

# BUSINESS PLAN



## Shopping and Entertainment Center



2014

*Adaptation of this business plan is possible for similar project worldwide.*

*This business plan includes computer-assisted financial model in Excel. To make re-calculations for a new project, it's enough to change basic indicators of the project. Financial model is built up in such a way that appearance of the new performance indicators of the project can be observed at once, after making changes in existing script. Financial model is simple and comfortable, which allow any person to successfully make calculations for his own project.*

## **Business Plan Description**

Role of shopping and entertainment center (SEC) extends beyond the consumption today. Due to the growing tendency of shopping centers attendance by the Russians, their concepts must be formed according to the structure of consumer preferences with the allocation of a special place to entertainment establishments. That's why the **project idea** is the construction of shopping center of entertaining character with elements of pricing concept for attractiveness of broad population masses of Moscow.

**Target audience:** young families with average or above average income, that live in the \*\*\* district in Moscow.

### **Market analysis**

<b>Market</b>	<b>Main tendencies</b>
Consumer market	<p>Retail trade turnover was characterized by stable annual growth for 2008-2013 and amounted to ** trln RUB at the end of 2013, which exceeds the result of previous year by *%. According to the Rosstat, *.5% of retail trade turnover were formed by trade organizations and individual entrepreneurs, the share of retail markets and fairs amounted to **.5% last year (in 2012 – 89,4% and 10,6% accordingly).</p> <p>Due to the results of the second quarter of 2014, the sales of products have reduced in Russia – the first time for five years. Since April till June of current year the Russians had been spent ** trln RUB on food, which is less by 0,1% than the indicators of similar period in 2013.</p>
Retail space market	<p>In 2014 the record input volume of new retail space (about *** thsd sq m) will be expected in Moscow. The share of vacant space has increased from 2.5% up to ***% in the second quarter of 2014. This indicator will amount to ***% by the end of the year. The demand for the most qualitative projects still is at the highest level. The maximal rent rates still remains at the previous level (** – ** USD/sq m/year. Herewith the decrease of average rent rates is possible (they are in the range ***–*** USD/sq m/year).</p>

**Competitive environment.** The undeniable advantage of developed SEC is that it is the only trade enterprise of such format in over \*\*\* district of Moscow. Nevertheless, the competitive influence of those shopping complexes, which are situated along the same lines of communication, should not be underestimated, especially accounting the fact of broad awareness of population about them. Retail trade enterprises, the amount of which in \*\*\* district is 90, as well as restaurants, cafes and bars in their total amount of 25 can make indirect competition for developed SEC.

**Choice of SEC concept.** Since the SEC is considered by the Russians as a place for leisure activities more often, this has identified the centerline idea of SEC construction. But due to the reduction of goods consumption in Russia, it is advisable to lease the space to trade operators selling their commodity at democratic prices that will contribute to attraction of large flow of buyers.

«\*\*\*»SEC must be associated among visitors as a shopping center with a large pool of major network operators, oriented on wider population, and offering so extensive range of products as it is possible in a single center.

**Approaches to the risks mitigations:**

– *risk of low attendance of buyers:* the awareness of population of \*\*\* district about developed SEC, creating of excitement around its opening. It is necessary to include such kinds of promotion as outdoor advertising, advertising flyers, creation of profile groups in social networks and search engine optimization of site of «\*\*\*» SEC;

– *risk of uneven visiting of SEC separate zones by buyers:* for risk avoiding the complex of SEC flow control and accommodation of trade operators in accordance with consumer logic is offered.

## Finance of project

Financial indicators	Units	Value
Net profit	USD	***
Revenue for 3 years of operating	USD	***
Necessary investment	USD	***
NPV	USD	***
IRR monthly	%	2%
IRR annual	%	**%
Payback period	months	27
Discounted payback period	months	32

## Excerpts from Research

The construction of SEC is planned in \*\*\*district of \*AD in Moscow on the lot approximately equal to 2.4 ha.

### Positive sides of SEC location:

- two metro station of various branches with passenger turnover of 48,550 and 42,740 people a day are placed near;
- a good public transport interchange;
- an average congestion of motorways leading to SEC amounts to 1-2 points on a ten-point scale.

### Negative sides of SEC location:

- poor visibility of SEC because of the dense housing of \*\*\* district;
- about 40% of population of SEC coverage is younger or older than working age.

All floors of «\*\*\*» SEC will be spatially connected by vertical communications: escalators, elevators and stairs. It is planned that they will penetrate the building and layout it by functional zones: trade, sport, office, children's, play, which leads to economic favorable and quick moving of visitors inside the building in accordance with aims of its visiting. The project will be one of the not numerous complexes, where single level heated underground parking with total amount of car places \*\* is implemented.

By the results of the second quarter of 2014 in general over the Russian Federation the sales of food have reduced for the first time during five years. In particular in Moscow only in January and May of 2014 the real cash income of population exceed the indicators of similar period of previous year. According to the data of Mosgorstat, the share of payment exactly for goods and services is still dominant in total population expenses – more than 60% at June of 2014. Although this indicator decreased by 14% in comparison with the beginning of 2013.

The existing tendencies indicate that it is necessary to add one more emphasis to entertainment character of projected SEC, which is a democratic of prices. The advertising of SEC must show the budget variants of different goods purchase. Constantly increasing population of Moscow and insufficient amount of retail space (\*\* sq m/1 000 people) leads to the reorientation of significant part of client base from small trade enterprises to large SEC, where the price level is lower (the prices without significant damage for owners will decrease through economies of scale – due to the reduction of share of fixed costs per unit of goods).

Moscow market was replenished by \*\*\* thsd sq m of new space in the second quarter of 2014, which exceeds the yearly indicator of 2013. By the results of the first half of 2014 the total supply volume was amounted to \*\* mln sq m. The important fact is that since 2015 the tax rate will be determined depending not on the total but on useful building area (like it was earlier). Based on the foregoing, it is possible to make a conclusion that the competition for analyzed SEC in the Moscow retail space market has increased by an order during the current year.

The initial capital expenditures for concept development, purchasing of land lot, building materials and the SEC construction itself amounts to \*\*\* USD. The annual charges of \*% of revenue as remuneration of invited specialists from the management company is anticipated by the project. The necessary budget for advertising and marketing amounts to \*\*\* USD.

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*and would like to remind you that:*

- ✓ *with the purchase of the business plan of the «VTSConsulting» company you'll have a guarantee of getting a consultation from specialists who have worked on a specific business plan*
- ✓ *during one to two hours our team will be ready to answer all questions related to the structure and content of the business plan*

*Respectfully,*

*«VTSConsulting» team*

## INFORMATION ABOUT THE «VTSConsulting» COMPANY

«VTSConsulting» company was founded in May 2010 by a team of professionals led by Vladyslav Tsygoda. Vladyslav Tsygoda is a business consultant, a recognized leader in the field of business planning in the CIS countries (according to the portal free-lance.ru), today he is the head of the rating of the consulting company.

Development of business plans, feasibility studies, investment memorandums, financial models and business presentations are the main directions of the team, which includes highly skilled analysts.

Experience of the team in the development of investment documents is more than 6 years, and today «VTSConsulting» is the only company in Ukraine, which is a partner of the project «RBC. Market research».

### «VTSConsulting» team and principles of work

- ✓ a unique approach to solving problems;
- ✓ an impeccable reputation and a high degree of customer confidence;
- ✓ high professionalism regardless of field of study;
- ✓ practical experience, including the implementation of complex highly specialized projects.

**We appreciate greatly the cooperation with each customer.**

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«Petrovizard» company, Port Temryuk, LLC «Spetsbudproekt», group of companies «SEMPROGROUP», LLC «Maximus Construction», «Rosmolodezh», LLC «Sisif Service», LLC «Plant TITAN», LLC «Project K»,

LLC «Portal Logistics», SPK «Nauka», I.N. Frantsevich Institute of Materials of NAS of Ukraine, NTUU «KPI», Science Park «Kyiv Polytechnic», The Russian Government, Verkhovna Rada of Ukraine

This is not a complete list of those

who was pleased with the cooperation with «VTSConsulting».

«VTSConsulting» company is a team of professionals, whose knowledge and experience will allow you to save money, nerves and time: preparation of investment documents will take from 4 to 10 days.

Our customers recommend us to their friends and partners, because we work for the results and complete satisfaction of a Client. Thus, ordering business plan, information or investment memorandum from us, you do not just spend money.

**You invest.**

*Respectfully,*

*Vladyslav Tsygoda,*

*the head of «VTSConsulting»*