

PROJECT OUTLINE

Dr. Maskin

SPRING ECONOMICS PROJECT

DOING BUSINESS IN NEW YORK: ENTREPRENEURIAL DREAM OR NIGHTMARE?

Purposes:

- 1) to understand the dynamics of business creation and operation
- 2) to appreciate the problems small businesses face in New York City.
- 3) to appreciate how some small businesses have overcome these problems
- 4) to improve our information-gathering and writing skills
- 5) to improve our oral presentation skills as we share our discoveries with our colleagues.

Method:

Each team of between 3 to 5 economic consultants/entrepreneurs forms around a specific vacant store in one of the five boroughs. Each consulting team receives \$25,000 in Bronx Science funny (phoney) money. This amount can be used to stock and prepare a store for business. This working capital can also be used as equity to obtain a loan to undertake any of the following:

- 1) acquiring land and/or a building
- 2) renovating an existing facility
- 3) purchasing machinery and/or equipment
- 4) constructing a new facility
- 5) refinancing existing debt
- 6) purchasing inventory
- 7) other business-related expenses

The for-profit business that the team creates on a specific site must meet the following criteria:

- 1) Does it serve the needs of the neighborhood in which it is located?
- 2) Does it stand a good chance of being profitable a year after its opening?
- 3) Does it stand a good chance of maintaining its profitability over

a period of 3 years or more?

Once a consulting team has coalesced around a particular site, team members begin the process of gathering data to determine what kind of product or service will be offered at the site. Data should be gathered and analyzed from the following sources before a choice is made:

- a) a Neighborhood Needs Assessment Survey
- b) a Merchants' Survey
- c) 1990 Census Tract data
- d) information supplied by local governmental and non-governmental departments and agencies, (local politicians, community board members, merchant association members, local development corporation members, community activists, police representatives, city planners, editors and journalists from city-wide, borough-wide and community publications)
- e) ZIP code data
- f) information supplied by local landlords and real estate agents
- g) a walking tour of the neighborhood

Once a specific business has been chosen for the particular site, the consulting team then produces a FEASIBILITY STUDY wherein the team explains why its store has a good chance of succeeding on that given site. The FEASIBILITY STUDY should describe in detail:

- a) the positive aspects of the store's location
- b) the physical dimensions/conditions of the store
- c) the present business climate in the store's market area
- d) anticipated trends which could impact on the store's profitability

The following sources can provide useful information and advice for the Team's FEASIBILITY STUDY:

- a) local landlords and real estate agents
- b) local merchants
- c) neighborhood residents
- d) 1990 census tract data
- e) an examination of the neighborhood's infrastructure

Once the Team's FEASIBILITY STUDY is completed, work should begin on the all-important BUSINESS PLAN. The BUSINESS PLAN will help the team to precisely define its mission and to obtain capital in the form of loans. The team's BUSINESS PLAN consists of 6 components:

- I. Summary
 - A. Highlights of the team's plan
- II. Business description
 - A. name of the business
 - B. address
 - C. detailed description of products and/or services offered
 - D. legal structure
- III. Marketing Strategy
 - A. market area
 - B. target customer
 - C. your competition
 - D. pricing strategy
 - E. advertising and public relations
- IV. Pre-Opening Budget
 - A. projected start-up costs
 1. capital equipment needed
 - B. the loan
 1. reasons for financing
 2. amount and terms of the loan
 3. what the loan will be used for
- V. Financial Projections
 - A. projected sales
 - B. projected costs
 - C. projected first year monthly income
 - D. projected third year monthly income
 - E. projected first-month cash flow analysis
- VI. Management Team
 - A. Resumes of key personnel

Culminating Activity- The Project

Each consulting team is responsible for producing a FEASIBILITY STUDY and a BUSINESS PLAN totaling approximately 15 pages (typed, double spaced). The FEASIBILITY STUDY and BUSINESS PLAN should also include a footnote

page and a bibliography of sources (written and human) which were accessed along the way. In addition, a 5-section "Appendix" is required. The appendix should be sub-divided as follows:

- Appendix A - appropriate maps (block and neighborhood)
 - photos of neighborhood and site
- Appendix B - charts, tables, graphs illustrating statistical data and results of surveys conducted
 - copy of Neighborhood Needs Assessment Survey
 - copy of Merchant Survey
 - schematic drawings of the store itself
 - sample ad
 - sample menu or price list
 - pre-opening budget
 - the loan (amount and terms)
 - first year monthly income statement
 - third year monthly income statement
- Appendix C- letters of correspondence received
- Appendix D- transcripts of selected interviews
- Appendix E- copies of necessary permits, licenses, and business certificates (filled-in)

Evaluation:

Our Spring Economic Project is presented as an Extra Credit Project. Students who choose to participate and whose team receives a "90" or above on its FEASIBILITY STUDY and BUSINESS PLAN will have 15 points added to their final test and homework average in the course. Students whose team receives an 85 to 89 on its study will have 10 points added to their final test and homework average in the course. Students whose team receives an 80 to 84 on its study will have 5 points added to their test and homework average. The project is both a valuable and exciting one. I am committed to helping each participant get the most out of the activity in terms of useful skills and a high grade. Therefore, I urge all students in the course to participate. It will be an educational experience to remember. **Best of luck!!**