

Fabian Flowers (FF)

Fabian is starting a business selling flowers in country Z. He will call his shop Fabian Flowers (FF). He was made redundant from a factory which produced paint. Fabian thinks he has the skills needed to manage his own business.

Fabian does not know much about flowers but he has found out that demand for them is increasing. He wants to have a business partner. There are three people who want to become his partner and he has to choose between them. See Appendix 1 for details about them.

To make progress with his business idea he needs to:

- set objectives for the business with his partner
- decide whether to focus on Option A customers or Option B customers (see below)
- decide on the prices of the flowers in his shop.

Option A: Business customers

These would be mainly hotels and restaurants demanding fresh flower arrangements two times a week. The orders would be all year round. These customers would expect trade credit and a reduced price for regular orders. Projected financial data for the first year is:

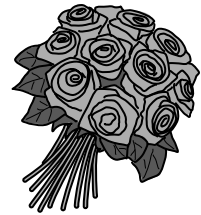
- sales revenue \$200 000, cost of flowers \$40 000 and expenses \$120 000.



Option B: Retail customers

These would buy flowers regularly. There would also be higher sales for special occasions such as weddings, Valentine's Day and birthdays. High prices could be charged and customers would pay with cash. Projected financial data for the first year is:

- sales revenue \$120 000, cost of flowers \$30 000 and expenses \$60 000.



Appendix 1

Details of three people who wish to become Fabian's business partner

| Gowri | Miranda | Pamela |
|--------------------------------------|---|--|
| Has already managed her own business | Has no experience of managing a business but worked in a shop for two years | Has no experience of managing a business but wants to learn how to do this |
| Has no flower arranging experience | Has qualifications in flower arranging | Likes flower arranging at home but no work experience |
| Age 35 with three small children | Age 25, no children | Age 50 with two children at university |
| Has \$10 000 to invest | Has \$5 000 to invest | Has \$20 000 to invest |

Appendix 2

Planned start-up costs for Fabian Flowers

| | \$ |
|---------------------------|--------|
| Purchase of shop premises | 50 000 |
| Equipment/shop fittings | 5 000 |
| Stock of flowers | 500 |
| Advertising | 400 |
| Recruitment costs | 100 |

Appendix 3

To: Fabian@gotmail.com
 From: Sid@gotmail.com
 Date: 2 May 2014
 Re: Where to buy flowers?

Here is the information you asked for about where to buy flowers:

| | Import flowers from country X | Purchase from a flower wholesaler | Buy from local flower growers |
|------------------------------|--------------------------------------|--|---|
| Quality of flowers | High | Low | Mixed (some high/some low) |
| Variety of different flowers | Limited range | Wide range | Limited range at some times of the year |
| Prices | High | Low | Depends on the quantity purchased |
| Other factors | No child labour allowed in country X | Wholesaler buys from country Y which uses methods that are not sustainable | Low transport costs |

Customers are becoming more aware of ethical and environmental issues when making purchases so think carefully about where you buy your flower supplies from.

Sid

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