Declaration

Hereby We, Group 4 of the Fulltime MBA Class, declare that this group work is our own original work and that all sources have been accurately reported and acknowledged, and that this document has not previously in its entirety or in part been submitted at any university in order to obtain an academic qualification.

Bellville, 2002-03-19
Executive Summary

In a market like South Africa with its big gap between the low and the high income groups you can focus on either the low income group or on the high income one. The higher income group provides high profits and low turnover, while the lower income one provides high turnover with low margins. We decided to make a typically high income group product (brand clothes) available to a lower income group.

The venture will focus on selling secondhand brand clothing to the lower end of the market. Star Clothing, the name of the venture, will give the lower end of the market the opportunity to buy good quality label clothing at affordable prices. As soon as STAR Clothing has been introduced to the target market, the venture will make use of the opportunity to create an own label clothing and selling it to the same target market at affordable prices. The five member of the venture will manage the venture on day-to-day bases. STAR Clothing will employ additional staff as the venture grows and it will be people from the target market they are selling to. Support of the community will be very imported, because that will be the best way of advertising our business to the target market.

For purpose of funding Star Clothing, a loan are required to the amount of R 700,000.00, which will be utilized for the opening of the first Star Clothing outlet. The loan will be secured by a bond on a residential property in the name of M de Kock and the personal sureties of the members. The members are convinced that the venture will be successful, and that expansion to a maximum of five shops in the Western Cape will become viable in the foreseeable future.
Contents

Declaration ii
Executive Summary iii
List of Tables vii
List of Figures viii

1 Venture ideas 1
1.1 Online video ........................................ 1
1.2 World Class Tours .................................... 1
1.3 Burial space .......................................... 2
1.4 Better service for foreign students ....................... 2
1.5 STAR Clothing ....................................... 3

2 Entrepreneurial Profiles 4
2.1 Fatima Hassan (Finance) ............................ 4
2.2 Alexander Markowski (Operations and Technology) ........................................ 4
2.3 Karin Williams (Retail) ............................... 5
2.4 Henrik Riedel (Admin and Legal) .................... 5
2.5 Mike de Kock (Marketing) ........................... 5

I Business Plan 7
3 Introduction

3.1 Background .................................................. 8
3.2 Road map .................................................. 8

4 Description of venture

4.1 Business Strategy ........................................... 9
4.2 Products .................................................. 9
   4.2.1 Secondhand clothing .................................. 9
   4.2.2 Own label ........................................... 10
4.3 Size and growth of Business ............................. 10
   4.3.1 Second hand label clothing .......................... 10
   4.3.2 STAR Label .......................................... 11
4.4 Personnel ................................................. 11

5 Industry analysis

5.1 Secondhand Clothing Industry ........................... 12
5.2 Market .................................................. 12
5.3 Competitors .............................................. 12
5.4 Income Group ........................................... 13

6 Production Plan

6.1 Process .................................................. 14
6.2 Staff .................................................... 15
6.3 Quality .................................................. 15
6.4 Inventory Required ....................................... 16
6.5 Time Analysis ............................................. 17

7 Marketing Plan

7.1 Target market .............................................. 18
7.2 Marketing Strategy ....................................... 18
7.3 Promotions .................................. 18
7.4 Advertising .................................. 19
7.5 Marketing to Suppliers ......................... 19
7.6 Institutions .................................. 19
7.7 Payment of suppliers ............................ 20

8 Organizational Plan .............................. 21
8.1 Form of ownership ................................ 21
8.2 Registration and name ............................ 21
8.3 Members of CC ................................. 21
8.4 Responsibilities and background of the management Team ............. 22
8.5 Remuneration of Management Team ............... 23
8.6 Cheque signing authority ........................ 23

9 Financial Plan .................................... 24
9.1 Key Assumptions ................................. 24
9.2 Cost Analysis .................................. 25
9.3 Income Statement ................................ 26
9.4 Balance Sheet .................................. 27
9.5 Cash Flow Statement ............................ 28
9.6 Break Even Analysis ............................. 29

A Associated Agreement ........................... 30

B Price list ......................................... 32

C Project Schedule ................................... 33

D Curriculum Vitae’s ................................ 34

List of Sources .................................... 45

MBA Fulltime, Group 4

2002-03-19
List of Tables

9.1 Income Statements ............................................. 26
9.2 Balance Sheets .................................................. 27
9.3 Cash Flow Statement ............................................ 28
B.1 Price List .......................................................... 32
List of Figures

6.1 Working Process ............................................. 14
6.2 Ground Plan .................................................. 17
9.1 Cost-Volume-Profit-Graph ................................... 25
C.1 Project Schedule .............................................. 33
D.1 Group 4 - STAR Clothing Executive Team .................. 34
1 Venture ideas

1.1 Online video

New web page based software to link the consumer directly to video shops countrywide. There is a definite need in the consumer market to have online access to a video library, and to order videos and to browse the video library online.

Screening: It is a workable venture idea, but the capital outlay will exceed our budget of 1 million rand.

1.2 World Class Tours

Since Cape Town is becoming more and more attractive to tourists, and the number of cruise ships in the harbour of Cape Town is increasing, we wanted to start a business called World Class Tours.

World Class Tours (WCT) is specialised in individual tours for cruise ship-passengers. As every Ship in Cape Town seems to have the same program (Table Mountain, wine tours and Waterfront), we want to address the passengers who want to see something special and typical south-African, like game farms, Hamadas, Lions Head with Sunset picnic and so on. To keep these tours very special, we want to keep the groups very small and the prices very high (someone who spends R100.000 for a world-tour like that will also pay R5.000 for something special).

The Plan was, to sell these tours in packages on the ship before they reach Cape
Town. This has to be negotiated with the organisation of the cruise ships.

**Screening:** Tourism is becoming more and more common here in South Africa; therefore WCT will be at the right place, interesting the higher income group.

### 1.3 Burial space

Information from the radio stated that by 2006 the number of HIV/AIDS deaths in South Africa would exceed the amount of burial space available. The idea generated is to find an alternative method of burial as the land resource will be stretched beyond it’s capability causing a health hazard. The alternative suggested is to provide cremation services as a hygienic disposal of the bodies.

**Screening:** The idea was rejected based on the fact that burial is a very significant part of culture and cremation would not be an acceptable alternative to a large part of the population. As a result, while the idea is good it would not be viable because of cultural barriers.

### 1.4 Better service for foreign students

The service provided by the USB at the moment for foreign students is actually more than poor. But not only the foreign students suffer from a very tight learning schedule also the south african students do. The learning requirements are very high according to the available time. Therefore the time spent on every day life must reduced to a minimum. This can be achieve through a total service by the USB or a small outsourced business, which will provide all kind of services, like laundry, accomodation, visa, security, telecom, newspapers and transport matters, to the students.

**Screening:** This venture idea has two difficulties. On the one hand it is the responsibility of the University to look after its students. Special services are an additional which is not the core service of such a tertiary sector organisation. The USB can offer those
but if not it can still refuse to allow someone else to do it. On the other hand there might not be enough students/customers to run this venture properly or profitably.

1.5 STAR Clothing

Our fifth idea was to make brand name clothes affordable to the lower income group. This could be done by selling second hand clothes in good health. We decided to take the idea, so we will not state it in in detail in this section.

**Screening:** Since the black population is not affected by wearing second hand clothes (the colored population seems), this idea is able to work great.
2 Entrepreneurial Profiles

2.1 Fatima Hassan (Finance)

Fatima has been appointed to the position of Finance and Accounting, providing STAR Clothing with experience and educational background in this field. She worked in the private sector for a total of 3 years with a wide variety of insight into production processes. In addition, Fatima is a holder of B.A (Business Management) with professional qualifications in accounting to the level of CPA Part II Section 3. Against such a background, STAR Clothing is an exciting opportunity to develop her entrepreneurial skill in her area of expertise. As an individual with a strong desire to actively take on a challenge, Fatima would like to build and develop the business from its humble beginnings to becoming a key player in the industry. This is a turning point in terms of self-development as it involves enormous sacrifices from a personal and financial point of view. However, key qualities of any entrepreneur are patience, self-sacrifice and long hour coupled with hard work.

2.2 Alexander Markowski (Operations and Technology)

With his studies in industrial engineering and management in Germany, Alexander has a broad basis of understanding technical as well as business matters. Within his two years in the German army on his way to second lieutenant he was deeply involved in making operation plans. His quiet personality enables him to lead the things in his directions without affecting the others.
With his knowledge in technical matters he gained within his studies and as a student employee at an IT Sales department in the Siemens AG, he is well prepared to manage the needed hard- and software for this venture.

2.3 Karin Williams (Retail)

With her experience in the retail financial market, Karin has valuable experience in dealing with the lower end of the market. The last nine year Karin was in a managerial position dealing with clients and managing staff on different skill levels. With her managerial skills, retail client experience and her MBA, she will be able to add value as a member of this new venture.

2.4 Henrik Riedel (Admin and Legal)

Henrik practised as a bank clerk for more than two years before he started his study of law. Even he might not know the south african bank habits, his knowledge of the matter will prevent the cc from making unnecessary mistakes. In various legal matters from the contract of rent, making up the cc to the agreements and registration, his experience will be of great support to the entrepreneurship and also safe money while external knowledge must not be bought. Another advantage the business gains from Henrik´s involvement is his experience in both entrepreneurial and clothing environment. He took part in a start up back in Germany. His former company designed and manufactured clothes. Therefore his knowledge will prevent STAR Clothing from stepping into major traps.

2.5 Mike de Kock (Marketing)

Mike de Kock will take on the marketing responsibility in the company. That will be the development and management of the companies marketing strategy. Mike has extensive experience in the clothing industry. This includes manufacturing, marketing, buying
and selling of second hand and new clothing. His expertise in the marketing side of the business will be a very valuable asset.
Part I

Business Plan
3 Introduction

3.1 Background

Five MBA students from the USB have identified an opportunity in the Western Cape area. After long nights of brainstorming the possibilities of risks and rewards of this new venture opportunity the team decided that the reward outweights the risks, they decided to present this business plan to LOTO venture capitalists with the intent to sell this idea to them and raise additional funds to start this new business venture.

3.2 Road map

This business plan will address the important aspects of the new venture. It will describe the opportunity and the way the member’s intent to make use of the opportunity. The members have done research in the industry and an analysis off the industry. Information about the production plan, organizational plan, and the marketing strategy will follow. And lastly a financial motivation will conclude the business plan.
4 Description of venture

STAR Clothing will be selling secondhand label clothing to a specific target market. The target market will be the lower end of the market, which cannot afford to buy new label clothing. STAR Clothing will sell its product from a retail outlet that is strategically placed.

4.1 Business Strategy

STAR Clothing will follow the cost advantage strategy. Under this strategy STAR Clothing will attempt to operate efficiently. This efficiency will permit STAR Clothing to offer lower prices on desirable label clothing to its target market. The return on equity model tells us that higher efficiency leads to higher return on equity (ROE) (Libby, Libby & Short 2001, p. 736-737).

4.2 Products

4.2.1 Secondhand clothing

STAR Clothing will retail in secondhand label clothing, for example Nike, Adidas, CK, Pepe, etc. These are popular labels in any target market but the affordability is not the same in all the markets, and that is the opportunity STAR Clothing will make use of. STAR Clothing will give the lower end of the market the opportunity to buy good quality second hand label clothing at affordable prices. The first retail outlet will concentrate on a very specific market, the lower income group from Stellenbosch area, to be specific
Kaymandi. Tight product control will be address by way of weekly stock take and an electronic stock control, by monitoring stock we will be able to phase out stock that prove to be unpopular. The secondhand label clothing sales will be STAR Clothing core product.

4.2.2 Own label

STAR Clothing plans to design its own label clothing. Therefore it will start with the STAR Clothing label as soon as the secondhand-retail-outlets work and cash flow turns positive. The forecast is that it will happen after approximately one year. STAR Clothing label will be designed for the same target market as the secondhand label Clothing market. The STAR Clothing label will be retailed from the secondhand retail stores. The idea of designing its own label is to make use of an opportunity that exists. STAR Clothing will have a captured market and they will use this opportunity to establish a new label in that target market without spending a lot of money capturing a market.

4.3 Size and growth of Business

4.3.1 Second hand label clothing

The business venture will start out with one retail outlet in Stellenbosch, 210 Bird Street. STAR Clothing forecast that the business has the potential to grow rapidly, but we decided to follow a conservative approach. STAR Clothing will only open new outlets, when the retail outlet in Stellenbosch produces substantial profits. The forecast is that it will be in one year. STAR Clothing will open a maximum of five stores in the western Cape in the same target market areas as the Stellenbosch outlet over a period of one to three years.
4.3.2 STAR Label

STAR Clothing predict that the STAR Clothing label will grow steadily as more and more people in our target market get to know the label. As the retail outlets expand, our STAR Clothing label exposure to our specific market will grow.

4.4 Personnel

Members will be responsible for the day-to-day managing of the business, in the following capacities.

- Alex Markowski, Operations and Technical Manager
- Fatima Hassan, Financial Manager
- Henrik Riedel, Legal and Admin Manager
- Mike de Kock, Marketing manager
- Karin Williams, Shop Manager

The five members will form the managing team of the company. The members have experience in the individual fields, and as a team we will concentrate on our strengths to build a successful business.

We will employ people from the local target market, by doing that we create jobs and opportunities for the people we going to sell our product to. That will insure word of mouth marketing for our product in our target market. Each staff member will get a letter of appointment in terms of the Basic Conditions of Employment Act.
5 Industry analysis

5.1 Secondhand Clothing Industry

The secondhand clothing industry in South Africa is a very big informal industry. From research and experience in the clothing industry it has been established that there is a definite market for selling label clothing that is still in a good condition to people who can’t afford to buy new label clothing. This label clothing will be acquired from people that have the clothing but have got no use for it anymore. It can be people who get rid of label clothing because the specific style of clothing is not fashionable in the social environment the socialize in, and for that reason the quality of clothing will be acceptable.

5.2 Market

Our target market will be the previously disadvantaged community. The specific market for the first retail outlet will be the community of Kyamandi just outside Stellenbosch. There is between 45000 and 50000 people living in Kyamandi, according to the town council of Stellenbosch.

5.3 Competitors

STAR Clothing’s competitors has been identified as retailers that is situated in Stellenbosch. The reason for this statement is that our target market will only shop in Stellenbosch, because they do not have to make use of transport.
The current competitors are "Rambling Rose", which sells second hand clothing, and PEP Stores, selling new clothes in poor quality. So they won’t be a direct competitor but cater for the same market of people.

5.4 Income Group

As we said we cater for the previously disadvantaged. The income group that we are focusing on is therefore the lower income group. The average income is between R 1200-3500 per month.
6 Production Plan

6.1 Process

STAR Clothing will collects good quality label clothes from schools, churches and other charity organisations in the Western Cape. They will sell this idea to the individual organisations (see marketing plan in chapter 7 on page 18).
The clothes collected will be brought to the Stellenbosch premises. The clothes will be washed, ironed and folded if necessary. A sticker will be put on each piece of clothing to indicate the size of the clothing to the customer. The individual pieces of clothing will be added to the stock in the retail outlet.

6.2 Staff

In the beginning we want to do all the steps on our own, so no employee will be needed then. When we got the business running, we will proceed to the next step. Washing, ironing and folding will be outsourced to a local company, which we have not yet chosen or established.

6.3 Quality

Quality is a very important aspect in our business. Normally, brand clothes have a good quality, but we have to take care that the used ones also have a high standard, regarding:

- No rips or holes in an unexpected area
- The colour should not have bleached
- The material should not have weak spots
- Missing Buttons or malfunctioning zippers are not a Problem since this clothes can easily be sold on a bargain counter, explicitly showing that the stuff is not "near new"
6.4 Inventory Required

1 Tumble Dryer:

- Professional application
- Capacity 10 Kg / 250 l Volume
- Microprocessor controlled

1 Rotary Ironer:

- Professional application
- Drum: Length 1 meter and 21 cm in diameter
- Performance: 14 Kg/h according to DIN 11902

1 Washer Extractor:

- Professional application
- Capacity 10 Kg / 100 l Volume
- Microprocessor controlled
- Up to 1100 Rotations/minute

5 Cell phones:

Every manager uses his own cell phone. Since they are all GSM-phones with an MTN-contract, our communication is secured.

1 Office and Store:

The store we have chosen, is situated near Stellenbosch in the target area of the Kyamandi township. Altogether we have available space of 400 $m^2$. The ground plan is shown in figure 6.2 on page 17.
6.5 Time Analysis

With this kind of Equipment we can easily handle all our clothes. 10 Kg of Clothes contain at average 30 t-shirts, 7 trousers or jeans, 10 sweaters and one jacket. If we assume that we can wash, dry and iron this within one hour, we can 'produce' 80 Kg - or 240 t-shirts, 50 trousers and jeans, 80 sweaters and eight jackets - per day. Within one year (approximately 300 working-days) we can therefore wash, dry and iron 2.4 tons of clothes, which means 72,000 t-shirts, 16,800 trousers or jeans, 24,000 sweaters and 2,400 jackets. Therefore our capacity is limited within this range of 'production'.
7 Marketing Plan

7.1 Target market

The target market will be the lower income group. At first we will target the Stellenbosch market, which consists of mainly pedestrians walking to and from work, which is the majority of people. The location of the shop will be in the main road leading from Stellenbosch to Kyamandi. The shop will be situated next to the Stellenbosch train station.

7.2 Marketing Strategy

The main objective for our marketing strategy will be to place emphasis on the brand names and quality of the clothing that we are going to sell. We have to create the idea that it does not matter that the products are secondhand. The opening of the shop will be promoted well in advance of the actual opening date. The opening day will be the big day for promotions and this will be at the end of the month or week when most of our market gets paid. There will be made use of different mediums to implement our strategy. The feeling of clothing for the people must be created.

7.3 Promotions

The first day of opening will be the most important. The day will be earmarked with all sorts of competitions with prizes and giveaways to draw the customers. In the target market that we are focussing on ”the word of mouth” marketing approach is the most
effective approach and no news spread as quickly as receiving goods for free news. We will have an important person from the community to serve as a central part of the promotion to create the connection between importance and superiority of wearing and buying from Star Clothing. Promotion will also be done through sponsoring the local development football or rugby team in the township with clothes. There will be a festive almost carnival like atmosphere created at the shop every Friday afternoon with loud music and with presenters giving away prizes.

7.4 Advertising

Advertisements will be done through advertising in the local newspaper, flyers being handed out and specials of the month on billboards at the township entrance. Flyers will be distributed every Friday morning when the people go to work and walk past the shop. The specials of the week will be advertised on these flyers. This is to get the people to have a chance to discuss the bargains at work and motivate each other to buy in the afternoon.

7.5 Marketing to Suppliers

This function is just as important as marketing of our products to the clients. The most important thing that should be remembered is that if we don’t have suppliers we don’t have products. For this purpose we will focus on specific institutions to supply us with a constant flow of products.

7.6 Institutions

Local schools, churches and University residences will be our first main target from where we are going to get our supplies of clothing from. Representatives from STAR Clothing will visit these institutions on a weekly basis to buy all clothing that have been collected.
7.7 Payment of suppliers

Our Suppliers – as stated before – are mainly schools. We are going to pay a fixed amount per item. This amount, which is actually our Cost of Sales, can be looked up in Table B.1 on page 32.
8 Organizational Plan

8.1 Form of ownership

STAR Clothing incorporated as a close corporation CC under the Act 69 of 1984. Each member contributed an equal interest of R 50,000 to the STAR Clothing CC. All members have entered into an association agreement determining the terms and basis on which themembers take part in the company.

8.2 Registration and name

STAR Clothing CC has been incorporated by the Registrar of Close Corporations in Pretoria on 1 March 2002 after handing in the the application form CK7 as the founding statement, application form CK7 for the name and paying the fee of R 150 in total. The application was attached by a written consent of the accounting officer F. Hassam and an association agreement. The name STAR Clothing was desirable in the opinion of the Registrar. The registration number is 574 3448 21. The associated agreement is attached in appendix A on page 30.

8.3 Members of CC

As stated in appendix A on page 30, STAR Clothing is owned by five members:

- Alex Markowski
- Fatima Hassan
- Henrik Riedel
- Mike de Kock
- Karin Williams

The entrepreneurial profiles can be found in chapter 2 on page 4. Each member left a curriculum vitae in Appendix D on page 34.

### 8.4 Responsibilities and background of the management Team

The reason for us deciding on this specific venture was that the members of this CC have the right combination of skills and abilities to make a success of this venture. We as a team will concentrate on each member's strengths to build a successful management team.

**Marketing Manager:** Mike de Kock will take on this responsibility in the company. He will be responsible for all marketing activities in the company. That will be the development and management of the company's marketing strategy.

**Operations and Technical Manager:** Alex will be responsible for the managing of all process flows in the company. He will design and access process flows regularly to ensure maximum productivity. The technical equipment of STAR Clothing is also his ressort.

**Financial Manager:** Fatima will monitor, advise, and control all the finances in the company.

**Administration and legal manager:** Henrik will be responsible for the administration of the company and with his legal background he will be able to advice the management team on all legal matters concerning STAR Clothing.
Retail Manager: Karin Williams will take on this responsibility, it will include the management of the retail outlet and she will be responsible for the human resources activities in the company.

8.5 Remuneration of Management Team

Salaries for the first year will be minimum of R 3000 per month. All Earnings will be retained for a period of two years, in order to generate sufficient amount of cash to expand the business without further borrowing.

8.6 Cheque signing authority

STAR Clothing has opened an account at the First National branch in Stellenbosch. Most payments will be done electronically. Those payments must be authorised by the financial manager.

All Cheques must be signed by the financial manager and a second member of the management group. A special agreement has been made with the bank that only 0.5% cash deposit fee will be charged.

A call account for high amounts of cash will be generated by the First National.
9 Financial Plan

9.1 Key Assumptions

- Mark up of 200%
- The target sales per month is 1000 units
- Therefore the annual sales = 12000 units
- Maintain at the end of each year, Inventory equal to next month sales = 1000 units
- Installation cost will be written off within a one year period.
- The Break Even Sales = 4445 units/year
- A unit refers to the constant product mix, therefore the total sales = 96000 pieces of clothes
- Seasonality will balance out the sales resulting in the constant product mix
- Depreciation is calculated on straight line basis @10 % p.a.
- Annual sales in the second year will be 14,000 units
9.2 Cost Analysis

Figure 9.1: Cost-Volume-Profit-Graph
### 9.3 Income Statement

**Income Statements**

**As of December 31**

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>R 1,007,825.00</td>
<td>R 2,170,000.00</td>
</tr>
<tr>
<td><strong>Cost Of Goods Sold</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Opening Stock</td>
<td>38,000</td>
<td>38,000</td>
</tr>
<tr>
<td>Purchases</td>
<td>456,000</td>
<td>532,000</td>
</tr>
<tr>
<td>Closing Stock</td>
<td>38,000</td>
<td>532,000</td>
</tr>
<tr>
<td></td>
<td>551,825.00</td>
<td>1,638,000.00</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Variable</td>
<td>36,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Fixed</td>
<td>375,000</td>
<td>425,000</td>
</tr>
<tr>
<td>Operating Income</td>
<td>140,825.00</td>
<td>1,213,000.00</td>
</tr>
<tr>
<td>Tax @15%</td>
<td>21,123.75</td>
<td>181,950.00</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td>R 119,701.25</td>
<td>R 1,031,050.00</td>
</tr>
</tbody>
</table>

Table 9.1: Income Statements
### 9.4 Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pick up</td>
<td>R 54.000,00</td>
<td>R 48.600,00</td>
</tr>
<tr>
<td>Washing machines</td>
<td>5.400,00</td>
<td>4.860,00</td>
</tr>
<tr>
<td>Dryer</td>
<td>5.400,00</td>
<td>4.860,00</td>
</tr>
<tr>
<td>Industrial Iron</td>
<td>2.700,00</td>
<td>2.430,00</td>
</tr>
<tr>
<td>Other assets</td>
<td>1.800,00</td>
<td>1.620,00</td>
</tr>
<tr>
<td></td>
<td><strong>69.300,00</strong></td>
<td><strong>62.370,00</strong></td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td>38.000</td>
<td>38.000</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>957.589</td>
<td>995.589,25</td>
</tr>
<tr>
<td></td>
<td>1.876.691,25</td>
<td>1.914.691,25</td>
</tr>
<tr>
<td>Total Assets</td>
<td><strong>R 1.069.701,25</strong></td>
<td><strong>R 1.976.431,00</strong></td>
</tr>
<tr>
<td><strong>Financed by</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>R 114.889,25</td>
<td>R 1.026.431,00</td>
</tr>
<tr>
<td>Share capital</td>
<td>950.000,00</td>
<td>950.000,00</td>
</tr>
<tr>
<td></td>
<td><strong>R 1.064.889,25</strong></td>
<td><strong>R 1.976.431,00</strong></td>
</tr>
</tbody>
</table>

Table 9.2: Balance Sheets
# 9.5 Cash Flow Statement

## Statement of Cash Flows
As of December 31

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATIONS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retained Earnings</td>
<td>R 114,889,25</td>
<td>R 1,026,431,00</td>
</tr>
<tr>
<td><strong>Add back:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>7,700,00</td>
<td>6,930,00</td>
</tr>
<tr>
<td></td>
<td>127,401,25</td>
<td>1,033,361,00</td>
</tr>
<tr>
<td><strong>Changes in Working Capital</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventory</td>
<td>38,000,00</td>
<td>0,00</td>
</tr>
<tr>
<td></td>
<td>89,401,25</td>
<td>1,033,361,00</td>
</tr>
<tr>
<td>Tax Paid</td>
<td>21,123,75</td>
<td>181,950,00</td>
</tr>
<tr>
<td></td>
<td>68,277,50</td>
<td>851,411,00</td>
</tr>
<tr>
<td><strong>INVESTING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets purchased</td>
<td>77,000,00</td>
<td>0,00</td>
</tr>
<tr>
<td>Interest on account</td>
<td>21,123,75</td>
<td>62,879,00</td>
</tr>
<tr>
<td></td>
<td>12,401,25</td>
<td>914,290,00</td>
</tr>
<tr>
<td><strong>FINANCING</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>250,000,00</td>
<td></td>
</tr>
<tr>
<td>venture capital</td>
<td>700,000,00</td>
<td></td>
</tr>
<tr>
<td>Net cash Inflow</td>
<td>957,589,25</td>
<td>914,290,00</td>
</tr>
<tr>
<td>Cash at beginning</td>
<td>0,00</td>
<td>962,401,25</td>
</tr>
<tr>
<td>cash at end</td>
<td>R 957,589,25</td>
<td>R 1,876,691,00</td>
</tr>
</tbody>
</table>

Table 9.3: Cash Flow Statement
9.6 Break Even Analysis

The break even point is calculated with the equation method, used by Horngren, Foster & Datar (2000).

Variable Costs per unit: \( UVC = R\, 21,60 \)

Fixed Costs: \( FC = R\, 592.975,00 \)

Selling Price per unit: \( USP = R\, 155,00 \)

Units sold: Quantity = \( Q \)

Operating Income: = \( OI \)

\[
\text{Revenue} - \text{Variable Costs} - \text{Fixed Costs} = \text{Operating Income}
\]
\[
(USP \cdot Q) - (UVC \cdot Q) - FC = OI
\]
\[
(155,00 \cdot Q) - (21,6 \cdot Q) - 592.975,00 = 0
\]
\[
(155,00 - 21,6) \cdot Q = 592.975,00
\]
\[
Q = 4445
\]
A Associated Agreement

The following persons are founding members of the STAR clothing close corporation:

- Karin Williams
- Fatima Hassan
- Alexander Markowski
- Mike De Kock
- Henrik Riedel

and agree to following rules.

Art. 1 Every member is entitled to participate in the carrying on of the business of star clothing CC.

Art. 2 All members have equal rights in regard to the management of the business and the representative of the STAR Clothing CC.

Art. 3 Differences between members in connection with the business of the cc shall be decided by majority vote.

Art. 4 Each member has the number of votes corresponding with his/hers percentage interest.
Art. 5 All members are indemnified in respect of expenditure incurred in connection with the conducting of the business and the preservation of the business or assets of the cc.

Art. 6 Payments by the corporation to its members by reason only of their membership shall be in proportion to their interest in the cc.

Art. 7 Entering into an association agreement takes place without signing it.

Art. 8 Other agreements might be arranged. Those agreements shall be added to this agreement in written form.

Art. 9 The net income will be distributed according to the annual financial statement, which must be signed by at least 51

Art. 10 No distribution may be made without accordance to the solvency and liquidity requirements. In the first three year of existence no distribution to members will be made.

Art. 11 If a member wants to sell his interest, he/ she shall first sell it to an old member as far as an interest exists.
## B Price list

<table>
<thead>
<tr>
<th>Product:</th>
<th>Selling Price:</th>
<th>Buying price</th>
<th>$\frac{\sum SP_i}{\sum SP_i}$</th>
</tr>
</thead>
<tbody>
<tr>
<td>T-shirts</td>
<td>R 10</td>
<td>R 2.50</td>
<td>0.06</td>
</tr>
<tr>
<td>Jeans</td>
<td>R 20</td>
<td>R 5.00</td>
<td>0.13</td>
</tr>
<tr>
<td>Shorts</td>
<td>R 5</td>
<td>R 1.25</td>
<td>0.03</td>
</tr>
<tr>
<td>Trousers</td>
<td>R 30</td>
<td>R 7.50</td>
<td>0.19</td>
</tr>
<tr>
<td>Long sleeve shirts</td>
<td>R 20</td>
<td>R 5.00</td>
<td>0.13</td>
</tr>
<tr>
<td>Tops</td>
<td>R 15</td>
<td>R 3.25</td>
<td>0.10</td>
</tr>
<tr>
<td>Jerseys</td>
<td>R 20</td>
<td>R 5.00</td>
<td>0.13</td>
</tr>
<tr>
<td>Blazers</td>
<td>R 35</td>
<td>R 8.50</td>
<td>0.23</td>
</tr>
<tr>
<td><strong>R 155</strong></td>
<td><strong>R 38.00</strong></td>
<td></td>
<td><strong>1.00</strong></td>
</tr>
</tbody>
</table>

Table B.1: Price List
C Project Schedule

Business Plan
Money Approval
Collecting Clothes
Renting Shop
Buying Machines
Opening Shop
Marketing
New Shops
Own Label

Figure C.1: Project Schedule
D Curriculum Vitae’s

In this Chapter you are going to find the CV’s of all the group members.

Figure D.1: Group 4 - STAR Clothing Executive Team
From left to right: Alex, Karin, Mike, Fatima and Henrik
Curriculum Vitae of Alexander Markowski

Personal facts

Alexander Markowski
An der Klosterkoppel 8
25436 Uetersen
Germany

Date of birth: 24.03.1977 in Cuxhaven, Germany
Nationality: German

Education

08/1983–06/1987 Elementary school
08/1987–05/1996 High School (special subjects mathematics and geography)

Occupation

07/1996–06/1998 Reserve officer in the german military police

Study

10/1998–09/2000 First diploma in Industrial Engineering and Management at the University of Applied Sciences in Wedel
09/2000–now Main studies in Industrial Engineering and Management at the University of Applied Sciences in Wedel
01/2002–now Master of Business Administration at the University of Stellenbosch

Period of practical training

02/2001–04/2001 Siemens AG, Information and Communication, Hamburg, business
Experience

Further knowledge
Software Autocad R13 and Mechanical Desktop 4, Microsoft Excel, Word, Powerpoint, Publisher, Outlook and Visio, LTEX, Micrograffix Designer and Flowchart, Oracle 8.x, SAP R3
Hardware Excellent knowledge in pc-hardware and configuration
Further courses Vacuum technics, testing of materials, production-planning and managing
Seminars Value Selling (SIEBEL), time- and selfmanagement, negotiation and presentation

Further activities
since 10/1999 Voluntary occupation in the student body of the University of Applied Sciences in Wedel
since 01/2001 Member of the studentical management consulting group ConActing
since 03/2001 Member of the committee of the student body of the University of Applied Sciences in Wedel

Private interests
Sports, meeting friends, computer, travelling
Curriculum Vitae of Fatima Hassan

Personal facts

Fatima Hassan
30 15th Avenue Boston
Bellville, 7530
South Africa

Date of birth: 26.01.1976 in Eldoret, Kenya
Nationality: Kenyan

Education

1982–1989 Hill Primary School

Study

1995–1999 Bachelor of Arts (Business Management), Honors at Moi University
Eldoret

01/2002–now Master of Business Administration at the University of Stellenbosch

Additional training

04/1996–05/1996 DBase III+ at Pert training Consultants
01/1997–04/1997 French Beginners Course at the Moi University
12/2000 CPA Part I - Section 1
06/2001 CPA Part I - Section 2
12/2001 CPA Part II - Section 3
Work experience

05/1996–09/1996  Accounts Clerk and Computer Operator
05/1997–09/1997  Accounts Clerk and Computer Operator
05/1998–06/1998  Accounts and Clearing Clerk at Trust Bank LTD

Further knowledge

Software  Microsoft Excel, Word, Powerpoint, DBase III+, WordPerfect
Languages  French

Private interests

Sports, meeting friends, travelling
Curriculum Vitae of Henrik Riedel

Personal facts

Henrik Georg Artur Horst Riedel
7 John Vorsterlaan
Plattekloof
Parow 7500
South Africa

Date of birth: 21.07.1973 in Duisburg, Germany
Nationality: German

Education

08/1979–07/1983 Elementary school
08/1983–06/1993 High School

Occupation

08/1993–03/1996 Bankclerc at Sparkasse Mülheim an der Ruhr
01/1999–09/2001 Assistant of management of mazine GmbH

Study

04/1996–11/2000 Law at the University of Bonn
04/2001–07/2001 German, european and international company and business law at IWB at the University of Bielefeld
01/2002–now Master of Business Administration at the University of Stellenbosch

Period of practical training

07/2000–09/2001 SMH Sparkasse Mannesmann Hoffmeister, project development of
industrial areas

11/2001–12/2001 UWG Unternehmensgruppe Wiesbaden, business consultant

Further knowledge
Software   Microsoft Excel, Word, Powerpoint, Windows, Macintosh

Seminars   Rhetoricals

Further activities
since 04/1996 Member of Leo-Club Mülheim/Rumbach
since 01/2001 Member of Saxonia Bonn (Fraternity)
since 03/2001 Member of the committee of the student body of the University of Applied Sciences in Wedel

Private interests
Sports   Hockey, Golf, Soccer, Tennis, Hunting, Sailing
Spokesperson   In school, sport clubs and the apprenticeship, I was the spokesperson of my friends and colleagues
Curriculum Vitae of Karin Williams

Personal facts

Karin Williams
7 Partridge Place
Melkboos
7441
South Africa

Nationality: South-African

Education

1971–1983 Matriculation – Port Natal High School
1984–1987 B.Com degree from Rand Africans University
1999 Diploma WebPages Design and E Commerce from City Varsity
01/2002–now Master of Business Administration at the University of Stellenbosch

Summary

Thirteen years commercial banking experience. I gained experience in the following areas, as project manager in a joint venture environment, new business, consumer finance, credit, administration and managerial.

Professional Experience

10/1986–01/1989 National Cooperative Dairies, Assistant Accountant
09/1989–12/1992 Trust Bank – Cape Town, Assistant Manager Credit
01/1993–04/1995 Mercantile Lisbon Bank (MLB) – Cape Town, Administration Man-
ager

05/1995–08/1998  Mercantile Lisbon Bank (MLB) – Cape Town, Branch Manager

09/1998–07/1999  Mercantile Lisbon Bank (MLB) – Cape Town, Manager Consumer Finance

08/1999–05/2000  Mercantile Lisbon Bank (MLB) – Cape Town, Manager New Business

06/2000–08/2001  Mercantile Lisbon Bank (MLB) – Cape Town, Senior Manager Projects

Further knowledge
Software  Microsoft Excel, Word, Powerpoint
Curriculum Vitae of Mike de Kock

Personal facts
Michiel J. de Kock
7 Bergrkuine Street
Eversdal
Durbanville
7550
South Africa

Nationality: South-African

Education
1989–1993 Stellenbosch High School, Matriculation (A-Levels)
Subjects: Mathematics, Accounting, Business Economics, Geography, English, Afrikaans

1994–1996 University of Stellenbosch, B.A. (Industrial Psychology)
Subjects: Business Economics 1; Statistical Methods 1; English Communication Skills Computer Literacy 1, Intro to Law 1, Indigenous Law 2, Political Science 3, Industrial Psychology 3

01/2002–now Master of Business Administration at the University of Stellenbosch

Work Experience
1 CONDE NAST PUBLICATIONS (London), Accounts assistant

2 City University London, Financial assistant, Upgrading and Functioning of student Database (Dolphin System)

3 Cutting Edge Promotions, Marketing of clothing, Managing manufacturing (suppliers of clothing), Buying of materials, Monthly Fi-
Further knowledge

Software  
Microsoft Excel, Word, Powerpoint, Windows 3.1/95/98/NT, Novell Netware 5.1, SAP R3 Accounts, CBS Accounts System, SUN Accounts System

Courses  
A+ Service Technician
List of Sources
