



Automobile Assembly

BUSINESS PLAN

DREAM CARS

2000 Seaside Blvd.

London, ON, Canada N6A 3X1

May 1993

This component vehicle assembly business provides buyers with replicas of luxury automobiles and other specialty cars. The following plan outlines specifics on successfully working with other specialty car manufacturers to provide buyers with a personalized and rare vehicle.

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MISSION STATEMENT

Dream Cars, a manufacturer of replica and specialty automobiles, will help people realize their dreams of owning a luxury, sport or sports luxury automobile, without the high cost of importing a similar vehicle.

OVERVIEW

North America's love affair with the automobile will never end. The automobile has not only become a necessity, but a direct statement on who the person is that drives it. The individuality of one's vehicle is very important. You see various vehicles that are the same make and model, but are seldom identical because of personal touches added by the owner. There is an abundance of makes and models available to the everyday car buyer, but it is not the everyday car buyer to whom Dream Cars will cater.

Dream Cars is a component vehicle assembly facility. We assemble vehicles that are not of the ordinary, but

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more personal to the buyer. To explain further, a component, or specialty, vehicle is a domestic automobile combined with the "kit" from a different manufacturer. Kits that are available range from a reproduction 1955 Chevrolet convertible to a custom-designed, exotic-looking sports car that, for looks, will give any Ferrari or Lamborghini a run for their money. Performance can be enhanced in these vehicles as well, not only giving the exotic look, but also the power associated with this type of vehicle.

Day-to-day goings-on of the business will be the purchase of selected "donor" vehicles starting with a Datsun 240Z to be re-fitted to look like a 1968 Ferrari Vella Rossa Spyder. The re-body components will be purchased from selected dealers throughout North America, with preference given to Canadian companies. Another kit to be purchased will be the 427 Cobra replica from LA Exotics. These kits will be assembled and the finished product sold. 427 Cobra replicas are the most popular component cars on the market today.

Findings from the research conducted on this type of business show that the average gross profit from the sale of a component vehicle is between \$9,500 and \$10,500, ranging as high as \$15,000. The overall objective of Dream Cars is to build and sell eight vehicles by the end of the first fiscal year, and double that total for the second year.

COMPETITION

There is competition in this market, but not in London or the surrounding area. There is one Cobra Replica kit dealer in London, but he is not a manufacturer or assembler. The closest competition found is in Windsor, and this firm specializes in the Lamborghini replicas. There are 3 other builders in southern Quebec, two offering Pontiac Fiero re-bodies and the other specializing in the Cobra replica. Dream Cars will assemble and offer these vehicles, but also several others for a more diversified and consumer demand-oriented platform.

SUPPLIERS

Various suppliers will be used throughout North America. Preference will be given to Canadian companies, then the United States, then Europe. The supplier of the Cobra kits will be a company called Luxury Ltd., out of Carmel, California. This supplier was chosen because of the quality of service and product, as well as a guarantee of availability of parts. They have also granted Dream Cars dealership rights in Canada for their Cobra replicas. Parts availability has been a major problem for some of the larger manufacturers of these kits. For the Fiero parts, either Red Dragon Inc. out of Winnipeg or Sassy Stuff Inc. from Sarnia will be used. For specialty orders from customers, suppliers will be sourced on an as-needed basis.

CUSTOMERS

Dream Cars will cater to a customer base of 35 years old and up, married, male with an income above \$35,000 per year. Of course there are always exceptions to the demographics, but this will comprise the majority of our customers. This data is derived from inquiries to the magazines that support this trade, as well as the other similar businesses and a survey of 1000 people who have purchased or are going to purchase a pre-assembled component vehicle.

With the customer base expanding to all four coasts, there is a very large clientele. We are expecting, however, the majority of our customers to be from the west coast, namely the lower half of British Columbia, down into the Portland, Oregon area. This constitutes a population of approximately 10 million. Taking 30 percent of that figure to represent the adult population leaves 3 million prospective customers. Out of that 3 million, approximately 20 percent will be in a position to purchase our product. This leaves a customer base of 600,000 people. This will more than satisfy the goals of selling eight cars the first year and sixteen the second. Dream Cars will, however, arrange to have a vehicle shipped anywhere in the world.



ADVERTISING

This audience will be reached through advertisements in such magazines as "Trader," "Peterson's Kit Car," "Specialty Car," and "Road & Track." Other publications will be used as dollars permit.

Twenty percent of gross profits will be budgeted for this expense, which will allow approximately \$1,450 per vehicle sold. During the first fiscal year the total advertising budget will be \$11,600 or \$967 per month.

PRICING

The suggested retail selling price of a component vehicle will be approximately 30 "points" above product cost. The total cost of production is divided by .7 and rounded to the next highest thousand, which will give the suggested retail price. This will, of course, leave some room for negotiation on the actual selling price.

OPERATIONAL COSTS

Labour costs for the assembly will run about \$2,000 per vehicle. The average time required to assemble a Cobra kit, for example, is between 150 and 200 hours. With building operations costs and salary overhead of \$71,548 per year (shown below), every vehicle will have an assembly cost of \$8,943.50 in the first year with eight vehicles sold. This will drop to approximately \$6,060.33 in the second year. This is with 16 vehicles sold and a five percent inflation rate taken into consideration.

Description	Per Month	Per Year
Rent for shop	\$750.00	\$9,000.00
Utilities (hydro, phone)	500.00	6,000.00
Advertising	967.00	11,604.00
Insurance	240.00	2,880.00
Business Tax	22.00	264.00
Yard Maintenance	200.00	2,400.00
Salaries for office (incl. principal)	3,500.00	42,000.00
	\$6,179.00	\$74,148.00
Labour for eight vehicles	1,333.00	16,000.00
Total operational costs 1st year	\$7,512.00	\$90,144.00

Cost Breakdown (1st year)

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Rent for shop	\$750.00	\$9,000.00
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Total operational costs 1st year	\$7,512.00	\$90,144.00



Description	Per Month	Per Year
Rent for Shop	\$787.50	\$9,450.00
Utilities (hydro, phone)	525.50	6,306.00
Advertising	1,015.35	12,184.20
Insurance	252.00	3,024.00
Business Tax	23.10	277.20
Yard Maintenance	210.00	2,520.00
Salaries for office (incl. principal)	3,675.00	44,100.00
	\$6,488.45	\$77,861.40
Labour for sixteen vehicles	2,800.00	33,600.00
Total operational costs 2nd year	\$9,288.45	\$111,461.40

Cost Breakdown (2nd year)

Description	Per Month	Per Year
Rent for Shop	\$787.50	\$9,450.00
Utilities (hydro, phone)	525.50	6,306.00
Advertising	1,015.35	12,184.20
Insurance	252.00	3,024.00
Business Tax	23.10	277.20
Yard Maintenance	210.00	2,520.00
Salaries for office (incl. principal)	3,675.00	44,100.00
	\$6,488.45	\$77,861.40
Labour for sixteen vehicles	2,800.00	33,600.00
Total operational costs 2nd year	\$9,288.45	\$111,461.40

PROFITABILITY

Purchase:	
427CobraReplicaKit	\$15,595.00*
Less 5% Builder's disc.	779.75
Builder's cost	14,815.25*
Canadian Exchange 36.28%	5,374.97
Duty @ 3.2%	646.09
G.S. Tax(7%)	1,458.54
Kit total cost Canadian funds	\$22,294.85
Shipping California to Manitoba	1,253.00
Total cost (FOB Selkirk)	\$23,547.85
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Extra Parts Needed to Complete Vehicle

302 V-8 Engine	\$1,700.00
5 Spd Transmission	1,500.00
Drive shaft	150.00
Steering Wheel	150.00
Miscellaneous	1,000.00
Total extra parts	\$4,500.00
G.S.Tax	315.00
Total	\$4,815.00
Total Vehicle Cost	\$28,362.85

Sell:

LA Exotics 427 Cobra Replica MSRP (cost/.7) \$40,995.00

Total revenues	\$40,995.00
Less Expenses	28,362.85
Gross Profits	\$12,632.15

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Because of the average profits in the sale of component vehicles being between \$9,500 and \$10,500 and an overhead of approximately \$9,000 per vehicle, this leaves between \$500 and \$1,500 net profit for the company. This translates to around \$850 per month for debt servicing the first year and over \$5,000 per month for the second.

With all optional costs taken into consideration, the break-even point in the first year for Dream Cars will be seven vehicles sold. In the second year we will break even on the 10th vehicle sold. The initial year of operations targets for eight vehicles sold and second year sales will be 16 units. This is translated into the dollar figures seen below, taking into consideration that half of the vehicles sold will be Cobra replicas and the other half will be a mixture of others. All figures are derived from the lowest acceptable price (in parentheses) for each vehicle sold and are in Canadian funds.



SALES SUMMARIES: 1ST AND 2ND YEAR

First Year	Sales	Costs
Four 427 Cobra replicas (\$36,500.00 Can.)	\$146,000.00	\$113,451.40
One 1929 Mercedes replica (\$18,000.00)	18,000.00	12,659.10
One La Grande XT (Fiero) (\$38,000.00)	38,000.00	27,516.50
One Ferrari Vella Rossa (24,500.00)	24,500.00	11,342.90
One Ford TG-40 Replica (\$84,000.00)	84,000.00	63,872.90
Total first year sales:	\$310,500.00	\$228,842.80
Gross Profits 1st year		\$81,657.20
Operations cost 1st year		71,548.00
Net profit 1st year		\$10,109.20

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One Ford TG-40 Replica (\$84,000.00)	84,000.00	63,872.90
Total first year sales:	\$310,500.00	\$228,842.80
Gross Profits 1st year		\$81,657.20
Operations cost 1st year		71,548.00
Net profit 1st year		\$10,109.20

Second Year	Sales	Costs
Eight 427 Cobra replicas (\$38,325.00)	\$306,600.00	\$238,247.94
Two Ford GT-40 Replicas (\$88,200.00)	176,400.00	134,133.09
Two 1929 Mercedes Replicas (\$19,500.00)	39,000.00	26,584.11
One Rhino GT (Ferrari rep. \$23,000.00)	\$23,000.00	11,910.05
Two Arteros (Fiero \$38,900.00)	77,800.00	54,463.40
Total Second Year Sales:	\$622,800.00	\$465,338.59
Gross Profits 2nd year		\$157,461.41
Operations Costs 2nd Year		96,965.20
Net profit 2nd year		\$60,496.21

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Eight 427 Cobra replicas (\$38,325.00)	\$306,600.00	\$238,247.94
Two Ford GT-40 Replicas (\$88,200.00)	176,400.00	134,133.09
Two 1929 Mercedes Replicas (\$19,500.00)	39,000.00	26,584.11
One Rhino GT (Ferrari rep. \$23,000.00)	\$23,000.00	11,910.05
Two Arteros (Fiero \$38,900.00)	77,800.00	54,463.40
Total Second Year Sales:	\$622,800.00	\$465,338.59
Gross Profits 2nd year		\$157,461.41
Operations Costs 2nd Year		96,965.20
Net profit 2nd year		\$60,496.21

The vehicles described are just speculations on what vehicles will be built and sold by Dream Cars, but do reflect the type of sales figures expected from similar automobiles. Market research shows the Cobra to be the most popular replica available. We expect at least half of our sales to be Cobra replicas. The Ford GT-40 replicas are very popular as well. The only hindrance is the high price tag. This is the reason for fewer sales of this particular automobile. The others are reflections of potential customer orders.

STAFFING

Accomplishing the eight sales in the first year would require two full-time employees as well as myself for



efficient operations. By the middle of the second fiscal year, a second mechanic will have to be hired. A journeyman mechanic will be hired in the first year to ensure the vehicles meet all safety requirements as determined by law. An accounting/promotions expert will also be hired to look after the advertising/customer service as well as the day-to-day operations of bookkeeping and other general accounting duties.

For customer protection, Dream Cars will offer a complete bumper-to-bumper warranty for parts and labour for mechanical failure caused by "normal use" for a period of one year from the date the customer takes delivery.

LOCATION

The business will be operating on a lot in the area. This spot was chosen for the following reasons:

1. Centrally located with regard to North America.
2. Large seven-acre lot with plenty of room for expansion.
3. Good-sized shop and offices already on the premises.
4. Rent is very reasonable with option to purchase property.
5. The location is a great place to raise a family.

SETUP REQUIREMENTS

The nature of this type of business requires the acquisition of various permits, licences and bonds. These include an automotive dealership bond, an automotive dealership license, and liability insurance in the amount of one million dollars. These will be obtained as soon as the premises are secured.

The shop has a compressor and lines. Other tools will be supplied by myself and the journeyman mechanic hired. The office equipment, including a computer and accounting software, has already been obtained.

FINANCIAL

Inventory:

Purchase Cobra Kit as described above.	\$28,362.85
Purchase 2nd Ferrari VR replica parts	9,342.90
Shop supplies (misc. tools and equipment)	5,000.00
Office supplies (computer, software, desks etc.)	7,600.00
Setup Charges - utilities	250.00
Yard cleanup	150.00
Operating capital (6 month)	45,072.00
Total startup costs	\$95,777.75
Less Equity:	
Computer & Software	3,500.00
Office furniture	500.00
Office equipment	250.00
Office supplies	100.00
Tools	2,400.00
Cash	15,000.00
	21,750.00
Total Investment required	\$74,027.75

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Purchase Cobra Kit as described above.	\$28,362.85
Purchase 2nd Ferrari VR replica parts	9,342.90
Shop supplies (misc. tools and equipment)	5,000.00
Office supplies (computer, software, desks etc.)	7,600.00
Setup Charges - utilities	250.00
Yard cleanup	150.00
Operating capital (6 month)	45,072.00



Total startup costs	\$95,777.75
Less Equity:	
Computer & Software	3,500.00
Office furniture	500.00
Office equipment	250.00
Office supplies	100.00
Tools	2,400.00
Cash	15,000.00
	21,750.00
Total Investment required	\$74,027.75

RETURN ON INVESTMENT

For the investment of \$75,000, Dream Cars is offering an interest rate of 12% amortized over the next 15 years payable bi-weekly.

(Amortization schedule, normally included, was excluded for this publication.)

CONCLUSION

Market research shows an upward trend in both the home-building and the professional assembly of replica automobiles. With the necessity of both husband and wife having careers nowadays, the home-building of the replica vehicles is on a down turn and professional assembly is being opted for more and more often, sheerly because of lack of time required to build them. Being an integral part of this market is not only lucrative financially, but very rewarding personally as well. It is always good to know you have helped someone achieve their dreams.