



Taxi Service

LAKEVIEW TAXI

27000 Kingsborough Ave.
Toledo, OH 32311

This business plan presents a persuasive and innovative system for organizing and running an alternative taxi service. An entrepreneur with a new improvement on a traditional business will find this plan's clear logic instructive. Note the comprehensive overview of industry practices and their shortcomings.

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MISSION STATEMENT

The mission of Lakeview Taxi is twofold. The first mission is to serve the general public in a fair and honest way. The second is to do this from a Christian perspective. While performing these tasks, it is hoped for and expected that a decent profit will be gathered from our efforts. There are many problems with the current taxi organizations in existence and it is hoped that by adding an alternative to the services out there, the public will really appreciate our efforts.

BUSINESS ORIENTATION

The business of Lakeview Taxi will be transportation. Not just taxi service, but package delivery and other types of transportation such as Go Bus (a federally sponsored program) and even Ambucab (transportation on for the elderly) type services. The taxi service will be located in Toledo, Ohio in an office located on South Williams avenue.



MARKETING PLAN

Demographics

The amount of taxi business in the Toledo area is strong and growing. The population in the greater metropolitan area exceeds 500,000 people and the community is dynamic and getting more vibrant with each passing day. The entire area has a low unemployment rate, a diversified economy, and wonderful year round events which attract tourist dollars and people to the region.

Customer Profile

A taxi company attracts two main types of business. The first type is a commercial charge account business, and the second is direct consumer business. The commercial accounts usually have either package delivery or pay for passengers as their main function and are usually charge accounts. The direct consumer accounts are people from throughout the city who need taxi service for various reasons, to run errands, get to work etc. Consumer accounts are usually cash accounts and payable immediately. The customer never comes to the place of business of the taxi service, all taxis are dispatched to the customer's place of business and the sole representative view that the customer has of the taxi service is through the cleanliness of the vehicle and the driver, and the promptness of their response. Any value added services just enhance these basic considerations of the customer.

Need for Services

There is a pressing need for reliable public transportation in the Toledo area. Bus service is not a viable option for many people due to the limited scope of operation of bus service in the area. The buses here do not run very long during the day and they are very restricted as to routes and times during the weekend and off-peak times. As a result, public transportation is always needed for those whom the bus cannot serve.

Economic Factors

Not only is there a strong and growing industrial base in the region, the city has been quietly developing the downtown area for quite some time. New projects are being planned and built daily and the entire downtown property is expanding at a very fast rate. In the last ten years, there has been an explosion of new venues which have attracted people to the downtown area. The city has recently seen the implementation of several sports franchises, an auto race, expanded concert venues, hotel construction, and are planning a downtown convention center which should pull in business from the surrounding cities in Ohio and throughout the United States. A state-of-the-art cancer research center is also being developed in addition to the world's first mall for children. Toledo is a city of opportunity and that expansion and growth fuels the need for more reliable transportation.

Competition

There are currently three other taxicab companies in the area. Each company is severely flawed and yet still manages to generate incredible amounts of revenue. Only one company, Maumee Taxi, the largest one, could be considered serious competition. This firm is prosperous and quite skillful at handling large numbers of clients. They currently have 56 taxis in their fleet and have most of the prestigious accounts in town. The other two companies still manage to thrive in spite of the fact that they have much smaller income bases and essentially are driving outdated equipment in poor condition. During busy times, none of the companies can keep up with demand and customers have been known to wait for up to four hours. During normal operating scenarios, wait times still range from approximately twenty to thirty minutes. This wait time is unnecessary and quite destructive to customer support. Taxi companies typically do not fail in this area. Other cities have a higher turnover of taxi companies, but they usually have a much larger presence. Metro Columbus has a



population base of one million and 14,000 cabs. Toledo has a population base of 500,000 and 150 cabs. That is quite a difference. The reason for such a large spread is that Toledo is an affluent area and taxi service is not as pressing as in the impoverished areas surrounding Columbus. Another reason is that only recently has Toledo developed a significant downtown business. As the downtown continues to develop, taxi service will be required to increase exponentially.

ATTRACTING CUSTOMERS

Image

The current image of a taxi driver in Toledo is not a pleasant one. Drivers are looked at as unprofessional and discourteous. One reason that this is true is the nature of the business. Most taxi companies operate in the best and the worst areas of town and drivers have to deal with a wide variety of people. The drivers that are hired are not professional and are given virtually no training before they are sent out to deal with the public. Lakeview Taxi can change that. Training costs can be reduced through an apprenticeship program. Drivers can ride with several drivers and learn all of the necessary skills without incurring a large cost. In addition, training materials can be written down and provided at the start of training and a simple test can be administered to gauge the skills obtained by the driver. Knowledge of the city, command of the English language, and knowledge of charge account operations would go a long way towards improving the basic professionalism of the driver. Uniforms which are both comfortable and easy to maintain would also strive to complete the look that the public deserves and should expect. Of course, cleanliness of the cars is a must. A monthly inspection of vehicles would eliminate a large number of problems associated with operating a fleet and would ensure that the licensing authority would not bother with inspections of their own. We can control the image of Lakeview Taxi and it is possible to do so with a minimum of intrusiveness.

Pricing

Pricing is fixed by the city using regulated meters. Prices can fluctuate when the city council votes for a meter rate increase. Increases are usually annual and as a result, meter errata are high in the Toledo area and need minimal adjustment. The only meter problem would actually be the problem associated with metered waiting time. A factor that could be adjusted quite easily. Flag drop is currently 1.65 and the rate is then .17 per click every 1/9th of a mile. This rate is quite reasonable and is a good value to the customer as well.

Credit

Most taxi companies currently do not offer to take major credit cards. This is a huge mistake and there are a wide range of people who would use taxis more if this simple problem could be eradicated.

Customer Service

Customer service is a priority at Lakeview Taxi. The customer cares most about the promptness of the taxi that he or she is riding in. One way to ensure that customers would be served in a much better fashion would be to implement a zoned taxi dispatch system. A zoned system is essentially a first come/first served system of dispatching that eliminates much of the delay that occurs during ordinary dispatching. There are no real drawbacks to the system except that it would take a short while for drivers to get used to such a system. It is the quickest and easiest way to operate a taxi company. The current system, which relies on the closest cab to an order bidding on the order, means that orders are constantly being held up while the bidding takes place. It also means that orders are much more selective. Selecting a specific order is fine for the the driver, but it is a slow process that inconveniences the customer. If the drivers were switched over to a different system, in the long run, they would actually make more money and the entire system would speed up immensely.



Advertising

Advertising is minimal in the taxi service business, but could be maximized with the use of a little creativity. Currently a yellow page ad listing is the only necessary requirement to generate business. Many customers will immediately try the new taxi company in town to see if it has a faster response time than the other services in the area. Other people will try the new service if favorable word-of-mouth advertising is received. A large pool of customers is always available for a new company to have. In fact, most services that start up actually have a problem keeping up with the large volume of orders that come with just opening the doors to business. That pattern has repeated itself with each new taxi business that has developed within the last ten years.

Customer Incentives

Customers could be lured to try a new company by the use of incentives. It is illegal to charge more than the regulated price on taxi fares. It is not illegal to give a discount for first time riders of the service and it would strongly enhance repeat business to do so. Also, customers could be lured by giving away an occasional free ride or by using coupons distributed in the Advance Newspaper or the Toledo Press. These coupons could also be distributed in the taxis themselves as any driver who had a passenger could pass one out and any driver who did not have a fare could stop at local businesses and pass them out. That technique has been tried before with amazing success. However, as soon as the taxi company gets a steady base, all sales activity seems to stop. The company starts to generate sales so high they cannot handle the volume. In fact, most new companies lose business because they are too successful.

Customer Incentives

A satisfied customer in the taxi business will stay with that company for a long period of time. Sometimes as long as twenty years. Once a customer is satisfied, it is hard to get them to switch companies. Any measure of reasonable success recognizes that the repeat or "regular" customer is the one we all strive to get and maintain. There are a lot of ideas that have not been implemented simply because the business is so strong in this area. Hotels are constantly asking that cabs service them and hotels need shuttles for their overnight guests. A taxi company that catered to this market would do extremely well.

Additional Sources of Revenue

Even though taxi companies are by and large successful, they could be made even more so by adding additional revenue streams. Taxis can be painted with advertisements and turned into independent marketing venues of their own. Drivers could pass out flyers and could direct customers to certain establishments that had a reciprocal relationship with the company. Value added services could include food deliveries and other types of deliveries that other companies make on a routine basis. The horizon is truly unlimited when it comes to the taxi business. A little creativity would go a long way in furthering that horizon.

OPERATIONS: ADVANTAGES OF TAXI BROKERING

Taxi brokering is a unique concept. It allows drivers to own their own vehicles and operate them in a manner consistent with the company's policies and procedures. The standard practice for most taxi companies is to have each driver be an independent contractor and not an employee. The IRS has upheld this practice as standard in the industry. Many times, however, a taxi company and other companies treat their independent contractors as employees and they expose themselves and their company to massive tax liability if a tax ruling should happen to go against them. This is not wise policy, but it certainly exists in most taxi companies in the United States. There is a way to avoid liability and yet still maintain reasonable control over the drivers through applying the principles of taxi brokering. When a driver owns his or her own vehicle, there is an enormous savings to be had at all levels in the company. The advantages are spelled out below.



Overhead

Overhead is reduced enormously when the company does not have to own and operate a fleet of vehicles. The savings on maintenance costs alone justifies using this tactic. In addition to direct cost savings, there is an operation personnel cost savings as well. There is no need for mechanics, no need for a scheduler, in fact, office staff can be reduced to a point where it is almost not necessary.

Controlling Turnover

The high turnover rate that plagues the industry is entirely avoided. Brokers are responsible for procuring their own drivers and even if it becomes difficult for them to locate drivers, the broker simply works more time during his shift to make up the difference. Almost all personnel problems are avoided when utilizing brokers.

Shifting Ownership Burden

Brokers take care of their own vehicles. There is no hassle associated with keeping vehicles on the road and no responsibility for ensuring cleanliness. That burden is borne entirely by the broker and most brokers in the past have shown that they have a high regard for their vehicles and they have every reason to keep them running and in good condition. In fact, inspecting the fleet becomes much easier for management when they do not have to attend to the myriad of other details that goes into running a company-owned fleet.

Better Drivers Result

Brokers tend to be careful drivers. It is their equipment, so they tend to treat it more carefully and have a better understanding of any drivers that they hire to work under them. As such, insurance rates will eventually go to show that careful drivers translates into lower costs for everyone involved. Further, insurance costs can also be minimized by reducing the collision coverage for vehicles. Part of the operational costs paid for by the brokers could be used to maintain a collision fund to help pay for repairs when needed while greatly reducing insurance costs, which shall be discussed in further detail shortly.

Fees Minimized

Because brokers help so much to reduce costs across-the board, operational fees (the cost charged to the broker on a daily or weekly basis) can be reduced to an absolute minimum. This ensures that most brokers will succeed in their investment and will have an added incentive to add taxis at their earliest opportunity.

Rotating Dispatch System

With brokers acting as owner-operators, another unique opportunity presents itself for use, that of eliminating a paid dispatch system. Since brokers are experienced drivers and have an investment in the company, they can be utilized as dispatchers for the company. Once again, the cost savings are substantial and using brokers as dispatchers is a good way to promote a solid working relationship among the members of the company. Teamwork is a foreign concept to many drivers now working under exploitive conditions. Having brokers dispatch taxis while using a zone system is not only workable, but more equitable to the drivers because it reduces the possibility of corruption and gives them an opportunity to be continuously trained in all facets of the business.

COMPANY ORGANIZATION

The company shall be organized with the president of the company overseeing total operations and the vice-president or operations director handling administrative duties. There may or may not be office personnel to



contend with, but that will all be handled administratively by the vice-president or operations director. There is no need for mechanics, dispatchers (if using rotating dispatch set-up), or schedulers. All of those duties would be eliminated by the change in company structure resulting from using a brokered system..

PROPOSED METHOD OF FINANCING

Conventional bank financing seems likely due to the collateral that can be presented as security for the loan. This loan security should be enough to get the financing necessary to fund the startup. In the unlikely event that it does not, a private stock distribution could provide for optional financing.

REVENUE AND CASH FLOW PROJECTIONS

Operational Fees and Their Impact

The revenue from taxi operations is relatively easy to project. All revenue is based on one factor, the operational fee charged to the brokers. The initial figure given for start-up purposes is \$250.00 per week per vehicle to be paid on a daily \$50.00 basis for five days. This is \$90.00 a week less than all of the other companies in town and is highly competitive. Not only that, but since the fleet would be comprised entirely of brokers, this fee could be adjusted downwards from the first day of operation. When brokers in other companies see lower fees at Lakeview, they will be inclined to bring their cars over. Any time fees were further lowered, a ripple effect would be likely to occur and make bringing over brokers from other companies highly likely. Because the competition could not compete with these lower fees due to their much higher cost structure, they would be placed under tremendous pressure just to continue operations. Bringing over brokers would also mean automatically attracting more customers as some drivers bring with them a certain volume of customers. There is no telling how low operational fees could go with enough volume.

Revenue Formula

The revenue formula for Lakeview Taxi is as follows:

$$\text{\$250.00} \times \text{number of vehicles} \times \text{per week} = \text{total revenue per week}$$

The competition (one company) is currently running 56 taxis in the Toledo area. Using the above formula, we arrive at a revenue of \$14,000.00 per week, or \$56,000 per month, or \$728,000.00 per year. Even though the start-up number of taxis would be closer to 10 vehicles, there is still a weekly gross profit potential of \$2500.00 or \$10,000 per month. Given Toledo size and potential development, it could easily support a taxi fleet of 300 or more within five years. The potential is there and growing every day.

Cash Flow

Cash flow in a taxi company is good. The revenue is dependable and stable and is affected by only a couple of problems. One is that some cars have to be given downtime to help with time spent off of the road. Usually only a token amount is collected. This is a minor factor, but worth mentioning from a cash flow standpoint. This factor is mitigated somewhat by the way fees are charged. Because they are due on Friday for the previous five days, weekends are always free for drivers and many would see that time as an ideal opportunity to effect repairs on their vehicle. Of greater concern is the charge account problem. Drivers and brokers alike are used to receiving their money or credit for charges right away while the charge accounts sometimes have a thirty or sixty day turnaround. This problem could be solved or lessened in one of several ways. Those ways are examined below:



Customer Charged

Charge customers could be assessed a fee for the extension of credit by the taxi company. Extending credit is not as necessary as in the taxi business as in some industries; however, a significant portion of package revenue does come in the form of charge accounts, so it is useful to a degree. The fee could be nominal, in the 5% to 10% range for most customers. This money would be placed in a pool to fund payout to brokers and drivers.

Broker Charged

Brokers could be assessed a fee ranging from 10% to 15% of the charge and that money could be used in the same pool as the one described previously, giving the charge pool a combined rate of 15% to 25%. This pool would be self-financing and would soon build up an incredible reserve of equity in the company. Not only that, but interest derived from the pool could be used as an additional revenue stream down the road. Charges would, out of necessity, have to be small at first and build volume as the fund pool grew of its own accord.

Delayed Payment

Charges could be delayed pending payment by the customer. This would be the most unattractive option since the paperwork generated and the broker dissatisfaction would work against this option. A legitimate argument could be made for delaying payment, but this would likely become a contentious issue if presented.

Despite the problems just presented, for the most part, cash flow is easier to manage in this business than in many others, and cash flow at Lakeview Taxi would help get the business launched and running with almost instant revenue at start-up.

Added Revenue

An additional source of revenue at start-up is the down payments brokers must make to place vehicles on the road. Brokers are currently paying \$2000.00 per vehicle at the competition to put a car on the road. These down payments are supposed to cover insurance, cost of radios and meters, and miscellaneous expenses. The fact of the matter is that this is an additional source of revenue for the company at start-up because the costs associated with placing a vehicle on the road are often much less than what is charged to the broker.

START-UP COSTS

The start-up costs for running a taxi company is high for several reasons. These reasons are explained in detail below:

Insurance : This is the highest cost factor involved in running the taxi company and the greatest hindrance in getting started. Taxis are usually insured at a rate high enough to account for a weekly charge. Taxi insurance is hard to obtain and is billed at between \$60.00 and \$100.00 per week to the company. This type of coverage is not even first class insurance, as the market for this type of insurance is so small. Other companies' careless use of taxi insurance has led to the high rates. It is a challenge coming up with the premium down payment, which is usually set at around 20% (partially offset by broker down payments) of the total annual policy. Once insurance is obtained, however, the Lakeview Taxi system would eventually drive rates down in regards to our particular company due to the careful screening and other safe driving incentives mentioned earlier. Still, the obstacle is formidable, but not insurmountable.

Licensing : The cost of licensing is roughly \$3000.00 per year and is not a problem if all of the taxis are painted and equipped for inspection.

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



Office Costs : Would be minimal. The customer never sees the office and therefore the primary consideration for space is simply a location with plenty of parking. The cost for space like the type that is being described here would be roughly \$1000.00 per month.

Radios : This cost would also be borne by the broker at start-up, and would be minimal for the company.

Tower and Frequency Allocation : Would be minimal due to the fact that all tower operators wish to have their radio equipment purchased and will cut down the cost of tower space for exclusive purchasing of their equipment.

Meters : Are paid for by the brokers and installed by a servicing company. The meters are then set at a rate determined by the city.

Miscellaneous Costs : Will be estimated and broken down separately.

FINANCIAL DATA

The following financial data is presented as basic information and is not as complete as that following a financial audit by a certified professional. Please bear in mind that the data presented is only an estimate.

CONCLUSION

Lakeview Taxi is a viable service company that could provide great benefits to the city and generate large profits for the owners. It is completely possible to start this business with a small investment and produce large returns soon after its inception. The writers of this plan urge you to review the following information and if there is any that you feel is incomplete or inexplicable, please bring it to our attention. We can provide for transportation needs of the city not only now, but in years to come. Thank you for taking time to review this plan.

Balance Sheet

Assets (at market valuation)		
Cash on hand	2400	
Stocks	1750	
Fixtures	3000	
Furnishings	6000	
Gun Collect.	4200	
Motorcycle	7000	
Car, Camry	18,000	
Residence	122,000	
Total Assets		164,350
Liabilities		
First mortgage	76,000	
Auto loan	6,000	
Credit Cards	9,200	
Misc. Loans	6,700	
Misc. Debt	13,900	
Total Liabilities		111,800
Net Worth		52,550
Total Liabilities and Net		164,350



Assets (at market valuation)

Cash on hand	2400
Stocks	1750
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Furnishings	6000
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Motorcycle	7000
Car, Camry	18,000
Residence	122,000
Total Assets	164,350

Liabilities

First mortgage	76,000
Auto loan	6,000
Credit Cards	9,200
Misc. Loans	6,700
Misc. Debt	13,900
Total Liabilities	111,800

Net Worth 52,550

Total Liabilities and Net 164,350

Profit and Loss By Month

	January	February	March	April	May	June	July
Expenses							
Rent	1000	1000	1000	100	1000	1000	1000
Advertisi	150	150	150	150	150	150	150
Utilities	100	100	100	100	100	100	100
Wages	0	0	0	0	0	0	0
Insuranc	3000	3000	3000	3000	3000	3000	3000
Supplies	50	50	50	50	50	50	50
Licenses	250	250	250	250	250	250	250
Office	0	0	0	0	0	0	0
Radio	0	0	0	0	0	0	0
Tower	120	120	120	120	120	120	120
Misc.	300	300	300	300	300	300	300
	4970	4970	4970	4970	4970	4970	4970

	January	February	March	April	May	June	July
Expenses							
Rent	1000	1000	1000	100	1000	1000	1000
Advertisi	150	150	150	150	150	150	150
Utilities	100	100	100	100	100	100	100
Wages	0	0	0	0	0	0	0
Insuranc	3000	3000	3000	3000	3000	3000	3000
Supplies	50	50	50	50	50	50	50
Licenses	250	250	250	250	250	250	250
Office	0	0	0	0	0	0	0
Radio	0	0	0	0	0	0	0
Tower	120	120	120	120	120	120	120
Misc.	300	300	300	300	300	300	300



January	February	March	April	May	June	July
4970	4970	4970	4970	4970	4970	4970
August	Septemb	October	Novembe	Decembe	Total	

1000	1000	1000	1000	1000	12,000
150	150	150	150	150	1,800
100	100	100	100	100	1,200
0	0	0	0	0	0
3000	3000	3000	3000	3000	36,000
50	50	50	50	50	600
250	250	250	250	250	3,000
0	0	0	0	0	0
0	0	0	0	0	0
120	120	120	120	120	1,440
300	300	300	300	300	3,600
4970	4970	4970	4970	4970	59,640

Profit before taxes 79,860

August	Septemb	October	Novembe	Decembe	Total
1000	1000	1000	1000	1000	12,000
150	150	150	150	150	1,800
100	100	100	100	100	1,200
0	0	0	0	0	0
3000	3000	3000	3000	3000	36,000
50	50	50	50	50	600
250	250	250	250	250	3,000
0	0	0	0	0	0
0	0	0	0	0	0
120	120	120	120	120	1,440
300	300	300	300	300	3,600
4970	4970	4970	4970	4970	59,640
Profit before taxes					79,860