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Swim school business plan

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SWIM SCHOOL BUSINESS PLAN

A Project Report

Presented to

The Faculty of the Department of Human Performance

San Jose State University

In Partial Fulfillment

of the Requirements for the Degree

Master of Arts

by

Stacie K. Lonaker

August 2001

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ABSTRACT
SWIM SCHOOL BUSINESS PLAN
by Stacie K.Lonaker

The purpose of this project was to develop a feasible business plan for a swim school, which would offer various aquatic activities with the core product being youth swim lessons. The initial portion of this paper discusses in detail what a business plan is, the purpose of a business plan, and the components of a business plan. The business plan consists of the seven components discussed in the initial chapters.

The business plan was sent out to external aquatic organizations for evaluation of its content. The results of the evaluations are reported in Chapter 5. The analysis and implementation of the suggestions can be found in Chapter 6.

Acknowledgments

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Chapter 1

INTRODUCTION

According to the American Red Cross [ARC], "As many as 103 million Americans have made aquatic activities the number one recreational pursuit in the country" (ARC Swimming & Diving 1996, p. 1). Over the past decade the number of people participating in aquatic activities has increased at exponential rates (YMCA Lifeguard Manual, 1997). The rise in the number of people participating in aquatic activities can be linked to factors such as: 1) an increase in leisure time and discretionary dollars, 2) increased access to recreational facilities including public pools and water parks, 3) increased awareness of the availability of open water activities such as scuba diving, sailing and rafting, and 4) increased availability of competitive aquatic sports such as water-polo, synchronized swimming and triathlons (ARC Swimming & Diving; Conway, 2000; Naditz, 2000; Van-Atten, 1994; YMCA Lifeguard Manual).

In recent years there has also been an increase in the number of people with disabilities participating in leisure activities with an expanded interest in aquatic activities (Beaudouin & Keller, 1994; Peterson, 1996). The same is also true for the older adult population. According to Naditz (2000), there are approximately 52 million disabled persons in the United States with a large percentage of those individuals being over age 55. This population often chooses to participate in aquatic activities because of various physiological and psychological benefits such as improved mobility, circulation, and self-esteem (Beaudouin & Keller; Broach & Dattilo, 1996).

People of all ages and abilities are capable of engaging in aquatic activities. The reasons people participate in aquatic activities vary from recreational fitness and leisure to sport and competition. Swimming is a sport which can be enjoyed throughout the life span, and is an activity which can be enjoyed by groups or individuals. It can fulfill fitness, social, and personal needs for participants depending on their level of commitment (ARC Swimming & Diving, 1996).

In order for people to participate in aquatic activities, they must first learn to be safe and comfortable in and around the water. There are various swim instruction programs throughout the United States, which include but are not limited to American Red Cross Swim Lessons, YMCA Swim Lessons, and privately run swim programs. Beginning in 1951 private swim schools emerged throughout the United States, and over the past twenty years aquatic programming for young children has expanded rapidly (Mackey, 1992). However, according to Mackey, although the number of swim schools has increased, the rate of growth is disproportionately slow in comparison to the rapid increase in the popularity of youth aquatic programs. In 1991 there were less than 100 private swim schools identified in the continental United States (Graves, 1991). Over the past ten years the National Swim School Association (NSSA) membership has only increased from 36 members to 200 members (Pollino, 1999).

According to the United States Census Bureau, the population in the West will increase by 7.8 percent over the next ten years. As population increases the demand for aquatic programs will increase accordingly (Naditz, 2000). Due to the population growth, several existing aquatic programs will need to be enhanced; there will also be a

need for more aquatic facilities to meet the growing demand (Naditz).

Santa Clara County has, over the past ten years, experienced an 11% population increase. Throughout the summer months the City of San Jose operates eleven outdoor pools at various schools and community centers. The City of San Jose also subsidizes eight pools which are operated by the East Side Union High School District. In addition to the city run programs there are several other organizations such as the YMCA, health clubs, and neighborhood pools, which offer lessons throughout the summer. In the City of Morgan Hill there is one pool which operates a summer swim lesson program at full capacity. Although there are numerous swim lesson programs throughout the summer months, there are a limited amount of indoor aquatic facilities offering year round programming.

In San Jose there are three indoor pools, one YMCA program and two privately operated programs. According to Elise Lalor (personal communication, September 28, 2000), aquatics director Central YMCA, the swim lesson program at the YMCA is at full capacity with waiting lists. The highest demand for lessons is during the evenings and on Saturday mornings. Kathy Fincannon (personal communication, October 3, 2000), aquatics manager at Almaden Valley Athletic Club [AVAC] swim school, stated that the AVAC swim school is also operating at near capacity. Fincannon reported the highest demand for their programs is during weekday evenings and on Saturdays. There are two indoor pools in cities surrounding San Jose – one in Cupertino which is privately operated, and one in Saratoga which is a YMCA program. DeAnza Cupertino Aquatics [DACA] is a popular indoor swim school in Cupertino that has a waiting list for their

evening and Saturday classes. According to Vince Larkin, aquatics coordinator DACA, "We simply do not have enough room in our pool to accommodate all of the people who wish to participate in the program and there is not a program to refer people to, there just are not enough indoor pools in the area to satisfy the need" (personal communication, October, 2000). There are two new indoor pools being built at YMCA facilities, which will open in 2001, one in East San Jose and one in Cupertino. Due to the increased participation in aquatic activities and the increasing populations in San Jose and Morgan Hill, there is a need for an indoor facility offering year-round programming to serve Morgan Hill and South San Jose.

According to John Bainbridge (personal communication, April 30, 2000), owner of the Australian Swim Schools in Southern California, "Americans, in comparison to others, are lacking in the business operations of running a swim school." Bainbridge stated, "most people in the industry work in their own business rather than work on their business, and most people have strong aquatics backgrounds but are very weak when it comes to business practices." The importance of experience in business concepts has become paramount in operating a sport-related venture.

According to Mackey (1992) and Graves (1991) the majority of people who start swim schools have little knowledge of business practices. Potential and current swim school owners have the least experience in marketing, accounting, and the use of a business plan, three aspects which are crucial in any business (Mackey, 1992). Most people getting into swim school ownership have a background in education and in service but have not put together nor used a business plan. Mackey found that 59.1% of current

and potential owners never wrote a business plan for their swim school and 56.8% never used a business plan for their swim school. Mackey concluded from this study that although swim schools were operating successfully, they were not operating at their maximum potential.

In 1987 the National Swim School Association was formed to provide swim school owners with information to assist in the operations of a swim school. The main areas addressed were related to staff issues such as training and certification programs. In the following years there were requests from the membership to focus on business aspects of operating a swim school such as marketing and accounting (Graves, 1991). However, despite the requests, the NSSA Newsletter and conference initially failed to provide information on issues related to the overall business management of swim schools (Mackey, 1992).

The use of a business plan has become paramount in the initial operations of a business (Astle, 1995; Bangs, 1998; DeThomas & Fredenberger, 1995; Mc Laughlin, 1985; Pinson & Jinnett, 1989; Siegel, Schultz & Ford, 1987; West, 1988). In previous decades it was possible to receive funding without a proper business plan. However, today in order for a business to be taken seriously it is important to have a convincing business plan (Abrams, 1991; Arkebauer, 1995).

The purpose of this project was to develop a feasible business plan for a swim school, which offers various aquatic activities with the core product being swim lessons. The initial portion of this paper discusses in detail what a business plan is, the purpose of a business plan, and finally the components of a business plan. The following section

includes the actual business plan created for a swim school. The business plan includes those components discussed in the preceding section. Upon completion the business plan was sent to external sources in the aquatics industry for analysis of its content. The information received from the evaluations is reported in the chapter following the business plan.

Definition of Terms

aqua aerobics: A group fitness course which is conducted in a swimming pool.

business plan: “A blue print which details what the business or business concept is, what is expected for the business, and why the business is expected to succeed” (DeThomas & Fredenberger, 1995, p. 237).

competition: “The attempt all organizations make to serve similar customers” (Shank, 1999, p. 66).

direct competition: The competition between businesses selling similar products or services (Shank, 1999).

entrepreneur: An individual who establishes, operates and assumes risk for a business venture.

executive summary: The first section of a business plan which summarizes the most important components of the business plan (Siegel et al., 1987).

indirect competition: The competition between businesses offering different products or services to satisfy a similar need.

older adult: Individuals over the age of 60.

parent & child swim lesson: Swim lesson for infants and toddlers ages 6 months to 3 years where the parent enters the water with the child.

swim school: Aquatics facility, usually privately owned, where the main focus is swimming instruction.

target market: A particular segment of consumers towards whom the marketing effort is directed (DeThomas & Fredenberger, 1995).

youth swim lesson: Swim lesson for an individual between the ages of 3 and 12.

Chapter 2

REVIEW OF LITERATURE

The purpose of this project was to create a feasible business plan for a swim school. Prior to creating the business plan the definition, purpose and components of a business plan must first be established. This chapter will review existing literature on the purpose and components of a business plan.

Definition of a Business Plan

A business plan can be defined in many ways; however, the definition which will be used for the purpose of this project is: "A business plan is a blue print which details what the business or business concept is, what is expected for the business, and why the business is expected to succeed" (DeThomas & Fredenberger, 1995, p. 237). There are two types of business plans. The first type of plan, which will be used for this project, is a tool that is used by an entrepreneur to plan for the start up of a new business. This plan is used in the planning phase as well as in the initial stages of a new business. The second type of business plan is used internally by an organization to plan for growth, new projects or new directions (DeThomas & Fredenberger, 1995). This type of plan is associated only with existing companies.

Business plans have, over the past few decades, received a great deal of attention – resulting in research and the creation of a countless amount of how-to books. In previous decades, entrepreneurs would formulate a business idea and then simply form a

business without a plan (Abrams, 1991). More recently the amount of competition in business as well as the amount of capital necessary for beginning a business have made the use of a business plan standard practice in most industries (Abrams; Brooks & Stevens, 1987; Hosmer & Guiles, 1985). It is important to have a business plan to receive funding, for guidance, to measure progress, and to plan for the future (Siegel et al., 1987).

Purpose & Process of a Business Plan

The overall purpose of a business plan is simply stated in the name; the purpose is to have a plan by which a business will operate. However, there are various reasons why a business plan is created. One main reason has already been stated. The plan, if created and used properly, will help in the managing of the business in the initial phases as well as into the future. This plan will assist in the business moving towards success (Abrams, 1991; Bangs, 1998; DeThomas & Fredenberger, 1995; Pinson & Jinnett, 1989).

Another reason is to measure the potential financial returns of a business. This is also helpful in determining not only the strengths of a company but its weaknesses as well. The business plan helps the entrepreneur take an honest look at the viability of the company (Bangs, 1998; DeThomas & Fredenberger, 1995; Pinson & Jinnett, 1989).

When the business is simply an idea it is easy to envision a successful money making venture, however putting the ideas into a formal plan make the entrepreneur take a more realistic look at the business (Delaney, 1984; Siegel et al. 1987).

A third reason business plans are created is to receive funding (Bangs, 1998;

Hoosmer & Guiles, 1985; Siegel et al. 1987; West, 1988; DeThomas & Fredenberger, 1995). The business plan will be the main tool used in communicating the purpose and function of the business to others. Many new businesses require initial capital and investors; the business plan reflects the financial potential of the business to potential investors (Abrams, 1991; West).

According to Abrams (1991) there are five general steps which must be completed during the process of writing a business plan. The five steps include: 1) outlining the basic business concepts, 2) conducting feasibility studies, 3) evaluating facts and adjusting initial concepts, 4) outlining the business plan, and 5) writing and presenting the business plan. The first three are precursors to the actual writing of the business plan.

The initial steps must be taken in order for an idea to formulate into an actual business plan and to determine if the business idea is realistic. The first of the five steps, outlining the basic business concept, includes determining the industry the business will be in, the core products or services, the target market and the business's competitive advantage. According to Delaney (1984), if a potential entrepreneur is unable to concisely quantify the business idea on paper, it will be difficult to find a focus for the plan. Also, if the core concept of the business is unclear, it will be difficult for others, such as accountants and lawyers, to assist in the planning process. Delaney also states that the initial planning is difficult because the individual is dealing with the future, the unknown, and abstract ideas and concepts.

During the second step the planner must obtain data which is relevant to all

aspects of the business; information becomes more specific than in the first phase (Abrams, 1991; Sylvester, 1984). Completion of the first two steps allows the entrepreneur to come closer to the realities of the industry and the specific company within the industry (Abrams). Some of the concepts that should be researched during this phase are demographics, trends in the particular industry, existing businesses in the area, and current performance of these businesses (Sylvester). During this phase it is crucial that the data obtained come from a reliable source. Often times the initial concepts may need to be altered after the research has been conducted during phase two.

During the third phase the entrepreneur needs to evaluate the research and adjust necessary initial concepts (Abrams, 1991). The questions that should be asked during this phase are: 1) is there a need for the business based on research, 2) is the competition too fierce, and 3) will the business be able to succeed in a realistic time frame. Once these questions have been answered, the entrepreneur can adjust the first phase accordingly.

The fourth phase listed by Abrams (1991) is the outlining stage. During this stage the business plan is beginning to be formed based on the first three phases. The fifth, and final phase, entails the actual writing and presentation of the plan. Abrams states that the business plan should generally be written using business terms and be as brief as possible; she also states that it is crucial to know the purpose of the plan and the intended audience.

Components of a Business Plan

The business plan will contain slightly varied components depending on its purpose. However, according to the literature, there are some general components which should be included in every business plan. The components that should be included in a business plan for a new service related venture will be discussed in detail.

Executive Summary

The first part of a business plan, which according to Abrams (1991), Arkebauer (1995) and Brooks & Stevens (1987) is the single most important portion of the plan, is the Executive Summary. The Executive Summary serves as a brief compilation of the most important components of the business plan (Siegel et al., 1987). The Executive Summary is usually read first and should be interesting enough so that the reader will want to continue to read the rest of the plan (Astle, 1995; Brooks & Stevens, 1987; DeThomas & Fredenberger, 1995; Siegel, et al.). Although the Executive Summary appears first in the business plan, it should not be written until the business plan has been entirely completed (DeThomas & Fredenberger; Siegel et al.).

The Executive Summary should have a confident and positive tone to it which is easily conveyed to the readers; however, the Summary should not sound like a “hyped-up” advertisement (Abrams, 1991; DeThomas & Fredenberger, 1995; Siegel et al., 1987). The Executive Summary should be succinct and easy to read (Astle, 1995). According to Abrams, the Executive Summary should primarily express the basic business concepts. The Executive Summary should also indicate: the business has been thoroughly planned

out, the management is capable, and there is an existing market in which the business has competitive advantages (Abrams). Finally, the Executive Summary should contain a realistic financial projection (Abrams; Siegel et al.).

There are two different types of Executive Summaries – the synopsis or topical summary and the narrative summary (DeThomas & Fredenberger, 1995). The first type, which will be used for this project, is a more concise way of presenting the Summary, but is rather dry. The narrative summary is more of a story and is often more interesting, but it requires a more skillful writer. The type of summary used is determined by the purpose of the business plan and the target audience (DeThomas & Fredenberger, Abrams, 1991). DeThomas and Fredenberger suggest using a narrative format for start-up companies or new products which are innovative, unique or exciting.

Business Description

The next part of the business plan is the company or business description. This portion of the business plan contains the basic facts of the business such as the name, legal form, and management (Abrams, 1991; Arkbauer, 1995; Astle, 1995; Brooks & Stevens, 1987; DeThomas & Fredenberger, 1995; Siegel et al., 1987). The business description should be brief and not contain a great deal of detail (Arkbauer). This section of the business plan serves two main purposes: to give the entrepreneur an understanding of the business and industry, and to allow the reader to have a simple, clear description of the business (DeThomas & Fredenberger).

According to Bangs, (1998) there are seven components which should be

included in the Business Description section of the business plan. The components include: 1) a basic description of the business venture, 2) the status of the business, 3) the form of the business, 4) expected profitability, 5) when the business will open, 6) the hours of operation, and 7) whether the business will be seasonal.

The first component describes the basic business concepts of the firm or venture and includes whether the business will be mainly in the manufacturing industry, merchandising industry or service industry. Whether the business will offer products or services should also be addressed in this section. Who the customers will be and where the industry is on the industry lifecycle are two other factors considered during this phase. In this portion of the business description, the plans and goals become focused. It is important to have a distinct aim in order to be efficient in the planning stages.

The next point which should be addressed in this section is the status or phase of the business. For example, it should be made clear whether the business is a start-up or part of an already existing company. Abrams (1991) lists five different phases a business may be in. For example, companies that have not finalized a service or product line are called seed companies and are in the first phase. A business that is in its early stages with a developed product or service is in the second phase and called a start-up or development-stage company. The third phase a business can be in is the expansion phase. During this phase, the existing company is adding new products, services or another location. The retrenchment phase, which is the fourth phase, is when the company is repositioning product lines. Finally, the last phase is the established phase where a company is maintaining its place in the market.

Next, the form of the business organization is detailed in the third component. Some of the options are partnership, corporation, or sole proprietorship. Because of complex tax and legal issues, Bangs (1998) recommends seeking the advice of a legal and financial advisor before answering the questions in this portion.

The fourth component concerns the business ventures expected profitability. Bangs (1998) comments that this information should be discussed in further detail in the financial portions of the business plan. All numbers used in the business plan are projections based on research, and although this portion does not contain a large amount of detail, the questions are to be answered as accurately and succinctly as possible (Bangs).

The final three subjects discussed in the business description are primarily significant for service and merchandising ventures and are related to marketing. This portion should include when the business will or did open. If it is an existing business, a brief history of the company should be included in this section (Astle, 1995). If it is a new business, the date the business is expected to open should be specified. The final areas which should be addressed in this section are the hours of operation and whether the business will be seasonal or not (Astle; Bangs, 1998).

Two further items that Bangs (1998) asserts as necessary parts of the business plan of all new business ventures are reasons why the business will succeed and an explanation of the experience the entrepreneur has in this business. It is important that the entrepreneur know the technicalities of the industry and the business. With new businesses having a 90-95% failure rate these two issues are important and should be

carefully considered (Delaney, 1984).

According to Abrams (1991) the business description section should also contain the business' objectives and the mission statement. Establishing the objectives and mission should help define the goals of the business and maintain a continual focus. The mission statement is useful in deciding what the company's business philosophy will be. These two components should be the guiding forces of all business conducted and provide focus where there is ambiguity.

Industry Analysis

An industry analysis is defined as, "a study of the set of characteristics that define and influence a group of primary and secondary businesses supplying a related product or service" (DeThomas & Fredenberger, 1995, p. 45). A product or service cannot exist on its own and is generally a part of a larger industry. An industry consists of all companies producing and supplying similar products or services, other businesses closely related to that product or service, and complementary firms such as suppliers and distributors (Abrams; DeThomas & Fredenberger). The industry is a part of the external environment, which the business owner has little control over, and it greatly affects the business (Siegel et al., 1987). It is crucial that the entrepreneur be aware of forces that affect the industry because this in turn affects business (DeThomas & Fredenberger).

The industry analysis should contain a description of the major characteristics that define the industry. Included in this should be information on all products and services provided, the major competitors in the industry, demographics of the industry's major

customers and the range and geography of its market (Arkebauer, 1995; DeThomas & Fredenberger, 1995). Also included in the industry analysis are descriptions of the economic, competitive, social, legal, and political factors that influence the industry, and those from this list that will have direct impact on the firm's performance (DeThomas & Fredenberger). Further, the industry analysis should contain a historical analysis of the sales and profit trends of the industry being researched. In addition to the historical factors, the projected future outlook of the industry should be taken into consideration and explained (Arkebauer, DeThomas & Fredenberger). An evaluation of the opportunities that exist for the company in its particular industry should also be evaluated during this portion of the business plan (DeThomas & Fredenberger).

DeThomas and Fredenberger (1995) describe six sections that should be included when preparing an industry analysis. These sections include: 1) an industry analysis summary, 2) an industry description, 3) industry suppliers, customers and distributors, 4) the competition, 5) the industry's past performance and future outlook, and 6) strategic opportunities and potential problems within the industry.

The first and most significant of the six steps, is a summary of the most important aspects of the industry analysis. This first portion is optional and only needs to be done if the business plan is going to be presented to outsiders. This should only contain the necessary information and can generally be written concisely in one paragraph.

The industry analysis should also contain an industry description (Arkebauer, 1995; DeThomas & Fredenberger, 1995; West, 1988). The description should delineate the economic sector of the business, establishing whether the business is manufacturing,

merchandising, or service. The industry classification, which is a segment of the economic sectors, such as retail or industrial, should also be clarified in this section (DeThomas & Fredenberger). The description should also include the geographical boundaries of the industry and the industry's current maturity rate. There are four phases of an industry's lifecycle: These stages are introduction, growth, maturity, and decline (Abrams, 1991; Bangs, 1998; Stotlar, 1993). It is crucial to know the current stage of the business when planning to enter the industry.

The industry suppliers, customers and distributors should also be addressed in the industry analysis (Arkebauer, 1995; DeThomas & Fredenberger, 1995). The suppliers must be examined in terms of cost and product availability. A potential investor who sees that supplies are minimal and difficult to get will be less inclined to invest in this particular company. Distribution should be examined for its cost effectiveness and customer exposure (DeThomas & Fredenberger). Potential customers should be analyzed in terms of why they buy into the product or service. The initial methods used by the industry to draw in customers and the stability of the customer base should also be taken into account (Bangs, 1998; DeThomas & Fredenberger).

The competition is another important factor to address in the industry analysis. While the competition is discussed in further detail in the marketing section of the business plan, it is important to express that the business owner is aware of the competition provided by other industries (Arkebauer, 1995; DeThomas & Fredenberger, 1995). There are two types of competition: 1) direct competition – which relates to two products being interchangeable, such as Pepsi and Coke, and 2) indirect competition –

which relates to products or services that can be substituted for one another such as attending a movie or attending a baseball game (Abrams, 1991; Bangs, 1998; DeThomas & Fredenberger; Stotlar, 1993). The entrepreneur, regardless of the fact that the company has the potential to be the best in the industry, must acknowledge the competition. It can be stated that the product or service will be the superior choice, but this must be supported by rationale.

The industry's past performance and future outlook should also be included in the industry analysis (DeThomas & Fredenberger, 1995). The past or historical section should include such items as Gross National Product (GNP) growth rate compared to the industry's growth rate, sales revenue, past year's profits, workers employed and customers served. It is also important in this section to identify industry trend patterns, such as seasonal business. The outlook and rationale for growth should also be evaluated in this section. It is important to note why the industry will grow; simply stating that an industry will grow is not enough information for an investor to make a decision.

The final phase of the industry analysis should evaluate the strategic opportunities in the industry. Some examples of such strategies are creating a new product, meeting an unfilled need, or developing a lower priced product or service (McLaughlin, 1985; Mullin, Hardy & Sutton, 1993; Pitts & Stotlar, 1996; Shilbury, Quick & Westerbeek, 1998). Again, the rationale for the particular strategy used and why the entrepreneur believes it will work must be explained. DeThomas and Fredenberger (1995) also suggest that the possibilities of failure be disclosed in this section. Potential problems and how the entrepreneur plans to deal with these should be identified as well.

The industry analysis, because it contains external factors, is constantly changing. The entrepreneur must stay current with industry trends. The business plan must also be constantly updated and altered to keep up with changes in the particular industry.

Target Market

The next phase of the business plan should identify the target market. It must not be assumed that a market exists, which is why it is important to research the market. Often the target market is not established early in the planning phases and this creates more work when the planner gets to the marketing portion of the business plan. The target market must be defined in order to know the market and better advertise and promote the product or service (Abrams, 1991; DeThomas & Fredenberger 1995; Gumpert, 1996; Linneman & Stanton, 1991). The particular markets which the entrepreneur wants to reach must be firmly established and well defined. Niche marketing, focusing on a specific segment of the market, has become the trend in marketing (Linnemen & Stanton; Pitts & Stotlar, 1996; Shank, 1999). Niche marketing is more specialized than mass marketing and is seen as a more efficient marketing tactic.

There are three main points to consider when defining the target market (Abrams, 1991). The target market should be definable and measurable. There should be specific characteristics which are identifiable and measurable that the potential target market has in common (Abrams; Bowersox & Cooper, 1992; DeThomas & Fredenberger, 1995; Shank, 1999). Another factor to consider when defining the target market is the size of the market. The market should be big enough to potentially have a sufficient amount of

customers to make a profit (Abrams; DeThomas & Fredenberger; Pitts & Stotlar, 1996; Shank). When discussing the size of the market, potential market growth should also be included (Mullin et al., 1993; Shank). Finally, the target market must be accessible. The marketer should have a way to reach and communicate with the target market (DeThomas & Fredenberger; Shank). Some other important factors of the market to consider are demographics, geographics, lifestyle, behavior, and attitudes (Abrams; Mullin et al.; Shank). Once all of the definitions of the target market have been established, the size of the market and the market trends must be evaluated.

Marketing Plan

The marketing plan is designed to send a particular message to consumers in order to reach, influence and motivate them to buy a specific product or service (Abrams, 1991; DeThomas & Fredenberger, 1995). Every company sends a message in its marketing, whether it is a direct or indirect message. Marketing has been shown to be one of the most critical components of a company's success (Siegel et al., 1987).

A marketing plan should consist of the following: 1) a market definition and opportunity, 2) competition and other influences, 3) the marketing strategy and objectives, 4) market research and 5) implementation of the plan (Abrams, 1991; DeThomas & Fredenberger, 1995; Pitts & Stotlar, 1996). When defining the market, a general background of the industry should briefly be established. After defining the market, target markets should be analyzed in terms of demographics, psychographics and geographics (DeThomas & Fredenberger; Shank, 1999).

Competition is a factor which will be present for any successful business. Shank defines competition as, "the attempt all organizations make to serve similar customers" (Shank, 1999, p. 66). It is important that the company not only be aware of its current competitors but also be aware of what the future sources of competition may be. The degrees of competition both current and future should also be mentioned. Both direct and indirect competition should be analyzed and included in the marketing plan (Abrams, 1991; Pitts & Stotlar, 1996; Shank; Siegel et al., 1987).

The marketing strategy should be based on goals that have been established by the organization (DeThomas & Fredenberger, 1995). There are four marketing strategies that can be utilized. The first of those strategies is new market penetration; The goal of the business using this strategy is to bring in new customers to the business, or have the current customers purchase the product or service at a higher rate (Stotlar, 1993). The second strategy is market expansion, which can be a difficult strategy to implement because the business must attract new customers (Mullin et al., 1993; Shank, 1999). The goal of market expansion is to increase the amount of products or services being sold by selling to a new market. This strategy is generally costly because it requires a great deal of promotions. The next strategy is product development. The goal of this strategy is to increase the number of products offered to the current customers. The final strategy is diversification, which is creating new products for new customers (Stotlar, 1993).

In order to implement these strategies the 4 P's of marketing - product, price, place, and promotion - are often used (Pitts & Stotlar, 1996; Shank, 1999; Stotlar, 1993). The first of those is the product, which can be put in two categories, either the core

product or product extensions (Shilbury, Quick & Westerbeek, 1998; Stotlar). The core product is the main item or service which is being marketed. An example of this is an athletic event where the actual event or game is the core product and the concessions and team souvenirs are product extensions.

The second of the 4 P's is price. The price can be set at different levels in order to accomplish various goals. For example, a price must at least cover costs and create a break-even situation. Typically, a mark-up will also be charged to make the desired profit. Price can also be set to portray different images and appeal to different markets (Shilbury et al., 1998; Stotlar, 1993). For example, a brand name, which wants to appeal to the upper class market will charge a high price for the product.

The third P is for place or distribution. All products and services must be made accessible to the consumer. Distribution is how the products are made accessible to the consumer such as through manufacturers, wholesale, or retail. Place refers to where the consumer can purchase the product or service. The location should be convenient for the target market and be in an area which corresponds with the image trying to be portrayed (Shank, 1999). According to Bowersox and Cooper (1992) the location of the company is the most critical factor in the marketing mix because once a site is chosen it is difficult to relocate. The distribution channels chosen will vary depending on the product or service (Pitts & Stotlar, 1996).

Promotion is often the P which the general public most frequently associates with marketing (Pitts & Stotlar, 1996). Promotions consist of the various ways by which the consumer is reached. The various methods of promotion are brochures, print media,

broadcast media, direct mail, public relations, advertising, sampling and informal networking (Abrams, 1991; Pitts & Stotlar; Shank, 1999). It is important that all promotions conducted fit the image trying to be portrayed. Pitts and Stotlar suggest that one method or multiple methods of promotions be implemented, whereas Abrams highly suggests that more than one method of promoting be utilized. Further, promotions should be repeated because it generally takes many exposures to gain the attention of potential consumers and attract new customers (Abrams, Shank). Finally, it is suggested that the marketing plan be within the budget of the company (Abrams).

When conducting any marketing program it is important to first conduct marketing research. The first type of research is conducted by the company itself and is called primary research. Primary research is conducted by the business for its own purposes and can be conducted by a direct mail survey, phone interviews, or personal interviews (Pitts & Stotlar, 1996; Shank, 1999; Shilbury et al., 1998). The other type of research is secondary research. This type of research is conducted by someone outside of the organization for purposes unrelated to the business (Shank; Stotlar, 1993). Secondary research statistics can be found in government reports and documents, books, and journals. An example of secondary research that can be used for marketing purposes is the United States Census.

Management and Organizational Plan

The management plan focuses primarily on the people who will be involved in the company with the main concern being those people on the management team. Investors often make their decisions based upon the experience of the management, so it is

important to include relevant experience of the managers during this portion of the plan (Astle, 1991; DeThomas & Young, 1995). There are two main areas of focus in the management section of the business plan. These sections are: (a) the management structure and style, and (b) the people who will be running the business (Abrams, 1991; Astle; Siegel et al., 1987).

When describing the management team, it is best to include assessments of their experiences, achievements, education, strengths and weaknesses (Abrams, 1991; Siegel et al. 1987). The key people to describe should include the board of directors, consultants, active investors, and key management people. The primary focus should remain on those people who will have responsibility for the future success of the company.

This portion of the business plan must also contain the management structure and style which will be utilized (Astle, 1995; DeThomas & Fredenberger, 1995). An organizational chart will be helpful in this area to show the relationships and divisions of responsibility. The management style or philosophy will be important in structuring the organizational culture of the company. Management issues of concern include but are not limited to policies, communication, and fairness (Abrams, 1991). This section includes strategies for motivating, rewarding and disciplining employees. The ultimate decision-maker and the decision making processes should also be included in this section. For example, the plan should illustrate if decisions will be made on a consensus or by a more autocratic approach.

The management plan is an important portion of the plan to show possible

investors that there is a sound management group with the necessary education and experience to make the company a success. The people are a very important component of the business and they will be closely scrutinized by investors. According to Abrams (1991) and McLaughlin (1985) the people involved in the business are far more important to the investors than even the product or service.

Development Plan

The development plan is an important part of the business plan because investors want to know where the venture is headed in the future (DeThomas & Fredenberger, 1995). In this portion of the plan there are three basic areas that should be evaluated: goals, milestones, and risks (Abrams, 1991; Siegel et al., 1987).

The goals established by the entrepreneur should be realistic, attainable, and measurable. The goals should be set according to the vision of the company. Abrams (1991) lists different visions, which can be pursued by the entrepreneur, based on the goals for the company. One vision explained by Abrams is to be a steady provider in the industry. The goal of the entrepreneur with this vision is to maintain a consistent level of profit to obtain a reasonable amount of income. This goal is slightly different from the company who, by producing different products and being dedicated to quality vision, wants to be the innovator and quality leader. Another possible goal of an entrepreneur is to be the market leader. The market leader is the company that is well known in the industry and leads the market in terms of sales and profits.

When setting goals the entrepreneur must establish a method to reach these goals.

A goal will not be achieved without a strategic plan. Some of the business strategies suggested by Abrams (1991) are to penetrate the market, conduct further promotions and advertisements and add new products or services to what is already being offered. These strategies are generally used once the company is established and in business for a period of time.

Milestones are critical components of the business venture: what the milestones are and when they could conceivably occur are discussed in the development plan. This process assists the entrepreneur by putting things into a time frame that creates a schedule and a means to measure progress. Major milestones will vary for different businesses based upon the industry and its priorities (DeThomas & Fredenberger, 1995; Siegel et al., 1987). When putting together schedules for milestone accomplishments, Siegel et al. and Abrams (1991) suggest that an entrepreneur remember that most things will take longer than anticipated. They also suggest that each aspect of the plan be given an adequate amount of time to be completed. Further, they recommend creating a schedule that is challenging but attainable. Their final suggestion is to have clearly defined milestones so that they can be measured and in some situations quantified.

The final element to be included in this section is the evaluation of risks (Abrams, 1991; Brooks & Stevens, 1987; DeThomas & Fredenberger, 1995; McLaughlin, 1985; Siegel et al., 1987). Investors are aware that all business ventures contain risks of some sort. It should be made clear to the investor that the entrepreneur is aware of the potential risks and problems that may occur. The entrepreneur's plans to handle these risks and problems should be included as well.

Financial Plan

The financial portion of the paper will consist mainly of anticipated projections of profit and expenses. It is advised by Abrams (1991) and West (1988) that entrepreneurs be aware of their financial status at all times. It is important to hire someone to manage the finances; however, the business owner should be aware of how the finances are being managed in order to have better control of the company.

“The purpose of the financial section is to formulate a credible, comprehensive set of projections reflecting the company’s anticipated financial performance” (Siegel et al., 1987 p. 135). This is the only section of the business plan that deals solely with the bottom line. This portion of the business plan serves as a significant indicator of the potential financial success of the business. Abrams (1991) suggests that the business owner be conservative, honest, and consistent when writing the financial portion of the business plan. She also suggests that practices used in the industry be followed, and recommends that all the information be kept direct and simple. This portion is of paramount interest to investors, lenders, and entrepreneurs.

In a new venture the financial information will represent only projections and will be based on the following guidelines. When doing the financial plan Siegel et al. (1987) and West (1988) suggest that close attention be paid to detail. It is important that the entrepreneur use reliable sources to obtain valid data, which will make a difference in the accuracy of the projections. Further, everything in the financial plan must be explainable (Abrams, 1991; DeThomas & Fredenberger, 1995). Siegel et al. also suggests that when presenting the finances based on research, more than one scenario should be included. If

a worst and best case scenario is conducted, they will give the entrepreneur and investors a frame of reference to work within. Siegel et al. recommends that the financial plan constantly be reviewed and updated. This is particularly important when an entrepreneur is trying to receive funding. Finally, Abrams (1991), Arkebauer (1995) and Siegel et al. suggest that the financial plan be consistent with the rest of the business plan. All expenses discussed throughout the business plan must be included in the financial plan. If this is not done, the entrepreneur may come across as careless or uneducated regarding business practices.

There are five components which should be included in the financial plan (Siegel et al., 1987). The first item that should be included is the set of assumptions on which the projections are based. The set of assumptions should be presented in a clear and concise manner. These assumptions are a crucial part of the financial plan, because the remainder of the financial plan is based around them, and without them the numbers are meaningless (Siegel et al.).

Projected income statements should also be included and are generally presented for the first five years (a minimum of three years) (Abrams, 1991; DeThomas & Fredenberger, 1995; Siegel et al., 1987). The income statements for the first two years should be presented on a quarterly basis, and the following three years should be presented quarterly or annually (McLaughlin, 1985). In addition, for the first two years, a projected cash-flow statement should be developed in fine detail. The cash flow statement should identify how much money the company needs, when it needs it and where it will come from (McLaughlin). For the third through fifth years, the cash-flow

statement can be presented quarterly or annually corresponding with the income statements (McLaughlin; Siegel et al.).

A current balance sheet should also be included in the financial plan (McLaughlin, 1985; Siegel et al. 1987). The balance sheet should reflect the company's financial status at the start of the business for new ventures. New ventures should also include a projected year-end balance sheet for at least three years. In addition to the aforementioned financial projections, there are some projections which may be helpful but are not necessary in the financial plan. An example is a break-even analysis, which shows how much money must be earned to cover expenses. If the financial plan is put together and used properly, it may serve in the future as an operating budget (Siegel et al.).

Summary

The purpose of a business plan is to have an outline which will assist in the initial operations of a business or assist in the expansion phases of a business. The business plan should list and address all contingencies related to the business venture. The components that should be included in a business plan are: basic information about the business concepts, the industry at large, marketing information, management information and projected financial statements. The business plan must be organized and written according to the intended audience. Finally, the potential success of the business venture should be conveyed to the reader through the business plan.

Chapter 3

BUSINESS PLAN

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Executive Summary

The Auzica Aquatic Center [AAC] will be a privately owned and operated swim school in Morgan Hill. It will be an indoor facility offering year round aquatic programming. The AAC plans to begin operations in September 2001.

The AAC will have a high probability of success because:

- There are no indoor aquatic facilities in Morgan Hill or the South San Jose area
- There are a limited number of outdoor pools (1) offering swim lessons in Morgan Hill
- The owner has experienced a great deal of success in directing aquatic programs
- Expected population increase in the immediate areas surrounding the pool's location will provide additional customers

The objectives of the AAC will be:

1. To offer the highest quality swim lesson program in the area
2. To make the aquatic environment accessible and inviting to people of all skill levels and ages
3. To offer a variety of programs to suit children, adolescents, adults and older adults, including those individuals with disabilities
4. To keep a safe and clean environment at all times
5. To hire only those individuals with proper training, experience, and standards

The mission of the AAC:

To offer an aquatics program of exceptional quality, emphasizing a fun and safe atmosphere where safety and customer service will be of the highest standards.

Projected Financial Performance (Profit After Taxes)

Year	2001	2002	2003	2004	2005
Revenue	\$50,896	\$306,530	\$613,060	\$919,590	\$1,226,120
Expenses	\$254,647	\$425,174	\$475,146	\$528,706	\$580,348
Profit	(\$203,751)	(\$118,644)	\$91,989	\$260,720	\$430,730

Business Description

The Auzica Aquatic Center [AAC], a development-stage company, offering swim lessons to youths and adults will begin operations in September 2001. The AAC will be located at 1234 Cochrane Boulevard in Morgan Hill, California. The AAC will be a sole proprietorship and will be owned and operated by Stacie Lonaker.

This business will be a start-up company, meaning it is in its early stages with a developed product but little more (Abrams, 1991). The core product will be swim lessons for youths and adults with the extension products being aqua aerobics and aquatic therapy. Additional extension products, which will be introduced as demand is recognized, will be a pre-competitive swim program, water polo instruction, and a junior lifeguard program. There is also a possibility of selling swimming gear such as caps, goggles, and kickboards.

The AAC pool will be a 75ft. X 36ft. indoor pool within a 7,600sq.ft. building. The AAC will have a registration area, an office and changing facilities. The pool will be 3 ft. deep in the shallow end and increase to 6 ft. in the deep end. The pool will also have a 2 ½ ft. deep wading area. [Appendix A]. Furthermore, the pool will be equipped with a hydraulic lift for people unable to enter the pool on their own.

The quality and temperature of the air and water in an indoor pool must be taken into consideration. The pool temperature will be kept between 85 and 88 F. It is advised that the air temperature be kept at 2 to 7 F higher than the water temperature (Pollino, 1999). Proper ventilation systems were discussed with the construction company and are included in the estimate.

The AAC will begin operations in September 2001. According to Patricia Hall (personal communication, October 16, 2000), aquatics director for the City of San Jose, "Many parents inquire about lessons extending into the fall." The City of San Jose operates eleven pools for eight weeks during the summer months where approximately 7,000 children participate in swim lessons; however, the City does not operate, nor plan to operate in the future, a year-round swim program. Diane Suchomel, previous board member of the Morgan Hill Makos Swim Club, also receives calls throughout the fall and winter about potential swim lessons. The fall opening would be a good opportunity for summer swim lesson participants to continue their lessons.

The pool will operate on a year-round basis with swim lessons being offered six days per week. There will be a two-week winter break in December and a one-week break for cleaning and maintenance between the summer and fall sessions [Appendix B]. During the fall, winter and spring, the swim lessons will operate on an eight-week basis and participants can sign up for one or two classes per week. Due to differing schedules and family vacations during the summer months, June – August, the summer sessions will operate daily on a two-week basis.

This business will offer a high quality swim instruction program with an emphasis on customer service. The student/teacher ratio for the youth swim lessons will be kept low at four students to one teacher. The AAC will serve all populations, who want to learn to swim, including those individuals with disabilities. All staff members will be trained in the basic needs of individuals with disabilities.

The owner has an aquatics background in swimming instruction as well as in

aquatic program management. She has over twelve years experience teaching swimming to people of various levels and ages and over eight years of experience directing aquatic programs. She has a B.S. and an M.A. in Kinesiology with an emphasis in Sport Management, and she has worked within various areas of aquatics including instruction, aqua fitness, competition and water polo. Moreover, the owner has worked within public and private swim schools.

The main objectives of the Auzica Aquatic Center shall be:

1. To offer the highest quality swim lesson program in the area
2. To make the aquatic environment accessible and inviting to people of all skill levels and ages
3. To offer a variety of programs to suit children, adolescents, adults and older adults, including those individuals with disabilities
4. To keep a safe and clean environment at all times
5. To hire only those individuals with proper training, experience, and standards

The mission statement of the AAC will be, "To offer an aquatics program of exceptional quality, emphasizing a fun and safe atmosphere where safety and customer service will be of the highest standards."

Industry Analysis

The aquatics industry encompasses and includes all companies and organizations whose products or services are directly related to quality controlled water (Naditz, 2000). The industry includes public and privately operated aquatic programs which include, but are not limited to, swim lessons, aqua fitness, recreational swimming and other lesson programs conducted in swimming pools. The aquatics industry also includes the various competitive aquatic bodies such as United States swimming, diving, water polo and synchronized swimming. Organizations that sell aquatic related products and apparel are also a part of the aquatics industry. The industry analysis will focus mainly on the segment of the industry that deals with participation in aquatic programs.

Trends in Aquatics

Participation in aquatic activities has increased dramatically over the past ten years (Naditz, 2000; YMCA Lifeguard Manual, 1997). Although the aquatics industry does not keep official statistics, they do receive them from other national organizations such as the American Red Cross [ARC]. In 1999, the ARC reported that 2.55 million children went through their learn-to-swim program, an increase of 26.2 percent since 1991. U.S. Swimming, the governing body of competitive swimming, has experienced a 40.3 percent increase in membership over the past ten years. U.S. Masters Swimming, competitive swimming for those over 18 years old, has seen a 26.4 percent increase in their membership from 1989-1999 (Naditz).

One main reason reported by Naditz (2000) for the increase in participation is simply the growth in population. According to an industry report, another reason people are participating in aquatic activities is the same reason more people are participating in outdoor activities in general: There is a growing concern about health and fitness throughout the nation (Naditz). Adults are becoming more concerned about their health and the health of their children. The growing population of older adults with more leisure time and money has also contributed to the increase in participation in aquatics programs, particularly aquatic exercise programs. According to Laura Slane, YMCA National Aquatics Director, the popularity of aquatic exercise classes has increased tremendously with changing demographics (Naditz).

The rise in the number of people participating in aquatic activities can also be linked to factors such as an increase in leisure time and discretionary dollars. According to Naditz (2000), individuals with higher incomes are more likely to engage in aquatic activities. There has been an increase in the amount of public pools and water parks, which has also had an impact on participation rates. The increase in individuals participating in competitive swimming can be linked to an increase in intercollegiate swimming programs for female athletes. Over the past ten years, 69 universities have added women's swimming to their list of intercollegiate sports (K. Potts, NCAA Administrator, personal communication, November 27, 2000). Water-polo has also had an increase in participants due to the number of women now participating in the sport. Furthermore, the number of high school and intercollegiate water-polo teams for women has increased rapidly over the past five years (K. Johnson, Administrative Assistant

Central Coast Section High School Federation, personal communication, December 11, 2000). Women's water-polo made its Olympic debut in 2000. Participation in triathlons and open water swims has also increased over the past decade (Van-Atten, 1994). In the year 2000, men's and women's triathlons became an official Olympic event for the first time.

According to John Spannuth, president of the U.S. Water Fitness Association, "the public pool industry isn't ready for the increased demand by water-users, the existing pools will have problems accommodating the loads of people who wish to use them. There is a great future ahead for swimming once the industry gets itself organized" (Naditz, 2000, p. 41). Public pools, which are owned and operated by cities, are the largest percentage of pools in operation. If the public pools are unable to meet community demand, private programs may have a competitive advantage. Les Kowalsky, chief executive officer of the National Swimming Pool Foundation, stated that the aquatics industry will continue to grow consistently unless something unexpected happens with population growth (Naditz).

Competition

The industry consists of different organizations such as YMCAs, city operated swim lessons, Red Cross programs, health club swim classes, and private swim schools. All offer similar programs and compete against each other. The indirect competitors of the aquatics industry are other outdoor recreational activities such as walking, fishing, bicycling, and hiking (Naditz, 2000). Other competitors of swim instruction programs

may include other youth or adult sport leagues such as baseball and soccer, dance lessons, scouts, and other popular children's activities. The AAC will be a private swim school with a high probability of success in the aquatics industry because it will meet an unfilled need. The AAC will be located in an area where there are currently no indoor pools with year-round programming.

Potential Problems

A major problem the aquatics industry is facing is the lack of qualified staff (Sklar, 2000). Some facilities have had to shorten seasons or shorten operating hours because there simply are not enough lifeguards and swim instructors to fill shifts. The largest percentage of lifeguards and swim instructors is between 15 and 17 years old. Lengthy and costly trainings and certifications are often required before an individual is qualified to be hired for a swim instructor or lifeguard position – which usually pays near or just above minimum wage. According to Sklar, the ideal situation would be to hire older, more responsible individuals and pay higher wages; however, this is not happening. Lifeguard and swim instructor positions are not as attractive to older individuals when they can go elsewhere with fewer certifications and earn a higher salary. In order to try to make the jobs more attractive, many organizations are beginning to offer their employees in-house training at little to no cost.

The AAC plans to draw the majority of its employees from Gavilan Community College, which has two campuses, Morgan Hill and Gilroy. According to Patricia Hall, the City of San Jose Aquatics Department employs a number of individuals from the

Morgan Hill area because there are a limited amount of swim instructor positions available in Morgan Hill. College aged employees will be preferred; however, if necessary, employees may also be drawn from the local high school. The owner realizes that employees are just as important as customers and will approach all employment issues with this in mind.

Another potential problem facing the industry is that the rise in participation in aquatic activities increases the possibility of water related accidents. Aquatic managers will need to pay closer attention to safety and the safety training of their staff. According to a study conducted by Leland Yarger, aquatic managers often lack a great deal of training in the safety aspect of the job (Blackburn, 2000). Yarger found that many aquatic facility managers are hired for their administrative skills rather than their aquatic skills. The shortage of qualified staff and the increase in participants can combine to create potential safety issues which must be a priority for aquatic facility managers.

Marketing Plan

The primary target market of the AAC will be families living in Morgan Hill. The secondary markets will be families in South San Jose, individuals with disabilities and those individuals who have recently completed a rehabilitation program. The primary and secondary target markets will consist of those families living within the boundaries of the Morgan Hill School District [MHUSD] and the Oak Grove School District [OGSD]. The combined total elementary school students (grades K-6) within the two districts is 16,809. While the OGSD is experiencing a slight decline in number of students, the MHUSD has been experiencing rapid growth over the past two years.

The City of Morgan Hill plans to build a new high school within the next few years to accommodate the growth that is occurring now and that is projected to continue over the next decade (Rodebaugh,2000; www.mhu.k12.ca.us/sections%20covers/4.0%.html). The population of Morgan Hill is expected to increase by 44% by 2015 (www.garlic.com/mhcc/ecoprof.htm). The population of San Jose is expected to continue to increase slightly but at a slower rate than it has been for the past five years. Businesses have been choosing to build in Morgan Hill because of the availability of affordable land and the reasonable price of real estate. Cisco Systems, a large networking company, has plans to build a campus in the unincorporated area between South San Jose and Morgan Hill – known as the “Coyote Valley Green Belt Area.” Although there has been opposition to building a Cisco campus, if it is built, it will create 20,000 new jobs in the area which will lead to an increase in the population in the surrounding areas (Bjorhus,

2000; Kaplan, 2000; Witt, 2000).

The major direct competition for the AAC will come during the summer, June – August, when outdoor pools in the area are operating swim lesson programs. The South Valley YMCA in San Jose, and the Mount Madonna YMCA in Morgan Hill, which are about fifteen and four miles respectively from the proposed sight of the AAC, offer swim lessons during the summer. The South Valley YMCA operates a swim lesson program on site, and the Mount Madonna YMCA operates a swim program at Britton Middle School. The majority of summer swim lesson programs operate for approximately eight weeks from mid-June through mid-August.

Neighborhood pools may also create competition for the AAC during the summer months. There are no indoor pools in the South San Jose / Morgan Hill area. Neither the City of Morgan Hill nor the City of San Jose has immediate plans to build an indoor pool. The City of Morgan Hill is discussing building an outdoor aquatic center that may create competition during the summer; however, these plans have not yet been approved. The YMCA is in the process of building two new indoor pools: one in East San Jose and the other in Cupertino. Although there are currently no plans to build an indoor pool at the YMCA in Morgan Hill, there is a chance that one may be built in the future, which could potentially lead to a future source of competition.

Indirect competition for the AAC will be other recreational sports and activities. Some of the competitors will be youth soccer, baseball leagues, dance lessons, music lessons, scouts, and other popular children's activities. However, children can and do participate in multiple activities, so parents may choose to enroll their children in these

activities along with swim lessons. The competitive advantage a swim lesson has over other children's activities is that learning to swim is often seen as a necessity for safety reasons, whereas the other activities mentioned are primarily learned for recreational purposes.

The marketing strategy that initially will be utilized is new market penetration to bring in new customers. Once the business has started, the marketing strategy will place an emphasis upon customer retention. The core product will be youth and adult swim lessons. The extension products will include aqua aerobics and aquatics therapy. Potential future extension products are water-polo and a pre-competitive swimming group. The price of the lessons will be set comparable to the prices of lessons at the private indoor pools offering a similar service in San Jose. The price of a half-hour swim lesson at the AAC is based on the prices charged by the AVAC and DACA swim schools [See Table 1]. This price is slightly higher than the average cost of a group swim lesson run by a YMCA or a city run program. The price for a half-hour private lesson is based on the rates being charged at DACA swim school and the Central YMCA in San Jose. There will be an additional annual registration fee of \$10.00 per student. Group lessons will operate on an eight-week basis during the fall, winter and spring, and participants will have the option of attending one or two lessons per week. The summer sessions will operate daily on a two-week basis. The cost for one session is shown in Table 2. Private lessons will also be priced for eight weeks in the fall, winter, spring, and for two weeks in the summer.

Table 1
Competitive Price Analysis Per Lesson

	AVAC	City of San Jose	DACA	YMCA	AAC
30-minute group lesson	\$11.00	\$6.00	\$10.50	\$7.50	\$11.00
30-minute private lesson	\$30.00	N/A	\$40.00	\$23.00	\$30.00
Annual Registration Fee	\$10.00	N/A	\$10.00	\$30.00	\$10.00

Table 2
Cost Per Session

SERVICE	COST
Group Lessons	
8-week session: 1 lesson / week (8 lessons)	\$88.00
8-week session: 2 lessons / week (16 lessons)	\$176.00
2-week Summer Session (10 lessons)	\$110.00
Private Lessons	
8-week session (8 lessons)	\$240.00
2-week summer session (10 lessons)	\$300.00

The AAC will be located in Morgan Hill on Cochrane Boulevard to the west of Highway 101. Morgan Hill was chosen as the location because of the availability of reasonably priced commercial land and also because of the projected growth in Morgan Hill. North Morgan Hill was selected because of its proximity to South San Jose, which is the secondary target market of the AAC. The specific location of the AAC was chosen because there are currently new single family homes being built, and a new development of restaurants and grocery stores has recently opened within a half mile of the proposed site. The location was also chosen because of the visibility of the AAC while driving on Cochrane Boulevard, which is a major thoroughfare of Morgan Hill.

Initial promotions prior to the opening of the AAC will consist of direct mail,

brochures and advertising. A direct mailing of informational post cards will be sent to the homes of people living in the following zip codes: 95037, 95119, 95139, and 95138. The post cards will have general information on them such as: the name of the company, address, phone number, the programs which will be offered, dates and times of lessons, and how and where to register for classes. The post cards will be mailed out during July and August to give parents a sufficient amount of time to plan swim lessons into their fall schedules. Brochures, with similar information to the post cards, will be distributed to dance schools, gyms, pre-schools and day care centers in Morgan Hill. Brochures will also be sent to the Oak Grove and Morgan Hill school districts to be distributed to parents at the end of the school year in June and again at the start of the school year in September. The aqua aerobics classes will be promoted by placing brochures at local gyms, churches and senior centers. The aquatic therapy program will be promoted through local hospitals and rehabilitation clinics. Adult swim lessons, private swim lessons and aqua aerobics will also be promoted at local businesses and corporations.

Advertisements for the AAC will be placed in two local newspapers, the Santa Teresa Times and the Morgan Hill Times, which have a combined circulation of 10,700 households. An additional advertisement will be placed in the Bay Area Parent Magazine which is circulated throughout five counties including Santa Clara County. Initial advertising will begin to run approximately twelve weeks prior to the opening of the AAC. Advertisements will appear in the mentioned publications at least once per week prior to opening and throughout the first year of operation. AAC will also have a listing with a small advertisement in the Yellow Pages.

In addition to printed materials, a web site will be posted to create further awareness of the AAC. The web site will consist of information regarding the programs and philosophy of the AAC. A contact phone number and e-mail address will be available; however, registration will not be taken over the Internet.

A grand opening registration day will be planned approximately three weeks prior to beginning operations to allow the community to view the pool and sign up for swim lessons. The primary target market will receive invitations via mail to the grand opening day. Once operations have begun, the AAC will continue to advertise but will rely heavily on word of mouth. [The majority of swim programs including the YMCA programs and privately operated programs conduct initial advertisements and then rely on word of mouth; some rely solely on this once their program has been established.]

Once the AAC begins operations, all participants who sign up for lessons will be asked where they heard about the swim school. This information will be helpful in deciding which advertisements will be continued and which will not. The participant's address will also be of interest, for marketing purposes, to keep track of where the majority of the customers live.

Management & Organizational Plan

This section of the business plan is to outline the key management personnel, who will be involved during the inception of the company.

Management

The AAC will be owned and operated by Stacie Lonaker, a graduate of San Jose State University with a B.S. and an M.A. in Sport Management. Her depth of experience in aquatics as well as her passion for the industry make her uniquely qualified to operate a swim school. She has experience in various areas of aquatics including: swim instruction, competitive swimming, water-polo, aqua aerobics, and overall program management. Her aquatics career began as a swim instructor for the Central YMCA where she quickly advanced to the position of aquatics coordinator. In this position, she assisted with the creation of a summer swim program at a local high school. As the aquatics coordinator, she assisted in the overall management of four pools. The next position, which she held for three years, was Aquatics Director with the Los Gatos Recreation Department (Red Cross Program). While managing the Los Gatos Recreation Department Aquatics program, she implemented additional programs to expand the market base to include teens and adults, and she improved the participant registration by streamlining the process. Both modifications resulted in an increase in participation and profit by 75 %. More recently, while completing an internship in Australia with Swimming Victoria – state branch of Australian Swimming – she was invited to work at two different private swim schools where her duties included: teaching swim lessons,

coaching a youth swim team, training new employees and program management in the absence of the owner. Her strengths include staff training, customer service, and program enhancement. Currently, she operates a successful small business where she teaches private swim lessons to individuals at private businesses and homes. She has limited experience in accounting, marketing, and management information systems, so she will initially hire outside consultants for assistance.

Business Advisors

The Auzica Aquatic Center will be advised by the following professionals:

Accounting

Len Bryant received a B.A. in Business / Accounting from San Jose State University.

Bryant is a certified public accountant and financial advisor, who has owned and operated an accounting firm for 22 years.

Marketing

John Kozak of Big Designs, who holds a bachelors degree in Marketing / Graphic Design from San Jose State University, will assist with the initial marketing, promotions and web design.

Coordinator

An aquatics coordinator whose specialty is adapted physical education or infant swimming will be hired to teach those programs as well as train other staff members.

Swim Instructors / Lifeguards

The swim instructors will be a vital component to the success of the AAC. The staff will predominantly be recruited from both Gavilan Community College campuses, Morgan Hill and Gilroy. There will be approximately fifteen swim instructors on staff during the fall, winter and spring, and twenty will be employed during the summer. The number of swim instructors will depend on the amount of hours each staff member chooses to work.

Interns

Internships will be offered, on a yearly basis, for those individuals studying adapted physical education or sport management. San Jose State University offers the noted programs and an internship is required for the completion of the degree. Responsibilities such as assisting with management or staff training will be given to these individuals.

Management Style

Decisions regarding the AAC will ultimately be made by the owner with the best interest of all employees and customers being taken into consideration. The staff will be managed initially by the owner and later possibly by shift managers. The management will operate based on the mission and objectives of the AAC. The owner of the AAC understands the importance of high quality customer service in the aquatics industry and will attempt to convey this importance to all employees. According to DeThomas and

Fredenberger (1995), employees are most influenced by the entrepreneur's actions. For example, if the entrepreneur has a customer-comes-first policy, the employees will adopt this behavior.

The owner knows the importance of hiring and retaining quality staff members and will strive to make the AAC a fun and rewarding (personally and financially) place to work. The majority of instructors will most likely be between the ages of 18-22 and will be students, so it will be important to be flexible with scheduling. The owner will work to create a family-like atmosphere where employees feel valued and supported.

Development Plan

The purpose of this portion of the business plan is to discuss the goals, milestones and risks of the business venture. The major goals and milestones of the AAC are directly related to the number of customers and profits. The major goal of the AAC during the first three years of business is to have a steady increase in the number of participants in both the youth and adult swim lesson program and the aqua fitness program. During the first year of business, the AAC's goal is to be operating the swim lesson and aqua fitness programs at no less than 25% of capacity. By the second year of business, the AAC expects to be operating at no less than 50% capacity. The AAC expects to be operating at full capacity by the fifth year of business.

During the first year of business the owner will track and evaluate participation numbers in each program during the different times of the day. If a program is unsuccessful, the owner will attempt to determine why and make modifications accordingly. By the end of the third year the owner plans to implement an introduction to water-polo class, a junior lifeguard class, and a pre-competitive swim program.

Once the program has stabilized and the AAC is in the expansion phase, the owner will consider adding corporate programs in the early morning and later evening hours. The owner will also consider having swim instructors teach lessons at off-site facilities such as corporations or private homes.

The major risk the AAC may face is that it will be open during the morning hours when enrollment may not reach its maximum operating potential. The morning and early

afternoon program will consist of lessons for pre-school aged children, who make up the largest percentage of beginning swimmers in a learn-to swim program. Parent-tot classes – where the parent enters the water with the child – will be offered for children from 6 months to 3 years. Children ages 3 to 5 will be able to sign up for a regular swim lesson. If the morning and early afternoon classes do not increase in participation, the owner will contact private day care centers, pre-schools, and elementary schools to see if they would be interested in transporting a group of children from their school to the AAC for a swim lesson during school hours. This is something the Central YMCA in San Jose is currently doing. The Central YMCA previously only offered this service to preschools and day camps during the summer months and then recently decided to try the program throughout the school year to maximize the use of their indoor pool during school hours.

Another risk which must be taken into consideration is staffing. If the AAC does not have enough staff members to teach classes, it will not be able to operate at its maximum potential. The AAC will attempt to attract stay-at-home parents and retired adults to teach a few classes per week. The AAC will offer a competitive salary and a flexible work schedule to attempt to attract and retain staff members.

Financial Plan

The financial portion of this paper is designed to show the expenses which will go into the initial construction and start-up of the AAC. The financial plan will be designed to show the financial position of the AAC when operating at 25%, 50%, 75%, and 100% of maximum capacity. The expenses included in the initial start up consist of land, construction, equipment and initial marketing [See Table 3]. The line item construction estimate is shown in Appendix C. The business loan of \$1.8 million will be repaid over 180 months at a 10% interest rate.

Table 3
Capital Finances

Capital Expenses	
DESCRIPTION	COST
10,000 SQ. FT. OF LAND	\$120,000
CONSTRUCTION	\$2,070,000
POOL / OPERATING EQUIPMENT	\$4500
OFFICE FURNITURE	\$2000
OFFICE EQUIPMENT	\$6000
GENERAL SUPPLIES	\$1200
INITIAL MARKETING	\$20,000
TOTAL INITIAL EXPENSES	\$2,223,700
CAPITAL FUNDS	
INITIAL CONTRIBUTION	\$800,000
BUSINESS LOAN @ 10%	\$1,800,000
TOTAL CAPITAL FUNDS	\$2,600,000
REMAINING OPERATING	\$376,300

(J. Barosso, Project Engineer, Blach Construction, personal communication, November 15, 2000; L. Klamecki, Broker Associate, Century 21 Morgan Hill, personal communication, October 19, 2000)

The projected annual budget for the first five years of business is based on the assumption that business will increase yearly by 25%. The income is based upon the revenue from youth and adult swim lessons. There will be no revenue during the months that do not have a registration period. The expenses reported are:

- Mortgage - \$1.8 million loan to be paid over 180 months at a 10% interest rate
- Marketing – Includes direct mail, brochures, advertising, and phone listing
- Payroll – Based on hourly wages of \$12.00, Aquatics Coordinator at \$36,000 / year
- Contracted Services – Includes accounting services, pool maintenance and cleaning
- Insurance – Includes general liability, real property, worker's compensation (J. Heff, Commercial Lines Manager, O'Hanneson Insurance Co., personal communication, October 19, 2000)
- General Supplies – Office supplies and uniforms
- Utilities – Includes electrical, gas, water, and telephone
- Maintenance – Cost of general upkeep and repair of physical assets and property
- Equipment – Includes facilities and teaching equipment
- Other – Will encompass miscellaneous expenses not defined above

[See Tables 4-8]

Table 4
Income Statement
(15% Capacity)

2001	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
INCOME													
GROSS REVENUE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$22,490	\$27,956	\$0	\$450	\$50,896
OPERATING EXPENSES													
MORTGAGE			\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$193,420
MARKETING									\$1,600	\$1,600	\$1,600	\$1,600	\$6,400
PAYROLL								\$1,782	\$5,372	\$5,372	\$5,372	\$4,779	\$22,677
CONTRACTED SERVICES							\$585	\$585	\$1,170	\$1,170	\$1,170	\$1,170	\$5,850
INSURANCE								\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$6,400
GENERAL SUPPLIES									\$100	\$100	\$100	\$100	\$400
UTILITIES									\$4,500	\$4,500	\$4,500	\$4,500	\$18,000
MAINTENANCE									\$100	\$100	\$100	\$100	\$400
EQUIPMENT									\$75	\$75	\$75	\$75	\$300
OTHER									\$200	\$200	\$200	\$200	\$800
TOTAL EXPENSES	\$0	\$0	\$19,342	\$19,342	\$19,342	\$19,342	\$19,927	\$22,989	\$33,739	\$33,739	\$33,739	\$33,146	\$254,647
NET INCOME BEFORE TAXES	\$0	\$0	(\$19,342)	(\$19,342)	(\$19,342)	(\$19,342)	(\$19,927)	(\$22,989)	(\$11,249)	(\$5,783)	(\$33,739)	(\$32,696)	(\$203,751)
TAXES ON INCOME													\$0
NET PROFIT	\$0	\$0	(\$19,342)	(\$19,342)	(\$19,342)	(\$19,342)	(\$19,927)	(\$22,989)	(\$9,249)	(\$3,783)	(\$31,739)	(\$31,146)	(\$203,751)

Table 5
Income Statement
(25% Capacity)

2002	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
INCOME													
GROSS REVENUE	\$48,264	\$48,264	\$0	\$48,264	\$0	\$16,765	\$37,885	\$10,560	\$48,264	\$48,264	\$0	\$0	\$306,530
OPERATING EXPENSES													
MORTGAGE	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$232,104
MARKETING	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$1,600	\$19,200
PAYROLL	\$6,954	\$6,954	\$6,954	\$6,954	\$6,954	\$6,954	\$6,954	\$5,965	\$6,954	\$6,954	\$6,954	\$5,965	\$81,470
CONTRACTED SERVICES	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$14,040
INSURANCE	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$15,360
GENERAL SUPPLIES	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
UTILITIES	\$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
MAINTENANCE	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$800	\$200	\$200	\$200	\$3,000
EQUIPMENT	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
OTHER	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
TOTAL EXPENSES	\$35,546	\$35,546	\$35,546	\$35,546	\$35,546	\$35,546	\$35,546	\$34,557	\$36,146	\$35,546	\$35,546	\$34,557	\$425,174
NET INCOME BEFORE TAXES	\$12,718	\$12,718	(\$35,546)	\$12,718	(\$35,546)	(\$18,781)	\$2,339	(\$23,997)	\$12,118	\$12,718	(\$35,546)	(\$34,557)	(\$118,644)
TAXES ON INCOME													\$0.00
NET PROFIT	\$22,215	\$22,215	(\$26,049)	\$22,215	(\$26,049)	(\$9,284)	\$11,836	(\$14,500)	\$21,615	\$22,215	(\$26,049)	(\$25,060)	(\$118,644)

Table 6
Income Statement
(50% Capacity)

2003	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
INCOME													
GROSS REVENUE	\$96,528	\$96,528	\$0	\$96,528	\$0	\$33,530	\$75,770	\$21,120	\$96,528	\$96,528	\$0	\$0	\$613,060
OPERATING EXPENSES													
MORTGAGE	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$232,104
MARKETING	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$16,800
PAYROLL	\$10,908	\$10,908	\$10,908	\$10,908	\$10,908	\$10,908	\$10,908	\$8,931	\$10,908	\$10,908	\$10,908	\$8,931	\$126,942
CONTRACTED SERVICES	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$1,170	\$14,040
INSURANCE	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$15,360
GENERAL SUPPLIES	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
UTILITIES	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$4,800	\$57,600
MAINTENANCE	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$4,500
EQUIPMENT	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
OTHER	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
TOTAL EXPENSES	\$39,850	\$39,850	\$39,850	\$39,850	\$39,850	\$39,850	\$39,850	\$37,873	\$40,750	\$39,850	\$39,850	\$37,873	\$475,146
NET INCOME BEFORE TAXES	\$56,678	\$56,678	(\$39,850)	\$56,678	(\$39,850)	(\$6,320)	\$35,920	(\$16,753)	\$55,778	\$56,678	(\$39,850)	(\$37,873)	\$137,914
TAXES ON INCOME	\$3,827	\$3,827	\$3,827	\$3,827	\$3,827	\$3,827	\$3,827	\$3,827	\$3,827	\$3,827	\$3,827	\$3,827	\$45,925
NET PROFIT	\$52,851	\$52,851	(\$43,677)	\$52,851	(\$43,677)	(\$10,147)	\$32,093	(\$20,580)	\$51,951	\$52,851	(\$43,677)	(\$41,700)	\$91,989

Table 7
Income Statement
(75% Capacity)

2004	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
INCOME													
GROSS REVENUE	\$144,792	\$144,792	\$0	\$144,792	\$0	\$50,295	\$113,655	\$31,680	\$144,792	\$144,792	\$0	\$0	\$919,590
OPERATING EXPENSES													
MORTGAGE	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$232,104
MARKETING	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$16,800
PAYROLL	\$14,862	\$14,862	\$14,862	\$14,862	\$14,862	\$14,862	\$14,862	\$11,896	\$14,862	\$14,862	\$14,862	\$11,896	\$172,412
CONTRACTED SERVICES	\$1,315	\$1,315	\$1,315	\$1,315	\$1,315	\$1,315	\$1,315	\$1,315	\$1,315	\$1,315	\$1,315	\$1,315	\$15,780
INSURANCE	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$15,360
GENERAL SUPPLIES	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
UTILITIES	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$60,000
MAINTENANCE	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$500	\$1,450	\$500	\$500	\$500	\$6,950
EQUIPMENT	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$375	\$4,500
OTHER	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$200	\$2,400
TOTAL EXPENSES	\$44,474	\$44,474	\$44,474	\$44,474	\$44,474	\$44,474	\$44,474	\$41,508	\$45,424	\$44,474	\$44,474	\$41,508	\$528,706
NET INCOME BEFORE TAXES	\$100,318	\$100,318	(\$44,474)	\$100,318	(\$44,474)	\$5,821	\$69,181	(\$9,828)	\$99,368	\$100,318	(\$44,474)	(\$41,508)	\$390,884
TAXES ON INCOME	\$10,847	\$10,847	\$10,847	\$10,847	\$10,847	\$10,847	\$10,847	\$10,847	\$10,847	\$10,847	\$10,847	\$10,847	\$130,164
NET PROFIT	\$89,471	\$89,471	(\$55,321)	\$89,471	(\$55,321)	(\$5,026)	\$58,334	(\$20,675)	\$88,521	\$89,471	(\$55,321)	(\$52,355)	\$260,720

Table 8
Income Statement
(100% Capacity)

2005	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTALS
INCOME													
GROSS REVENUE	\$193,056	\$193,056	\$0	\$193,056	\$0	\$67,060	\$151,540	\$42,240	\$193,056	\$193,056	\$0	\$0	\$1,226,120
OPERATING EXPENSES													
MORTGAGE	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$19,342	\$232,104
MARKETING	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$800	\$9,600
PAYROLL	\$18,816	\$18,816	\$18,816	\$18,816	\$18,816	\$18,816	\$18,816	\$14,862	\$18,816	\$18,816	\$18,816	\$14,862	\$217,884
CONTRACTED SERVICES	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$1,500	\$18,000
INSURANCE	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$1,280	\$15,360
GENERAL SUPPLIES	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
UTILITIES	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$5,500	\$66,000
MAINTENANCE	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$700	\$1,700	\$700	\$700	\$700	\$9,400
EQUIPMENT	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$450	\$5,400
OTHER	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$250	\$3,000
TOTAL EXPENSES	\$48,938	\$48,938	\$48,938	\$48,938	\$48,938	\$48,938	\$48,938	\$44,984	\$49,938	\$48,938	\$48,938	\$44,984	\$580,348
NET INCOME BEFORE TAXES	\$144,118	\$144,118	(\$48,938)	\$144,118	(\$48,938)	\$18,122	\$102,602	(\$2,744)	\$143,118	\$144,118	(\$48,938)	(\$44,984)	\$645,772
TAXES ON INCOME	\$17,920	\$17,920	\$17,920	\$17,920	\$17,920	\$17,920	\$17,920	\$17,920	\$17,920	\$17,920	\$17,920	\$17,920	\$215,042
NET PROFIT	\$126,198	\$126,198	(\$66,858)	\$126,198	(\$66,858)	\$202	\$84,682	(\$20,664)	\$125,198	\$126,198	(\$66,858)	(\$62,904)	\$430,730

Chapter 4

EVALUATION

The business plan was sent out to external sources for evaluation of its content. The majority of individuals chosen to evaluate the business plan were randomly selected from a list of swim school owners who belong to the National Swim School Association [NSSA]. The remaining individuals were selected because of their aquatics expertise or because they live in the community that the Auzica Aquatic Center [AAC] will serve. A list of the evaluators can be found in Appendix D. The author knows or has worked with five of the 20 evaluators. A letter explaining the purpose and nature of the project was sent out with the business plan and the evaluation [Appendix E]. Prior to the mailing of the evaluations, potential evaluators were contacted by phone or to make them aware of the arrival of the business plan.

The evaluation included a likert scale ranging from one to five. The evaluation also included sections for evaluators to write comments and suggestions [Appendix F]. This format was chosen to provide both quantitative and qualitative feedback. The information received from the evaluations will be reported in Chapter 5. An analysis of the evaluations can be found in Chapter 6.

Chapter 5

EVALUATION RESULTS

The business plan was sent to 20 individuals which were initially contacted by phone to prepare for the arrival of the business plan. If an individual from the original list of evaluators was unavailable, another evaluator was selected from the NSSA website; each evaluator was randomly selected. The business plan was sent along with an evaluation form which included a 5-point likert scale; opportunity for written comments was provided for each of the eight items. The evaluators were instructed to read the business plan and to evaluate each item by giving a numeric score and written feedback. A follow up phone call was made to those individuals who did not return the evaluation by the due date. A final call was placed four weeks after the due date to those who had not responded. Fourteen of the 20 evaluations were returned. The frequency distribution and mean scores for each section of the business plan can be found in Table 9. The written comments were summarized and discussed in detail in the section which follows.

Table 9 Frequency Distribution and Mean Scores

Section	1	2	3	4	5	Mean Score
Executive Summary	0	0	0	9	5	4.35
Business Description	0	0	2	9	3	4.07
Industry Analysis	0	0	0	9	5	4.35
Marketing Plan	0	0	1	11	2	4.07
Management & Organizational Plan	0	0	1	10	3	4.14
Development Plan	0	1	5	4	4	3.78
Financial Plan	0	1	4	6	3	3.78
Overall effectiveness of business	0	0	3	8	3	4.00

Executive Summary

Few comments were written specifically regarding the executive summary, which received a mean score of 4.35. Positive comments were made regarding the mission statement and objectives. The majority of comments and suggestions written about the executive summary also applied to one of the other six segments of the business plan; which are discussed in detail in the sections which follow.

Business Description

The business description received a mean score of 4.07 from the reviewers. The majority of comments stated in the business description section were directed towards the layout of the facility. There were several comments regarding the proposed pool temperature of 85 – 88 F. Four evaluators stated that the proposed temperature was too cold for young children and for individuals participating in therapeutic exercise. The pool temperature suggested by the evaluators was at least 90 F to ensure the comfort of the participants. The use of two smaller pools rather than one large pool was recommended. One pool would be warmer (90 – 93F) for teaching young children and therapeutic exercise and the other pool would be slightly cooler (85 – 88 F) for older children and aqua aerobics. It was also suggested, for customer convenience, that a wheelchair ramp be built into the pool in lieu of a lift. One reviewer mentioned that she worked in a facility that had a hydraulic lift which was never used. She suggested a ramp would be more beneficial because it would be accessible and useful for a greater number of people including older adults and very young children.

The proposed opening date of the swim school was questioned by the reviewers. Three individuals stated that September was a poor time of year to open a swim school without a customer base. The reviewers suggested that the momentum of summer swim lessons would be necessary to maintain success throughout the less popular autumn months. The recommended opening time was late winter or early spring in order to have a good start on what will hopefully be a growing season. Two of the reviewers noted that swim lessons have historically been during the summer months only and that the idea of year- round swim lessons is still a new concept for many people.

The suggestions of three reviewers pointed out the sales of aquatic equipment and apparel, together with food and drinks, have the potential to generate a significant amount of income with a limited investment of time and cost. According to one of the reviewers, it has been reported by the NSSA that the sales of aquatic equipment, primarily goggles and snack foods, accounts for a significant portion of income. The evaluators recommended that space be made available for the potential expansion to include a shop and snack bar.

It was also noted in this section the largest source of income will most likely come from infant and toddler swim lessons. One evaluator stated 80% of his 4,500 student base are infants and pre-school age children. Two evaluators expressed that activities such as aqua aerobics and water polo are space and time intensive and not as lucrative as youth swim lessons. According to the two evaluators, programs such as aqua-aerobics and water-polo need to draw from a larger market base; therefore it is more feasible for these activities to be offered by the public sector. Although participation in

activities such as water polo and synchronized swimming are increasing, it was noted that offering these programs may only slightly increase the amount of total customers and would therefore not generate the revenue to justify their addition.

One of the evaluators mentioned the importance of the ability to accommodate individuals with special needs. She stated that public sector programs, such as those operated by municipalities or organizations such as the YMCA, often have classes that are too large. Individuals with special needs do not get the proper amount of attention or instruction necessary for success. She suggested that students with special needs be mainstreamed into the swim lessons as long as the student/teacher ratio is low (three or four to one) and the teacher is capable of instructing this population. This reviewer also stressed the importance of private lessons for adults because of their various skill levels and scheduling needs.

One individual strongly suggested the pool be closed and maintenance completed during the holiday season. She suggested closing the facility from Thanksgiving through the New Year. She gave three reasons why pool closure should occur over the holidays. The first reason she noted was that the majority of staff will be college students who will be on break from school during this time. In her experience, many students went home during the holidays or planned vacations during this time. She also stated that many customers who sign up for lessons during this time end up canceling classes or not finishing a session because of the "holiday rush." In addition, pool maintenance workers would be readily available to do repairs or standard maintenance during this time of year. She also said it is a good time for the owner to take a necessary break from the swim

school. She mentioned that a closure of this length allows the employees, the customers and the owner to return revived with higher morale.

Lastly, the addition of swim parties to the extension products was suggested. It was recommended by one of the evaluators that the pool be available to rent when programs are not in session. Two individuals suggested the pool be available on Sundays for recreational swimming or for rental. According to one of the evaluators, pool rental can often be more lucrative than recreational swimming.

Industry Analysis

The industry analysis received few comments and a mean score of 4.35. Four of the evaluators stated that the trends and potential problems section of the industry analysis was an accurate and realistic assessment of the industry. One individual stated the importance of raising the standards above those set by the American Red Cross or the YMCA. According to one evaluator, public programs, such as the YMCA and city operated programs, appeal to an entirely different market than the private sector and thus cannot be considered competition. Most of the evaluators agreed the AAC was in a prime location and will meet an unfilled need.

Marketing Plan

It was recommended that the marketing plan, which received a mean score of 4.07, be more extensive. Additional money should be allocated and the plan should entail more advanced advertising. In order to motivate families to refer others to the program a customer incentive referral program was suggested by two evaluators. One of

the reviewers commented on the different forms of advertising and stated the importance of knowing how people are being reached. One reviewer also noted the importance of knowing which form of advertisements produce inquiries and which produce actual customers. It was advised that current information be kept regarding which advertisements are successful because trends change from year to year.

One evaluator stated the most productive target for swim lessons are those families within a fifteen-minute drive of the facility and children up to third grade. She suggested that all promotions have a very narrow and specific target or the efforts will be costly and ineffective. One evaluator stated an indoor pool has a huge impact on certain cultures. She suggested targeting Asian cultures, as they generally tend to have a strong preference for swim lessons indoors.

The web site as a form of marketing was noted as necessary by the evaluators. However, the importance of not becoming too impersonal was also stated. Two of the evaluators mentioned the main reason individuals prefer private programs was because of the attention and service they receive. Although a web site is a necessary form of marketing, it was strongly suggested that customer service remain a priority. The importance of the customers being able to be in contact with a “real living person” was noted.

Management and Organizational Plan

In the Management and Organizational section of the business plan staffing was discussed; the difficulty of hiring and retaining quality employees was mentioned by four

of the evaluators. The Management and Organizational section received a mean score of 4.14. The four evaluators suggested that the hiring, training and retaining of employees was crucial to the business and must be one of the highest priorities. The evaluators noted the majority of staff members would be college-aged individuals and the turnover rate would be high; they mentioned the difficulty of offering quality customer service with this staffing situation. It was also suggested, by two of the evaluators, that training be conducted in-house because of the difficulty of hiring previously trained employees. The importance of a good CPA was also noted by one of the evaluators in this section.

Development Plan

The development plan, which was one of the lower scoring sections, received a mean score of 3.78. The overall message regarding this section was that the growth rate was overly optimistic. One evaluator commented that expecting to be at 50% capacity by the second year was extremely ambitious. Another evaluator noted that the more popular times such as after school, evenings, and weekends will increase in participation but certain times of day may never reach full operating potential. Two evaluators requested a description of full capacity. The two evaluators wanted to know how many participants were attending and how many lessons were being offered when operating at full capacity.

Financial Plan

The financial plan also received a mean score of 3.78. It was recommended that the financial plan be more specific in the start-up phase. One evaluator suggested that more detail in terms of operating statistics such as swimmers per day and revenue per day

be outlined. Three evaluators stated that the payroll seemed too low; one noted the industry standard is 38 – 45 % of gross. There was disagreement regarding the financial projections. Four of the evaluators stated that the projections were slightly optimistic; the expenses were too low and the revenue was too high. However, two evaluators stated the number of participants may have been underestimated and the revenue would be generated but not necessarily from the areas reported in the business plan. One evaluator noted the amount of land and capital needed would be far greater than the amount reported. It was also suggested, by two evaluators that more money be allocated for marketing.

One evaluator explained that more revenue will be generated during the summer months, regardless of programs offered and competition. She also said to expect a significant decrease in revenue throughout the fall and winter. She stated that the evening and weekend lessons would likely remain at capacity; however, the participation in morning and early afternoon lessons will drop significantly in the fall and winter.

Overall Effectiveness of the Business Plan

The business plan received an overall mean score of 4.0. Three evaluators stated that the business was a good idea in an ideal location. Some of the major suggestions came in the business description section. Changes were suggested in the facility to include two small pools rather than one large pool. It was suggested that the focus remain on youth swim lessons. The evaluators noted that extension products such as water-polo and life guarding are space and time intensive and not as lucrative as youth

swim lessons. The importance of being able to accommodate individuals with special needs was also stressed.

The marketing plan was evaluated as adequate, but it was suggested that more advertising be done and that more money be allocated for the marketing activities. The majority of evaluators agreed that hiring, training and retaining staff was difficult and must be a high priority. It was also stated that an in-house training program should be designed and implemented.

The majority of evaluators stated the development plan and the financial plan were overly optimistic, however, there were evaluators who felt the projections were attainable and possibly underestimated. The reviewers also noted the expenses reported were too low, particularly payroll. Finally, some of the evaluators stated that more capital and land would be needed for the size of the proposed facility.

Chapter 6

ANALYSIS & CONCLUSION

The feedback from the evaluations will be discussed in terms of how the business plan should be altered based on the comments and suggestions received. It should first be noted that implementation of the business plan would require consultation of accountants and lawyers regarding all legal, business and financial matters. Although an engineer and an accountant were consulted for this project, the figures reported throughout the business plan are estimations.

The first alteration to the business plan considered is the use of two pools as opposed to one large pool. The use of two pools will allow for increased programming and will allow for a greater comfort level for a wider variety of participants. The larger pool will be used for swim lessons for older children, aqua-aerobics and adult lessons. The smaller pool, which would be kept warmer (90 F) than the larger pool, will be used primarily for swim lessons for young children – including those in a parent and child class. The smaller pool will also be used for therapeutic exercise.

The use of two pools will alter the construction costs; the reason one pool was initially proposed was to limit construction costs. According to Juan Barosso, project engineer, Blach Construction, (personal communication, November 2000) any slight additions to the original plan can cause a significant change in the construction costs. He stated the ideal design should be well thought out because it would be more costly to make alterations to the original design once constructed. The costs and benefits of the

two different designs will need to be researched in further detail. A construction estimate of the two-pool design will be needed to make the decision. If the two-pool design is financially feasible it would be the preferred design. If two pools are used, the smaller pool would be 46 ft. X 20 ft. and the larger would be 36 ft. X 45 ft. (See Appendix G).

The use of a wheelchair ramp in lieu of a lift is another suggested facility change. This is suggested because of the ease of use as well as the number of people who could use a ramp as opposed to those needing a lift. This change will also alter the construction cost and a construction estimate will need to be completed to make a decision. The average cost of a hydraulic lift or portable ramp is between \$2,500 and \$3,500 (Commercial Pool and Spa Supplies, Spring 2001). Research needs to be conducted to disclose which design would be the most practical. If it is financially feasible the use of both a ramp and a lift will be preferred.

The importance of being able to serve populations with special needs is mentioned in the evaluation process. One evaluator states that she has many students with special needs who come to her swim school after having been unsuccessful in a public program. She states that some of the students have physical disabilities but the majority of children she works with are those with learning disabilities. The AAC plans to accommodate these individuals more effectively by: 1) training all staff members on the basic needs of working with the special needs population, 2) keeping the student teacher ratio low at a maximum of four students to one teacher. The writer believes that it will be important to effectively serve this population, as they are often under served through the public sector.

Another suggestion which is mentioned several times is the potential profit capabilities of a snack bar / pro-shop. Based on the suggestions from three individuals, it seems the sales of food and aquatic equipment would have the capability of generating a significant amount of revenue. The items noted as having the highest sales volume are goggles and snack foods. According to Craig Castro, Accessories Merchandise Manager, Speedo Inc., (personal communication, May 7, 2001) there is typically a 50% mark-up in the sports apparel industry. For example, goggles can be purchased wholesale for \$5.00 and resold for \$10.00 (C. Castro, personal communication, May 7, 2001). If ten goggles are sold each weekday, it would result in an additional \$1,000 in revenue per month.

Initially, two different methods of sales will be explored: the sales of snack foods at the front desk or purchasing vending machines. There will be an initial cost associated with the vending machines as opposed to a constant payroll cost for a cashier. The costs and benefits of the sales will be evaluated. If the sales generate a profit, the possibility of expanding to include a shop and small dining area will be explored. It may, however, be more beneficial to initially include an area for this expansion to occur, rather than attempting to expand once the initial construction has been completed. A construction estimate of the costs associated with the building of an additional area will need to be completed.

Repeated comments are also made regarding the addition of extension products such as aqua aerobics and water polo. The evaluators state that although these are popular aquatic activities, they do not generate enough revenue for the amount of time and pool space they require. Although these programs may attract participants, based on

the evaluations, it does not seem that it is the best use of pool space. It is suggested that these programs be left to the public sector and to keep the focus of private swim schools on youth swim lessons. Despite the comments, the AAC will still offer aqua aerobics because it was scheduled during hours which are not popular times for swim lessons. The AAC will also still consider the addition of corporate programs in the early morning and later evening hours once the business is in the expansion phase.

The use of the facility for swim parties is a recommended extension product. Renting the facility for swim parties will potentially be explored during the second year of operation. The pool could be available for rental Monday through Saturday evenings and all day on Sundays – assuming the original schedule is retained. The pool could be rented by the hour or for a full-day fee on Sundays. The pool will be adequately staffed, with one manager and one lifeguard for every thirty individuals in attendance, during all pool rentals.

There are disagreements regarding the opening date of the swim school. Most of the evaluators note that September is a poor time of year to open a swim school. The suggested opening date is late winter or early spring in order to establish a customer base before heading into the summer months. However, one evaluator states September is a good time to open because not having many participants initially will allow the kinks in the day-to-day operations to be resolved. Opening in September will also allow time to be better prepared for the busier spring and summer seasons. She also states that having few customers initially will allow for personalized service to the initial customers. She notes that these first few customers will be impressed by the service and tell others about

the program. She states that opening in the spring or summer, when there is likely to be a larger number of customers, would be good financially but that having the operations run smoothly in the beginning is crucial to the future success of the business. It will be important, particularly in the initial stages, to provide exceptional service so customers not only return but also recommend the program to others. The owner is aware that the business will not make a profit in the initial stages but it must continue to grow in order to be successful. For these reasons the AAC will still attempt to open in September.

One individual notes throughout the evaluation the importance of mentioning the reduction of drowning either in the marketing plan or in the executive summary. He asserts that drowning is the leading cause of accidental death in children age five and under. He states that this should be a focus point not only for sales and financial reasons but also for community awareness and safety. Based upon the previous recommendation, the AAC will attempt to make the community aware of the importance of learning to swim for safety through promotions and advertising.

A customer incentive referral program is also suggested to motivate customers to refer others to the program. An incentive-based customer referral program will be implemented during the first year of business. The incentive will offer a 10% discount , for every participant referred and enrolled, which may be applied towards a future swim session. This program will be evaluated after the first year of business to determine if it should be continued.

One evaluator recommends marketing to an additional target population. She states that at her facility Asian cultures have a strong preference for swim lessons in an

indoor pool. According to Elise Lalor (personal communication, April 16, 2001), aquatics director Central YMCA, "During the summer months we operate an indoor and an outdoor facility for youth swim lessons and we get far more requests for the indoor pool from our Asian clients." Although there is not a large Asian population in the Morgan Hill area, according to the 2000 annual school reports 16% of the students in the Oak Grove School District are of Asian descent and 5% of the students in the Morgan Hill School District are of Asian descent (www.ed.data.k12.ca.us/dev/District.asp). The AAC will attempt to reach the Asian population through promotions and advertisements. The AAC may appeal to many cultures because spending time in an outdoor pool can have harmful affects on the skin, whereas an indoor pool allows for individuals to protect their skin.

Operations and finances are addressed throughout the Development Plan and Financial Plan in terms of percentage of capacity. Two evaluators note that 100% capacity is not defined. Full capacity for youth swim lessons is based on six levels being offered during each half-hour time slot with four students in each class [See Appendix B]. Adult lessons are based on ten students per class with six classes offered per week. The total number of students per week as well as revenue per week at 100% capacity can be found in Appendix H. The percentages are estimated from the figures noted. The information will be reported in the financial section of the business plan along with the income statement charts.

A final point of concern in some of the evaluations is the effect the energy crisis will have on swim schools and the entire aquatics industry. Over the past six months the

cost of energy in California has increased dramatically. The cost of energy will directly affect the price of swim lessons because it will alter the costs of operation. The energy crisis is a factor which was not considered while writing the initial business plan, but is an important aspect which will be taken into consideration if the business plan is implemented.

Conclusions

Based on the information received, the following changes will be implemented in the business plan.

- 1.) If financially feasible, a two-pool design will be utilized.
- 2.) The costs and benefits of a wheelchair ramp and lift will be analyzed. If financially feasible both will be included in the pool design.
- 3.) A snack bar / pro-shop will be included in the original design of the facility.
- 4.) Renting the pool to individuals or companies for parties will be an additional extension product offered and will be included in the business description.
- 5.) The marketing plan will include a section on drown prevention awareness.
- 6.) A customer incentive referral program will be explained in the marketing section.
- 7.) Full capacity will be described in detail in the development section.
- 8.) The energy crisis will be taken into consideration and adjustments will be made to the financial plan.

APPENDIX A**Pool Sketch**

10,000 sq. ft. Lot

7,600 sq. ft. Structure

APPENDIX B**Operating Schedule 2001-2002**

Fall Session I	September 4 – October 27
Fall Session II*	October 29 – December 22
Pool Closed	December 23 – January 5
Winter Session	January 7 – March 2
Spring Session I	March 4 – April 27
Spring Session II	April 29 – June 22
Summer Session 1**	June 24 – July 5
Summer Session 2	July 8 – July 19
Summer Session 3	July 22 – August 2
Summer Session 4	August 5 – August 16
Summer Session 5	August 19 – August 30
Pool Closed	September 1 – September 8

Saturdays and Adult Lessons

Summer Session I**	June 29 – July 27
Summer Session II	August 3 – August 31

* There will be no lessons November 24 – 26, rates will be adjusted accordingly

** There will be no lessons July 4 – 6, rates will be adjusted accordingly

Fall / Spring / Winter Pool Schedule

Monday – Friday	Aquatic Therapy / Rehab	8:00 AM – 9:00 AM
	Aqua Aerobics	9:00 AM – 10:00 AM
	Youth Swim Lessons	10:30 AM – 2:30 PM
	Youth Swim Lessons	3:30 PM – 7:30 PM
	Adult Swim Lessons	7:30 PM – 8:15 PM
Saturdays	Adult Swim Lessons	9:00 AM – 9:45 AM
	Youth Swim Lessons	10:00 AM – 2:00 PM

Summer Schedule

Monday – Friday	Aquatic Therapy / Rehab	8:00 AM – 9:00AM
	Aqua Aerobics	9:00 AM – 10:00 AM
	Youth Swim Lessons	10:30 AM – 2:30 PM
	Youth Swim Lessons	3:00 PM – 7:00 PM
Monday - Thursday	Adult Swim Lessons	7:00 PM – 7:45 PM
Saturdays	Adult Swim Lessons	9:00 AM – 9:45 AM
	Youth Swim Lessons	10:00 AM – 2:00 PM

APPENDIX C
Aquatic Center Estimate

Auzica Aquatic Center
Morgan Hill, CA
Budget Estimate
by: Juan Barroso/Blach Construction

Line No.	Item of Work	Base Estimate	Notes
1	General Conditions	150,000	6-mo. Schedule
2	Soft Demolition		Base
3	Site Survey/Staking & Layout	7,000	
4	Storm Drainage	23,000	
5	Sanitary Sewer	23,000	
6	Domestic Water	13,000	
7	Site Clearing, Earthwork Grading & Paving	30,000	
8	On Site Conc., curbs, walks, flatwork	20,000	
9	Termite Control	500	
10	Parking Lot Striping, Site & Bumpers	1,500	
11	Irrigation, Landscape & Maintenance	12,000	
12	Chain Link Fences & Gates	5,000	
13	Reinforcing Steel	8,000	
14	Surge Chamber & Pump Pit Concrete	35,000	
15	Building Footings & Slab on Grade	25,000	
16	Concrete formwork at top of masonry	15,000	
17	Concrete Unit Masonry	120,000	
18	Structural Steel & Misc. Steel Railings	40,000	
19	Install Misc. Metal	10,000	
20	Access Ladders	2,500	
21	Rough Carpentry, Ply Web Joist, Glu-Lams	110,000	
22	Finish Carpentry, countertops	8,000	
23	Building Insulation	2,500	
24	Standing Seam Metal Roofing	55,000	
25	Built-up Roofing	6,000	
26	Sheet Metal Flashings & Trim	4,500	
27	Roof Hatches, Relief Vents	650	
28	Joint Sealants & Caulking (Allowance)	4,000	
29	H.M. Doors, Frames & Finish Hardware	8,000	
30	Alum Entrance, Storefronts, Glazing, Mirrors	15,000	
31	Lath & Plaster	18,000	
32	Gyp Wall Board, Cement Board	8,000	
33	Ceramic Tile	20,000	
34	Acoustical Ceiling	4,000	
35	Resilient Tile Flooring, Carpet & Base, Testing	3,000	
36	Painting	13,000	
37	Toilet compartments	8,000	
38	Interior Signs	500	
39	Metal Lockers	2,500	
40	Fire Extinguishers	500	
41	Toilet Accessories	1,200	
42	Swimming Pool Sub	300,000	
43	Fire Sprinklers	10,000	
44	Fire Hydrants	50,000	
45	Plumbing	55,000	
46	HVAC	150,000	
47	Electrical	100,000	
	Construction Subtotal:	1,497,850	

Auzica Aquatic Center
Morgan Hill, CA
Budget Estimate
by: Juan Barroso/Blach Construction

Line No.	Item of Work	Base Estimate	Notes
	Builders Risk Insurance	3,745	\$2.5 per thousand
	Liability Insurance	8,987	\$6 per thousand
	Construction Contingency	149,785	10% of construction subtotal
	Scope Development Contingency	224,678	15% of construction subtotal
	General Contractor Fee	59,914	4% of construction subtotal
	Draft GMP	1,944,958	
	Other Owner Costs		
	Building Permit	29,957	2% of construction subtotal
	Water Utility fee allowance	40,000	
	PG&E fee allowance	50,000	
	Independent Testing & Inspections	4,500	
	Total	2,069,415	

APPENDIX D**Evaluators**

NAME	TITLE	ORGANIZATION
Lynette Aitken	Owner	Peninsula Swim School
John Bainbridge	President / Owner	The Australian Swim
Ingrid Daland	Owner	Daland Swim School
Sue Davis	Aquatics Manager	AVAC Swim School
Ginny Flahive	Owner	Water Safe Swim
Jennifer Gibbs	Private Swim Instructor	Jenn's Swimmers
Joe Gotelli	Swim Instructor /	Swimming with Joe
Steve Graves	President	National Swim School
Patricia Hall	Aquatics Specialist	City Wide Aquatics
Tim Howard	Swim Committee	Menlo Country Club
Cindy Johnson	Owner	Blue Buoy Swim
Elise Lalor	Aquatics Director	Central YMCA
Mary Landen	Owner	South County Swim
Karen Montgomery	Aquatics Coordinator	DACA Swim School
Julian Maki	Owner	Maki Swim Center
Brent Meek	Owner	A. V. Aquatic Center
Caryn Murray	Aquatic Center Director	San Jose State
Jeffrey Purchin	Owner	5 Cities Swim Club
Diane Suchomel	Previous Board Member	Morgan Hill Makos
Jan Thomas	Owner	The Jan Thomas Swim

**College of Applied
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Department of Human
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Long Beach, Los Angeles, Maritime Academy,
Monterey Bay, Northridge, Pomona,
Sacramento, San Bernardino, San Diego,
San Francisco, San Jose, San Luis Obispo,
San Marcos, Stanislaus

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APPENDIX E

Letter to Evaluators

February 1, 2001

Dear Swim School Owner / Operator:

I am a graduate student at San Jose State University and I am currently working on my thesis project for the completion of my Masters Degree in Sport Management. I have chosen to do a business plan for a swim school and a portion of my project is to have the business plan evaluated by outside sources. Attached you will find the business plan and the evaluation form. It would be appreciated if you would take a few minutes to read and evaluate the business plan. The evaluation can be sent back using the SASE by February 23, 2000.

You should understand that your participation is voluntary and that choosing not to participate in this study, or in any part of this study, will not affect your relations with San Jose State University.

The results of this study may be published, but any information that could result in your identification will remain confidential. There are no risks or benefits associated with participation in this study.

If you have any questions regarding this study please contact Dr. Mark Nagel (408-924-3019) or Stacie Lonaker (408-923-5953). If you have any questions regarding participants rights contact Nabil Ibrahim, Associate Vice President for Graduate Studies and Research, SJSU (408-924-2480).

Sincerely,

Stacie Lonaker

Dr. Mark Nagel
Sport Management Chair

Enclosures: 2

APPENDIX F**Evaluation Form****Business Plan Evaluation**

Please evaluate the following sections of the business plan and provide a rating. Feel free to provide comments in the space following each section.

	Below Poor 1	Average 2	Average 3	Good 4	Excellent 5
1. Executive Summary Comments _____					
2. Business Description	1	2	3	4	5
3. Industry Analysis	1	2	3	4	5
4. Marketing Plan	1	2	3	4	5
5. Management & Organizational Plan	1	2	3	4	5
6. Development Plan	1	2	3	4	5
7. Financial Plan	1	2	3	4	5
8. Overall effectiveness of business plan	1	2	3	4	5

Please provide any additional comments regarding the strengths and weaknesses of the business plan on the back of this page.

Optional

Name _____

Organization _____

APPENDIX G**Alternate Pool Sketch** **10,000 sq. ft. Lot****7,600 sq. ft. Structure**

APPENDIX H

Weekly Swim Lesson Revenue (100% Capacity)

YOUTH LESSONS		Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Participants	Sub-Revenue
10:00AM - 2:00PM Lessons (6 Levels every half hour) PARTICIPANTS							48 Classes		
							192	192	\$2,112
10:30AM - 2:30PM Lessons (6 Levels every half hour) PARTICIPANTS		48 Classes	48 Classes	48 Classes	48 Classes	48 Classes			
		192	192	192	192	192		960	\$10,560
3:30PM - 7:30PM Lessons (6 Levels every half hour) PARTICIPANTS		48 Classes	48 Classes	48 Classes	48 Classes	48 Classes			
		192	192	192	192	192		960	\$10,560
Total Youth Participants								2112	
Cost Per Lesson Per Youth Participant:									\$11.00
Swim Lesson Revenue Per Week:									\$23,232.00
ADULT LESSONS		Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Total Participants	Sub-Revenue
7:30PM - 8:15PM Lesson PARTICIPANTS		1 Class	1 Class	1 Class	1 Class	1 Class			
		10	10	10	10	10		50	\$750
9:00AM - 9:45AM Lesson PARTICIPANTS							1 Class		
							10	10	\$150
Total Adult Participants								60	
Cost Per Lesson Per Adult Participant:									\$15.00
Swim Lesson Revenue Per Week:									\$900.00

Combined Revenue Total Per Week	\$24,132.00
Revenue For Eight Week Seasons	\$193,056.00

**San José State
UNIVERSITY**

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APPENDIX I

Institutional Review Board Approval Letter

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TO: Stacie K. Lonaker
1726 Commodore Drive
San Jose, CA 95133

FROM: Nabil Ibrahim,
AVP, Graduate Studies & Research

DATE: January 30, 2001

The Human Subjects-Institutional Review Board has approved your request for exemption from human subject's review under category "A" in the study entitled:

"Business Plan for a Swim School."

This approval is contingent upon the subjects participating in your research project or the subject's data collected for the research project being appropriately protected from risk. This includes the protection of the anonymity of the subjects' identity when they participate in your research project, unless they are serving as a primary source, and with regard to any and all data that may be collected from the subjects. The Board's approval includes continued monitoring of your research to assure that the subjects are being adequately and properly protected from such risks. If at any time a subject becomes injured or complains of injury, you must notify Nabil Ibrahim, Ph.D., immediately. Injury includes but is not limited to bodily harm, psychological trauma and release of potentially damaging personal information.

Please also be advised that all subjects need to be fully informed and aware that their participation in your research project is voluntary, and that he or she may withdraw from the project at any time. Further, a subject's participation, refusal to participate, or withdrawal will not affect any services the subject is receiving or will receive at the institution in which the research is being conducted. This approval is granted for a one-year period and data collection beyond January 30, 2002 requires an extension request.

If you have any questions, please contact me at (408) 924-2480.

The California State University:
Chancellor's Office
Bakersfield, Channel Islands, Chico,
Dominguez Hills, Fresno, Fullerton,
Hayward, Humboldt, Long Beach,
Los Angeles, Maritime Academy,
Monterey Bay, Northridge, Pomona,
Sacramento, San Bernardino, San Diego,
San Francisco, San José, San Luis Obispo,
San Marcos, Sonoma, Stanislaus

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