

Examples of Student Enterprise Finance Estimation

Scenario 1: 'A Route to Wall Street'

1. Alice is a keen climber and though she lives 200miles away from any crags she regularly visits a climbing wall at the nearest city about thirty away. It's an hours' journey to get there costing £20.0 by rail and she goes twice a week. There is an annual membership fee of £10.00 and an additional entry fee for each visit of £8.00 so it's a fairly expensive pursuit. The climbing centre has changing facilities, a coffee bar, a climbing shop selling all the gear and clothing, and a coaching service for members wishing to improve their skills.

Over the last few months Alice has noticed that the number of people attending the wall has risen considerably and two new climbing magazines to add to the regular five, have appeared in the last year. Alice often sees people on the train journey who live in her town travelling to and from the wall.

Being a keen observer she sees indoor climbing is a growth industry and thinks there may be an opportunity to start a new business by opening up a new climbing wall centre in her home town.

She does some rough calculations to estimate whether or not it's worth exploring further. The next time she visits the wall she estimates how many people visit the centre each day. She knows it is open from 9.30am to 9.00pm at night Mon-Fri closing at 7.00pm on Sat and Sun. She sees how many people are receiving coaching and roughly how many people eat and drink in the café. One of the staff members who gave her some coaching when she first started, has become an acquaintance, and in a casual conversation over coffee she finds out that the staff are paid about 20% above minimum wage but they receive 50% of any of the fees they earn through coaching.

She arranges an appointment with the manager to discuss her business idea but is disappointed when he is not very forthcoming about the facts and figures she would really like to have. Indeed all he does is point out problems and reasons why it is too risky to develop. She realises of course that her business would be in competition with this centre even though it would be 30 miles away. She knows this centre is very popular as it is based on the edge of a big city and feels her business idea would hardly affect the business here. Nevertheless this spurs her on to be more creative about what other facilities she could have in her climbing centre to differentiate herself from this one.

Before rushing in to writing business plans or entering competitions etc she needs to do some essential calculations to see if the business is viable and these are shown below:

Estimated Income

| | |
|---|---------------------------|
| Annual income from membership fees (~ 2500 members)..... | :£25,000 |
| (equivalent to ~£2,000 per month) | |
| Number of member visits Mon-Fri (this is an average as the numbers increase towards the end of the week)..... | :1000 |
| Number of member visits Sat/Sun..... | :700 |
| Income from member visits per week..... | 1700 x £8.00.....:£13,600 |
| Weekly income from coaching..... | |
| Weekly income from coffee bar..... | |
| Weekly income from shop..... | |
| | |
| Total monthly income..... | :£ |

Out-goings (Monthly)

Direct

| | |
|---------------------------------------|----|
| Staff wages (Management)..... | :£ |
| Staff wages (Assistants/Coaches)..... | :£ |
| Equipment..... | :£ |
| Maintenance..... | :£ |
| Marketing..... | :£ |

Indirect

| | |
|---|----|
| Rental on the property..... | :£ |
| Heating/ lighting/telephone/Insurance/IT..... | :£ |
| Taxes..... | :£ |

Is the idea worth progressing?

Add up the monthly Direct and Indirect costs and subtract from the estimated Monthly income. Is there an acceptable margin? If not how could the income be increased and out-goings reduced?