distribution strategy (place)

Alpheius Renovations transports the prepared units and equipment to clients directly, rather than through a distributor.

### Promotional strategy

#### Public relations strategy

Alpheius Renovations wants the reputation of being residential builders who produce quality results with professional attitudes by:

* always being punctual and leaving worksites clean and tidy
* providing information resources for local media interesting in renovation and design tips

A PR agency will be considered in two years time once the business has developed and gained a client base and a good reputation.

#### Advertising strategy

Alpheius Renovations will start advertising on a small scale until resources increase. Initial advertising will be carried out through letter box drops, local paper listings and a direct mail campaign to new home buyers in the area.

After six months, the advertising strategy will be reviewed and magazine advertising will be considered along with direct mailing to real estate agents.

#### Direct marketing strategy

Alpheius Renovations will use a lot of direct marketing to launch the business and will:

* conduct a letter box drop of flyers in the area to offer opening specials
* create a newsletter to go out monthly to customers and interested people as a reminder of the business and develop a relationship by offering tips and information
* offer business card magnets to real estate agents to offer as promotional gifts for new home owners
* add a survey to the website asking people to select which topics most interest them

#### Sales promotion strategy

Alpheius Renovations will offer some sales promotion tools, including:

* discounts during the first month of operation to attract customers
* discounts for multiple projects (e.g. bathroom and kitchen)
* free design service as part of the project

#### Sales strategy

Initially, there will be no sales staff, but within three months, at least one sales person will be working in the showroom to assist customers. This will allow the owners and tradespeople to concentrate on quotes and projects.

The website includes a contact form to collect information so return contact will be efficient and informative for the potential customer.

All staff giving quotes and doing designs will be trained is sales techniques to encourage additional work or appliances without being pushy.

#### Packaging strategy

The only packaging for Alpheius Renovations is leaving a beautiful renovation in pristine condition with a bunch of flowers on display.

#### Partnership

A partnership with a local cleaning company will be investigated to ensure clients’ homes are left clean and tidy after renovation work is complete.

### Services marketing

#### 7.9.1 People

Alpheius Renovations staff will always wear a blue shirt with the logo on the left pocket and will be instructed to keep equipment and uniform neat and in good condition.

Staff meetings will include discussions on sales techniques and customer service.

After six months of operations, a service staff of the month awards program will be introduced. A list of award winners will be prominently placed in the showroom.

Feedback forms for customers will always include a question on staff performance and manner to capture all kinds of feedback.

#### 7.9.2 Process

Alpheius Renovations hasn’t yet produced all of the procedure manuals. However, procedures are being discussed and prepared to include quote processes, sales behaviour, care of customers’ premises, security and confidentiality, customer service and invoicing procedures.

#### 7.9.3 Physical evidence

Alpheius Renovations will take before and after photos of every project and present them in a folder as a memento for the customers.

All projects will be cleaned up at the end of each day and thoroughly cleaned at the completion, using a contract cleaner if necessary. A bunch of flowers will be left on the bench at each project to welcome the customers into their new kitchen/bathroom.

Staff will all wear a blue shirt with the company logo and eventually, company vehicles will carry the logo as well.

## Objectives

### Sales

Over the next 12 months, Alpheius Renovations will undertake:

* 25 renovation jobs valued at $12,000 each
* include built-in equipment in 12 jobs

### Revenue

Over the next 12 months, Alpheius Renovations will:

* generate $300,00 in sales
* have a working capital of $41,000 by the end of April

### Customer Base

Over the next 12 months, Alpheius Renovations will:

* have served 30 new clients
* have quoted a further 200 clients
* completed projects of $10,000 plus for 50% of clients

### Ansoff’s Matrix

The Ansoff’s Matrix doesn’t apply to Alpheius Renovations as they are a service based business.

## Resource requirements and budgets

Action Plan from commencement on 1st March:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Action** | **March** | **April** | **May** | **June** | **July** | **August** |
| **Letter box drop** | 1-7th | 10-17th |  |  |  | 20-25th |
| **Direct mailing to local real estate agents** | Send out 12th |  |  |  |  |  |
| **Present photos to customers** | At end of each and every project | | | | | |
| **Send out a newsletter** |  | 1st | 1st | 1st | 1st | 1st |
| **Ad in local paper** | 15th, 22nd, 29th | 5th, 12th, 17th, 24th |  | 5th, 12th, 17th, 24th |  | 15th, 22nd, 29th |

### Evaluation and control

Alpheius Renovations will review the marketing plan every month to assess progress and alterations as the business progresses. After six months, this may reduce to every second month if marketing is under control and working effectively.

## Business growth and development

Alpheius Renovations will keep abreast of new products, technology and production methods. They will be in regular contact with local and overseas suppliers. Marketing techniques will be monitored. Any techniques deemed successful will be expanded and those which are unsuccessful will be abandoned.

The proprietors are especially conscious of the need to continually monitor the financial position of the business. Monthly comparisons will be carried out between actual sales, profitability and cash flow, and their projections. The cost of each job will be compared with estimates to ensure that future estimates remain accurate and profitability is achieved.

The business will not be profitable in the first year. However, projections indicate it will be profitable in subsequent years. Profits will be put back into the business in order to aid growth and development, with a focus on the following areas:

* expansion of production facilities
* expenditure on promotional activities
* reserving cash to pay for the greater volume of materials, labour and subcontract work associated with a higher level of business activity

All unsuccessful quotations will be analysed. Prospective customers will be asked to provide comment on why they rejected the quotations, and information gained this way will be used to monitor the effectiveness of pricing and sales strategies.

## Financial forecasts

\*GST has been included where relevant.

### Exploratory costs

|  |  |
| --- | --- |
| Accommodation |  |
| Accounting fees |  |
| Business planning |  |
| Consultants |  |
| Entertainment |  |
| Legal fees |  |
| Market research |  |
| Publications |  |
| Samples |  |
| Telephone, fax, letters, photocopying |  |
| Translations |  |
| Travel |  |
| Valuation fees |  |
| Total: | $2600 |

### Initial costs

|  |  |
| --- | --- |
| Lease (legal costs, stamp duty, rent in advance, bond) | $2500 |
| Electricity, gas and phone (connections and security deposits) | $500 |
| Opening stock | $4000 |
| Insurance premiums (property damage, public liability, vehicle, theft, personal disability, professional indemnity) | $800 |
| Printing and artwork |  |
| Wages |  |
| Credit card establishment fee |  |
| Initial promotion |  |
| Promotional cost |  |
| Loan establishment cost |  |
| Stationery and office supplies |  |
| Computer software |  |
| Installation |  |
| Training |  |
| Statutory charges (licences, permits and registrations) |  |
| Subscriptions for publications |  |
| Association membership fees |  |
|  | Subtotal: $1600 |
| **Total:** | **$9400** |

### Capital costs

|  |  |
| --- | --- |
| Business structure (registration, professional fees) | $1200 |
| Office equipment (desks, chairs, safe, computers, fax, telephone system) | $2800 |
| Plant and machinery (purchase price, delivery, repairs, installation/commissioning) | $2000 |
| Building costs (shop front, partitions, electrical wirings and fittings, floor coverings, toilets, plumbing and drainage, painting, signs) | $600 |
| Display materials | $1500 |
| Purchase price of business |  |
| Franchise fee |  |
| Training |  |
| Shop fittings (counters, racks, shelving, storage, decorations) |  |
| Security system |  |
| Trade marks, designs and patents (registrations and patent attorney fees) |  |
| Reference materials |  |
| Land | Subtotal: $600 |
|  |  |
| **Total:** | **$12,700** |

### Possible direct/renovation costs for the first year

|  |  |
| --- | --- |
| Subcontractors | $103,300 |
| Materials | $84,300 |
| Wages | $50,400 |
| WorkCover |  |
| Group tax/payroll tax |  |
| Maintenance and repairs |  |
| Waste disposal |  |
| Commissions |  |
| Royalties |  |
| Freight |  |
|  | Subtotal: $12,000 |
| **Total:** | **$250,000** |

### Possible overhead expenses for the first year

|  |  |
| --- | --- |
| Rent | $14,400 |
| Outgoings | $1600 |
| Interests | $2250 |
| Motor vehicle expenses | $9600 |
| Advertising and promotion | $12,000 |
| Bank charges |  |
| Hire purchase payments |  |
| Lease payments |  |
| Insurance payments |  |
| Accounting fees |  |
| PAYG TAX |  |
| Legal fees |  |
| Staff amenities |  |
| Electricity and gas |  |
| Postage |  |
| Entertainment |  |
| Travel and accommodation |  |
| Subscriptions |  |
|  | Subtotal: $10,800 |
| **Total:** | **$50,650** |

Total first year overheads ($50,650) + exploratory and initial costs ($12,000)

**=$62,650 overheads for the first year of business**

### Initial funding of the business

The owners have $20,000 of their own money to invest in the business, supplemented by a $20,000 long term interest free loan from Frank's parents. The closing balance in the projected cash flow (Attachment 2) shows that, in addition to this, some $41,000 will be required over the first year of the business.

The owners had preliminary discussions with their bank manager and, subject to the provision of a properly documented business plan and the provision of a mortgage over their home, they will be provided with an overdraft of $45,000.

An overdraft was agreed to be the most suitable arrangement for the first year as financial requirements will vary substantially from month to month and there will be no profits with which to repay capital. After the first year, trading levels will be more predictable and finance arrangements will be reviewed.

### Break even analysis

The average mark up on direct/renovation costs is 25%. For example, a $10,000 job will have a direct cost of $8000. Therefore the gross profit will be $2000, (i.e. 20% of the value of the job).

The projected overheads for the business in the first year will be $62,650. To break even the business would have to achieve sales of which 80% pays for the direct/renovation costs and 20% pays for the overheads of $62,650.

If sales x 20% = $62,650 then the sales required to reach break even would be $62,650, multiplied by five, (i.e. $313, 250).

Therefore, the break even point of sales in the first year will be $313,250. This will not be achieved in the first year. However, in the second year the profit margin of 18% of the projected sales of $450,000 (i.e. $81,000 gross profit) will cover the overheads of about $73,150 and produce a net profit of $8350.

## Costing

Alpheius Renovations will be involved in the following activities:

* purchase and supply of equipment
* purchase and conversion of raw or partially finished materials
* provision of manufacturing and onsite labour
* provision of subcontract work

The following assumptions are made when preparing quotations:

|  |  |
| --- | --- |
| Direct costs | $368,500 |
| Overhead expenses | $73,150 |
| Business profit | $8350 |
| Total | $81,500 |
|  | +81,500 |
| Annual turnover in the second year | $450,000 |

Therefore, to cover profit overheads, the average mark up on all direct costs, equipment, materials, labour and subcontractors' costs will be 25%.

Accordingly, quotations will be prepared on the following basis for a typical job of, for example, $10,000:

|  |  |  |  |
| --- | --- | --- | --- |
| **Item** | **Direct Cost $** | **Mark up %** | **Mark up $** |
| Equipment | 2,500 | 15 | 375 |
| Material | 1500 | 35 | 525 |
| Labour | 2300 | 30 | 690 |
| Subcontractors | 1700 | 25 | 425 |
| **Total** | **$8000** | **(avg.) 25%** | **(approx.) $2000** |

Hourly labour rates will be calculated as follows:

|  |  |
| --- | --- |
| **Costs** | **$** |
| Hourly rate (according to award or workplace agreement) | $18.00 |
| Add on costs (e.g. WorkCover 5%) | $0.90 |
| Medical costs | $1.00 |
| Superannuation 6% | $1.08 |
| Payroll tax | (N/A) |
| Sick pay allowance | $2.00 |
| Annual leave allowance ($18x52/48)-$18 | $1.50 |
| Tools allowance | $1.00 |
| Total | $25.48 |
| Allowance for non-productive time, e.g industrial action, maintenance, travelling, tool maintenance, training, injuries etc, e.g. 10% | $2.55 |
| **Total** | **$28.03** |

Therefore, the hourly rate for estimating work will be charged at $28.00 + 25% mark up = $36.50 per hour.

## Records

Alpheius Renovations will maintain sufficient business records to demonstrate the financial position of the business on a monthly basis. Financial records will compare profitability with projected profit/loss and cash flow statements. Records will also be kept for each job to show its progress and cost in labour, materials and subcontractors. These will be regularly compared with estimates for that job.

The following specific records will be kept:

* cash book
* receipt book
* invoices, received and sent
* bank deposits and statements
* petty cash expenditure
* wage, WorkCover, superannuation and long service leave records
* employee details
* capital assets register
* materials purchased and allocated to each job or temporarily as floating stock
* contact details of all enquirers, existing clients, suppliers and subcontractors
* individual job records showing progress
* job estimates

## Supporting documents

Attached to the business plan are the following documents:

**Attachment 1: Projected profit/loss for the first year**

**Attachment 2: Projected cash flow for the first year**

**Attachment 3: Projected profit/loss for the second year**

**Attachment 4: Projected cash flow for the second year**

**Attachment 5: Statement of financial position**