



Business Plan

A Proposal To: Dr. Frank Koe

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Recursive Rentals

Business Model

Our company is a car rental business which operates with customer cars and use them for other customers to rent during their stay at specific cities, focused on international airports. Customers not willing to pay the long term parking fees at airports would drop the car at our parking service spaces. The car should be: year 2007 or later, non-smoking, accidents free, and should have no belongings. The customer dropping the car should be traveling for at least 1 week. Our company would clean the car, check for scratches, and match the car with an arriving customer in need of a car. After the rental time is due, the customer would drop the car full of gas (or they will be charged to their credit card). Our company would clean the car and return it the owner when he arrives.

Mission

Our company believes that both long term airport parking and car rental companies are taking advantage of customers by charging more money than they should. We see an opportunity to reduce both customer car parking costs and customer renting a car costs by matching them with our service.



Vision

In the future, our company plans on expanding its service beyond the airport industry. Short term car rentals would be available everywhere. For example: Customer having an extra car in his house and willing to rent their car.

Ethics

Our company believes deeply in ethical responsibility. We will make sure once a car has been rented, the owner will receive the car exactly or better than we received it. We expect our employees to exceed our customer expectation. Every employee should have the opportunity to discuss and report unethical issues.

Value proposition

Our company strives on helping customers find free parking during their trip away from home and in return help customers arriving for short trips that need transportation by providing them affordable pricing with complete protection for owners.

Values

We believe that the car owners have the highest priority and consideration in every transaction. Our employees and customers are to be treated with respect and professionalism. Integrity, teamwork, good personality, and loyalty are our companies values.

Business Structure

Recursive Rentals™ is a for profit business which follows a Limited Liability (LLC) corporate structure. The reason for being an LLC is because if something were to happen with the insurance or any other liability, then the owners won't be liable, instead, it will fall on the corporation.

The startup cost for Recursive Rentals will be divided the same into the three owners. Each owner will need to invest a third of the startup cost for 33.33% equity in the company. Each owner is responsible for gathering this amount of money, but the company encourages for it to be from friends and family. If one of the owners gets the money from a bank loan, he is responsible for the interests, not the company.

Intellectual Property

Recursive Rentals™ is a name that is looking to get a registered Trademark. Since we are in the process of that, we will be looking at trade marking the name. Recursive is the relationship between two or more entities where one entity can share duties and responsibilities with another entity while being in one system. Parts of the business model will be patented as the idea of car sharing has been introduced before but not to this specific scenario, that is, airport rentals. Due to the nature of the business, we will be following a 'continuous improvement' model which will help us generate profits in years to come.

Product Life Cycle

Recursive Rentals' introduction stage is the most expensive cycle as a new service is being launched. With mean sales low and small size of market, we anticipate lesser revenues but as seen in our financials we will be making a 105.73% increase in profits by year 3. Cost of things like research and development, and marketing will be high but very effective. The Growth stage which is characterized by a strong growth in sales and profits can be seen in year 3 as well. This stage makes possible for Recursive Rentals to invest more money in promotional activity to maximize the potential of this stage. The Maturity stage will be the most competitive time for Recursive Rentals as potential competitions will be hazardous to the business. We will also consider any modifications or improvements to the process if necessary for a competitive edge. Once the Decline stage is known, the model will shift to a different interest which is similar to our vision statement where we take car sharing out of airports to customers in need of a short term car.

Since Recursive Rentals does not operate like any traditional car rental company, sustainability issues will not be a problem as we do not own the vehicles but just use them for different customers. This will reduce the amount of cars owned as more and more people will prefer the idea of car sharing to reduce emissions and help the environment.

Marketing

Recursive Rentals used the 4 P's to demonstrate its mix.

Service (Product) - Customers travelling to a city by flight will have the option of renting cars offered by us, provided we are present in that city. Satisfies the need of looking for a weekly or longer car and with a wide variety of options whilst not dealing with 'other' fees. The features of a car will depend on several factors like car make, model and year. But standard assistance like hotline emergency number and tow assistance will be provided. Customers have the option of picking what type of car they would be interested in, be it either standard or luxury. With a luxury option, customers below the age of 25 will not be allowed to rent unless given a higher deposit fee. This service is very different to the other rental companies out there as most of them available now are on an extremely short term basis.

Place - The website will be the mode of exchange rather than an actual office. This not only helps customers but also reduces overhead costs. This is the reason we accounted for website creation and maintenance at \$60,000 a year. Renters will be able to create an account with us and provide some basic information and after that will be able to check available cars after feeding in their scheduled details. After making an online payment which will be protected, or mail a check if received early, arrangements will be made to make sure the renter will have no trouble with the rental process. The renter will be welcomed with a name board by one of our drivers' who will take customers to our respective location outside the airport and then hand them the keys.

Price - Paying lower rental prices while not paying for general tax is our biggest value. And for owners, the benefit of giving their car is they get paid per day. According to statistics, most cars are unused for about 92% of the time which is why we believe our customers will find that getting compensated for depreciation is well worth it. Having our prices lower than standard car rental companies gives us a competitive edge and also no extra fees which is what will drive our demand. Returning customers will be rewarded for use as we appreciate their contribution to this revolution. Customers are also not paying any insurance fees as we cover insurance for them.

Promotion - Using social media as the primary source of marketing is our first strategy. We will be reaching out to the entrepreneurial community as they would be the first one's to try it out and offer their valuable feedback. Being on a web-based platform, Recursive Rentals will be advertised on the internet and also on airport billboards. The competitors did not have much marketing pushes as this can be seen in general population knowledge of car sharing. Our aim is to provide knowledge and transparency to the customers as this is a new experience. Recursive Rentals will be an active member of the shared economy model and above all, seeks the satisfaction of the customer. For customers worried about insurance, Recursive Rentals provides' its own insurance of up to \$500,000 to cover for any causes taken place in an unlikely event.

Recursive Rentals is a service that helps travelers rent cars for cheaper who have the problem of not only paying extra fee's, but also great service.

People that understand the rising costs of owning a car will care about this service. According to AAA's annual Your Driving costs study, the cost of owning and operating a sedan in the United States increased 1.9% from 2012-2013, bumping the average cost to \$8,946 per year.

Target Audience - We based our target audience on backgrounds of those favorable to the shared economy model. After researching what age group would this type of customer be in, it was concluded that ages 21 - 40 are accepting of this model.

Category	Strategy
Target Market	Ages 21 -40
Positioning Statement	Recursive Rentals is a service that helps travelers rent cars for cheaper who have the problem of not only paying extra fee's, but also great service.
Offering to customers	Standard/ Luxury
Asset	Insurance coverage up to \$500,000
Price Strategy	\$40 average (\$25 - \$ 80)
Distribution	Online sales; website to make it easier
Promotion Strategy	First month awareness campaign followed by free giveaway's with 'Recursive Rentals' branded on them.
Marketing Research	Take customer feedback and identify new market opportunities.
Any other component of your marketing plan	Conduct SWOT analysis and social media marketing

Figure 1: Snapshot of Marketing Plan

Financing

Recursive Rentals™ is a service company which connects both people who don't want to pay for long term parking and are willing to rent their car and customers who are arriving to that airport and need to rent a car. Our startup cost is \$1,005,824. Each of the owners will contribute \$166,666.67 (\$500,000/3) for a 30.00% equity in the company. The other \$505,824 remaining money to start up the company will be gathered from angel investors and crowdfunding. The angel investor who invest the \$505,824 will receive 18% equity of recursive rentals at that location (Newark airport).

Manufacturing

Since our business is a service, there would be no manufacturing. The major costs for our service would be our website which we will outsource to a third party company. The other major costs would be the location, rent and the employees that will be working full time in our locations.

Managing People

We believe that car owners have the highest priority and consideration in every transaction. Our employees and customers are to be treated with respect and professionalism. Integrity, teamwork, good personality, and loyalty are our companies values.

In order to hire employees, Recursive Rentals would look for the following characteristics:

- Friendly
- Hard worker, and
- Employees with a charismatic and entrepreneurial spirit.

The front desk employee needs to understand and be able to work with databases, excel, word, customer service, and customer relations. The mechanic is required to have a technical degree of at least two years and also two years of prior experience as a mechanic. As of managing emotions, the company is very liberal. We expect employees to behave in the right manner at all times and if there is any problem or inconvenience, it should be resolved with the supervisor. Employees should listen and respect both supervisors and customers.

Culture at Recursive Rentals

We at Recursive Rentals always pledge to be culturally inclined as the board itself is very diverse. Different occasions will be celebrated to keep a healthy work environment along with some classes pertaining to cultures to educate our employees. Any mistreatments or wrongdoings, after an investigation, will be dealt with appropriate consequences which is not limited to firing.

Insurance

One of the main issues with this business is the insurance plan and how it would work. Seeing that insurance companies would not pay for coverage if someone else is driving your car for rental purposes. After research, majority of insurance companies condemn renting your car threatening to discontinue your coverage. With issues such as these, people will not be likely to even try this in fear of these companies. But in favor of car-sharing, California, Oregon and Washington have passed laws that prohibit insurance companies from dropping your coverage solely because you're renting car via car-sharing. We decided to have our own protection which is help customers build trust in our service. During rental, our insurance coverage is up to \$500,000 in case of any accidents and \$200,000 on top of renters insurance coverage. But when it comes to insurance, there are several other factors like if insurance companies would drop customer coverage which would be detrimental.

Sales

Recursive Rentals™ has the advantage over all other car rental services due to the fact that our prices are on average about half, if not less than that of any other car rental service. As stated before in the business plan, we have two types of customers; people renting our cars and people dropping their cars off because they require airport parking. We encourage customers to drop of their cars at our locations instead of having to pay for parking while they are away. On average airport parking can cost up to \$30 per day but at Recursive Rentals™, we not only provide a solution for airport parking but also pay our customers that leave their cars with us.[1] The amount we pay to our customers dropping their cars depends on the car brand and mileage. Luxury car brands such as Mercedes and BMW would be considered different from other cars and their pricing is defined differently. Table 1 and 2 below explains our rental pricing and payback pricing to customer per day.

Table 1: Rental Pricing per day

Mileage	Standard Cars	Luxury Cars
0 - 15K	\$55	\$80
15K - 50K	\$40	\$60
50K - 100K	\$30	\$50
100K +	\$25	\$40

Table 2: Payback to Customer per car

Mileage	Standard Cars	Luxury Cars
0 - 15K	\$15	\$25
15K - 50K	\$10	\$20
50K - 100K	\$8	\$15
100K +	\$5	\$10

For our financial analysis we decided to do our calculations with average values for our rental pricing and payback in order to get accurate and realistic values. We concluded that the average price for renting a car would be \$40 and the average payback per car is \$10. For the first year we estimated renting 7 cars per day. The following year our car rentals projections increased by 70% by renting up to 12 cars per day instead of 7. In year 3 we projected renting 17 cars per day giving us a 40% increase. The last two years we projected renting 20 cars per day (year 4) and 25 cars per day (year 5). To find customers we decided in spending \$61,000 in advertising for startup cost. We are going to start by creating a website in which our customers would be able to interact with us by renting cars online and getting an estimate on the payback they would get if dropping their car off. We will also create web ads on social network web pages and services along with visual posters and paper advertisements to spread the word around airports.

Financials

Our total startup cost came up to be \$1,008,324. During the first year of our operation we decided to employ a total of 11 employees. Since our business runs 24 hours a day on weekdays and 18 hours a day on weekends, certain positions require more than one employee. The front desk employees work 8 hours shifts each and get paid \$11 per hour.[2] Three shuttle drivers are required to fulfill the driver position. The drivers transport our customers from the airport to our location in our shuttle and get paid \$12 per hour and work 8 hours a day each since it is a 24-hour position.[3] We will only have one mechanic working for us at the beginning of our venture keeping cost to a minimum. The mechanic only works 11 hours a day on weekdays and 9 hours a day on weekends, they get paid \$15 per hour.[4] We also require car cleaners at our facilities; the car cleaner position has to be available 24 hour a day on weekends and 18 hours a day on weekdays. They get paid 10 dollars per hour.[5] Since this position requires extended hours of operations, we will hire 3 car cleaners. In our labor expenses we also included an employee healthcare cost per employee costing up to \$7,800 per employee per year. When considering our burden cost we included spending about \$10,000 per year on gasoline.[6] Our car insurance deposit of \$500,000 is also included in the burden cost. Our mechanic equipment and car cleaning equipment initial cost are higher than the yearly expense cost due to the fact that at the beginning of the operation we would have to purchase all the equipment required to do the job. After the first year these cost lower to about \$1000 for car cleaning supplies and \$2000 for mechanic equipment supplies.

Our yearly utility expenses were calculated to be \$2,000 per year. We would also require purchasing a used shuttle to transport our car renting customers from the airport to our facility. The shuttle was calculated to cost \$15,000; this cost is a one time cost and is not included in the yearly expenses. Maintenance cost for the shuttle was also included in yearly expenses. We calculated that our start up office equipment and supplies would cost up to \$2,500. This includes computers purchased, used office furniture, paper and other office supplies. After the first year, these cost are lowered to \$1,500 per year since neither furniture nor computers are purchased. Telephone and Internet expenses were calculated being \$2000 per year. Since we have a website for our company, we have to include IT support expenses and came up to be \$10,000 per year. Our business liability insurance expenses come up to be \$1000 per year. We also included legal and professional yearly expenses since it is always useful having a lawyer protecting our business if any problem arises. Our yearly office space rent expense was calculated to be \$7,000 per year, assuming that the space is not furnished. Extra expenses were calculated to be \$11,000 and these include bad debt and federal corporate tax expenses. Other expenses such as credit/debit card processing fee were also calculated to be \$1,500 yearly. Marketing expenses for webpage, web ads, paper and poster ads are included in the financials with a total cost of \$61,000. After the first year, our yearly expenses are lowered to \$468,824 since the insurance deposit is not included after the first year. In the figure below you can find the spreadsheet giving a detailed description on our startup cost and yearly expenses.

Expenses (Startup)			
Item	Unit Price	Quantity	Cost
COGS Labor			
Wages (Front Desk)	\$82,368.00	1	\$82,368.00
Wages (drivers)	\$89,856.00	1	\$89,856.00
Wages (Mechanics)	\$52,560.00	1	\$52,560.00
Car Cleaners	\$80,640.00	1	\$80,640.00
Employee health care cost(%10 wage)	\$7,800.00	8	\$62,400.00
COGS Labor Total			\$367,824.00
	Table 3:		
COGS Burden			
Gasoline	\$10,000.00	1	\$10,000.00
Car Insurance	\$500,000.00	1	\$500,000.00
Car Cleaning Supplies	\$5,000.00	1	\$5,000.00
Mechanic Equipment	\$5,000.00	1	\$5,000.00
Utilities Expense	\$2,000.00	1	\$2,000.00
Shuttle	\$15,000.00	1	\$15,000.00
COGS Burden Total			\$537,000.00
Total COGS			\$904,824.00
	Table 4:		
Marketing Expenses			
Adv. Marketing Material Design	\$6,000	1	\$6,000.00
Adv. Marketing Material Print	\$3,000	1	\$3,000.00
Advertising - Web Design	\$10,000	1	\$10,000.00
Advertising-Web Ads	\$25,000	1	\$25,000.00
Travel Expense-Hotels/Air/Meal	\$17,000	1	\$17,000.00
Total Marketing Expenses			\$61,000.00
Overhead Expenses			
Business Lia Insurance	\$1,000.00	1	\$1,000.00
Legal and Professional Expense	\$5,000.00	1	\$5,000.00
Supplies/Office Expense	\$5,000.00	1	\$5,000.00
Rent or Lease for office Expense	\$7,000.00	1	\$7,000.00
Telephone/Internet Expense	\$2,000.00	1	\$2,000.00
IT Support and Products	\$10,000.00	1	\$10,000.00
Total Overhead			\$30,000.00
Extra Expenses			

Bad Debt Expense	\$2,000.00	1	\$2,000.00
Federal Corporate Tax Expense	\$9,000.00	1	\$9,000.00
Total ITDA	\$11,000.00	1	\$11,000.00
Other Expenses			
Credit/Debit Card Processing Fee(%3)			\$1,500.00
Total Other Expenses			\$1,500.00
Start Up Cost			\$1,008,324.00
Yearly Expenses			
Item	Unit Price	Quantity	Cost
COGS Labor			
Wages (Front Desk)	\$82,368.00	1	\$82,368.00
Wages (drivers)	\$89,856.00	1	\$89,856.00
Wages (Mechanics)	\$52,560.00	1	\$52,560.00
Car Cleaners	\$80,640.00	1	\$80,640.00
Employee healthcare cost(%10 wage)	\$7,800.00	8	\$62,400.00
COGS Labor Total			\$367,824.00
COGS Burden			
Gasoline	\$10,000.00	1	\$10,000.00
Car Cleaning Supplies	\$1,000.00	1	\$1,000.00
Mechanic Equipment	\$2,000.00	1	\$2,000.00
Utilities Expense	\$2,000.00	1	\$2,000.00
COGS Burden Total			\$15,000.00
Total COGS			\$382,824.00
Marketing Expenses			
Adv. Marketng Material Design	\$6,000.00	1	\$6,000.00
Adv. Marketng Material Print	\$3,000.00	1	\$3,000.00
Advertising-Web Ads	\$25,000.00	1	\$25,000.00
Advertising - TV Commercials	\$10,000.00	1	\$10,000.00
Advertising - Magazine	\$1,500.00	1	\$1,500.00
Advertising - Pstg/Direct Mail	\$1,500.00	1	\$1,500.00
Total Marketing Expenses			\$47,000.00
Overhead Expenses			

Business Lia Insurance	\$1,000.00	1	\$1,000.00
Legal and Professional Expense	\$5,000.00	1	\$5,000.00
Supplies/Office Expense	\$1,500.00	1	\$1,500.00
Rent or Lease for office Expense	\$7,000.00	1	\$7,000.00
Telephone/Internet Expense	\$2,000.00	1	\$2,000.00
IT Support and Products	\$10,000.00	1	\$10,000.00
Total Overhead			\$26,500.00
Extra Expenses			
Bad Debt Expense	\$2,000.00	1	\$2,000.00
Federal Corporate Tax Expense	\$9,000.00	1	\$9,000.00
Total ITDA	\$11,000.00	1	\$11,000.00
Other Expenses			
Credit/Debit Card Processing Fee(3%)			\$1,500.00
Total Other Expenses			\$1,500.00
Total Yearly Expenses			\$468,824.00

Our break-even point was on year 3 of our business with a total profit of \$25,028. At the end of our 5-year venture we end up with a total profit of \$1,351,130. Below you can find a table and a graph explaining our revenue and profit values per year.

Year	Expenses	Revenue	Profit
1	\$1,008,324	\$383,250	-\$625,074
2	\$468,824	\$657,000	-\$436,898
3	\$468,824	\$930,750	\$25,028
4	\$468,824	\$1,095,000	\$651,204
5	\$668,824	\$1,368,750	\$1,351,130

[1] Independent Traveler. *Long-term airport parking* <<http://www.independenttraveler.com/travel-tips/air-travel/long-term-airport-parking>>

[2] Pay Scale Human Capital. *Front desk receptionist salary in U.S.* <http://www.payscale.com/research/US/Job=Front_Desk_Receptionist/Hourly_Rate>

[3] Glass Door. *Shuttle Driver Salary* <http://www.glassdoor.com/Salaries/shuttle-driver-salary-SRCH_KO0,14.htm>

[4] Bureau of Labor Statistics. *Mechanic hourly salary* <<http://www.bls.gov/oes/current/oes493023.S>>

[5] Glass Door. *Cleaners hourly salary.* <http://www.glassdoor.com/Salaries/cleaner-salary-SRCH_KO0,7.htm>

[6] US Energy Information Administration (EIA). *Annual household gasoline consumption.* <<http://www.eia.gov/todayinenergy/detail.cfm?id=9831>>

