



**American University of Armenia**

**Հայաստանի Ամերիկյան Համալսարան**

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**College of Business and Economics**

**PMBA-2**

## ***Entrepreneurship, Innovation and Incubation***

### ***Capstone Paper***



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## Executive summary

Within this paper we have identified a problem our citizens are facing today and try to solve it by developing an idea of a business model.

The number of cars is increasing day by day in Armenia. However, the fast pace of life and busy working schedule makes it difficult to find enough time to take a car for services needed. In response to this problem, we have decided to create a mobile application and webpage that will save drivers' time by providing opportunity to reserve a time at car wash service, order a service to take the car to a car wash service and have the car washed on place. Our mission is to create a comfortable platform to shorten distance between car owners and service providers.

Initially the business model was about a car wash, car maintenance and parking services that are to be provided via application or website. However, we came up with the decision to launch one type of service. We chose a car wash service as a starting point. Later on, after acquiring popularity, teaching our customers and gaining a reputation of a high quality service provider and a reliable partner, we will launch repair and parking services.

Our application and webpage will help drivers to experience easy and time saving car wash.

Car wash service has three main features: 1. Car wash service reservation via App and webpage. 2. Ordering a service to take the car to a car wash service and then get it back. 3. On place car washing service.

All three features are developed to save drivers' time, which is known to be the most precious and valuable commodity in the world.

## About idea

The Idea is to create a website and a mobile application that will connect drivers and car service providers and solve the parking issue. It will ease their cars' maintenance, washing and parking process, make it comfortable and less stressful. What we offer is completely nonexistent in the local market. This means two things. Firstly, market is completely free to conquer and dominate and establish ourselves as the first mover. However, the second thing is that people are not used to what we offer, so we have to put a lot of advertising to raise the trust in us. Nonetheless, we are confident that our product will be a success, since it is innovative and it provides a lot of useful things for the customers. Most importantly, it saves a lot of time and time is extremely valuable nowadays.

Our business will have 3 types of services:

1-st phase -OOSTA.AM WASH

2-nd phase OOSTA.AM REPAIR

3-rd phase - OOSTA.AM PARKING

We have decided to enter a market with only a car wash service. Later on, after acquiring popularity, teaching our customers and gaining a reputation of a high quality service provider and a reliable partner, we will launch repair and parking services.

Repair is the second phase of our project which is going to be implemented after developing and having revenues from car wash service. Keeping a vehicle properly maintained is essential for safe driving. Without a properly functioning vehicle, drivers will be at risk for crashes and breakdowns that not only will affect those who drive the car, but also other drivers and passengers. But, it is not always easy to remember to follow up with your vehicle maintenance. Besides, most of us probably agree that service centers recommend some maintenance services that are either redundant or not needed at all. That is why it is essential to keep track of a car's maintenance schedule. With our car maintenance feature, one can easily learn a lot about personal vehicle, its spare parts and the issues that need one's utmost attention. OOSTA.AM will provide vehicle owners a wide range of features. Our application will allow drivers to track the car's mileage/fuel economy, can also be used as a reminder for services

like air filter, tire rotation, oil change or spark plugs. Drivers will be able to order spare parts via App or website and even have a car diagnosed on place.

Parking will work using the similar feature of ordering a driver who will take the car to the available free space. Valley parking concept is going to be used.

Thus, car wash is the service we are going to start with. In terms of technical solutions, it is less complicated. Moreover, it requires less investments in comparison with repair and parking services.

Our application and webpage will help drivers to experience easy and time saving car wash.

Car wash service has three main features:

- ✓ Car wash service reservation via App and webpage
- ✓ Ordering a service to take the car to a car wash service and then get it back
- ✓ On place car washing service

Waiting in a queue, especially during rush hours, is a common problem for a lot of drivers. Surely, there are a lot of car wash services that are operating in not a full capacity. However, those in the city center usually have many orders during the day. That is why, our potential clients who are generally busy people working in the center, will use this service. The car owner is reserving the desired time in a car wash service to be sure that he/she will not wait in a queue. The reservation is supposed to be done via application or our website. The car wash service will receive the order either directly using App, or we will ask them to reserve by phone.

For those who are really short of time, we can offer on place car wash or opportunity to order a drive who will take the car to the car wash service and get it back.

The porotype in the Appendix 1 shows how approximately the application interface will look like.

## Business process description

After conducted some research, gathering information needed we have done a SWOT analysis to define our advantages, problems, threats and to select the best course of action.

### SWOT Analysis

<b>Strengths</b> <ul style="list-style-type: none"> <li>• Being a first mover</li> <li>• Premium quality service</li> <li>• Effective marketing</li> <li>• IT solutions</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>• Time of implementing the business</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>• Attracting loyal customers</li> <li>• Expanding the business behind carwash</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>• Competitors who will implement the project earlier</li> </ul>

In order to plan our steps and move forward in an organized, way we have created a preliminary timeline. Our timeline is provided as a basis for discussion and development of the implementing process, and will be modified and customized to meet our company's needs. The list of tasks to be completed and expected duration of each task will be adjusted to our achievements and progress.

### Timeline

	<i>Jul 17</i>	<i>Aug 17</i>	<i>Sep 17</i>	<i>Oct 17</i>	<i>Nov 17</i>	<i>Dec 17</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
<b>Desk Research</b>											
<b>Survey</b>											
<b>Interview</b>											
<b>Pricing Analysis</b>											
<b>Competition Analysis</b>											
<b>Marketing</b>											
<b>Investments</b>											
<b>App &amp; Web page</b>											
<b>Comp. Establishment</b>											
<b>OOsta.am Repair</b>											
<b>OOsta.am Parking</b>											

When doing research, we have gathered necessary information, have discussed all possible obstacles and opportunities. Suggestions of the experts both from business and IT spheres have helped a lot at this stage.

In order to identify our market and target a specific customer, we have made a survey questionnaire. The results mostly meet our expectations. The reservation feature appeared to be the most popular. Responds of all our acquaintances and friends are inspiring. Interviews with car wash service providers are also stimulating. Those who we have already speak to, are ready to cooperate and use our App. Interviews and survey results revealed that up to 15% fee from each transaction is quite acceptable by car wash services. For revenue projection 10% fee has been used taking into consideration all the costs and investments needed.

Actually, there are no competitors providing the same service. What we offer is completely nonexistent in the local market. Still we should take into consideration all possible entries and existing service providers in the sphere.

Regarding marketing, the market is completely free to conquer and dominate and establish ourselves as the first mover. However, the problem is that people are not used to what we offer, so we have to put a lot of advertising to raise the trust in us. We are going to spread information about our company and car wash services generally via social media. Initial version of Facebook page exists now, still not promoted. We think to use banner advertising as well. Nonetheless, the core of our marketing strategy will be a word of mouth advertising. There are different sources, proving that consumers will believe a recommendation from friends and family over any other type of advertising.

We developed App prototype. The original website and App designing and programming is supposed to take no more than two months.

After positioning ourselves in the market, gaining a reputation of a high quality service provider and a reliable partner, we plan to introduce our repair and parking services in future. At that moment we are going to use marketing potential of our existing customers and harness existing user base.

## Market analysis

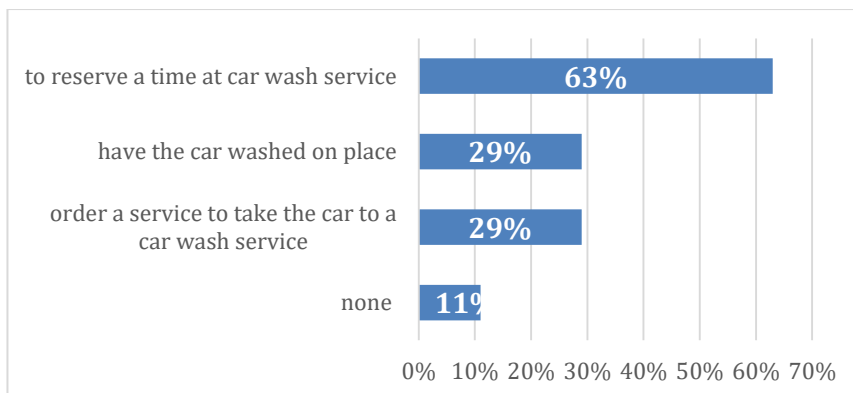
According to Armenian car insurance bureau data, there are 467,616 active car insurance agreements at the end of 30/06/2017. We consider this figure to be almost the same as number of vehicles in Armenia. There is no official statistics about quantity of cars in Yerevan, still as population is mainly concentrated in Yerevan, according to our estimations, more than 40% of cars should be in Yerevan. We have estimated it to be about 200,000.

In order to find out attitude towards our idea and reluctance of both drivers and car wash services to use our services, we have conducted surveys.

Online survey among 130 car owners have revealed the following results.

### **Drivers survey result**

- 60% of respondents are male and 40% female
- More than 60% of participants are employed
- 20% of respondents spend more than 30 minutes waiting in a queue
- More than 45% would like to pay online
- Service preference



As we can observe, 60% of participants are employed and 40% are women. Actually, we are targeting employed people, who have strict working schedule and lack of time.

The most popular service among our survey participants is time reservation. On place car wash and driver ordering services have the same preference among respondents. Almost half of the questioned would like to pay online instead of cash. Possibility to pay online is supposed to attract more and more people.



Paper based survey among 18 car wash services have revealed the following results.

### **Car wash services survey results**

- 83% of respondents' working hours are 9:00-22:00, 17% work 24 hours
- During May-September 67% serve 11-20 cars a day
- During October-April 50% serve 11-20 cars a day, 33% serve up to 10 and 17% serve more than 20 cars a day
- For 53% of respondents' rush hours are 9:00-18:00
- 67% of respondents would prefer to use phone instead of App for acceptance of car washing reserve
- 10-15% percent is a reasonable pay for majority of respondents

So, survey results revealed that a small percent of car wash services work 24 hours. This means that working people have a few hours left after work to take care of their cars. Majority of service owners said that they would prefer use phone instead of application. This fact shows that they are not much sophisticated in terms of digital capabilities. Still, it is not an issue, as we will have phone operators. Undoubtedly, the number of services who would prefer to use app will increase day by day. Which will cut salary costs and make the process faster.

Up to 15% fee from each transaction is quite acceptable by car wash services. For revenue projection 10% fee has been used taking into consideration all the costs and investments needed.

The overall attitude of car wash service owners towards the idea of OOsta.am is motivating, since almost all the service we have spoken to, have agreed to cooperate with us.

## Financial analysis

We are planning to start our operations from Yerevan. According to our judgements, there are about 200,000 cars in Yerevan. Survey showed that about 80% of car owners are ready to use our services. As a newly opened business, we consider to have 0.1% market share in the first quarter. Further we project for each quarter to increase our share by 0.2%. Therefore, by the end of the 1st year we will have 0.4% market share, in average 0.25%, which is quite realistic.

According to survey done and taking into account seasonality, quarterly frequency rate of car washing for 1st and 4th quarter is 7.05, while for 2nd and 3<sup>rd</sup> quarter is 7.81 times per quarter. Car wash prices for Sedans and SUV are different, for Sedans is in average 3,000 AMD, and for SUV is 4,000 AMD. According to answers of survey, 79.1% of cars are Sedans, and only 20.9% are SUV.

Most favorite service among our survey participants is time reservation in car wash, which accounts 51.25%, then 25% of people would like their car to be taken to car wash service by our drivers and 23.75% would like to have their car to be washed on place. All services for car owners would be available for the same price, as they used to pay to car wash companies. The only exception is additional fee for washing on place or delivery service, which is 1,000 AMD per order. Our revenue from reservation is generated as charges from car washing companies. According to our survey conducted among car wash companies, 10-15% is reasonable fee to be paid if car wash is conducted via our company. This is how it works: if you are driving Toyota Corolla and want your car to be washed and for time reservation you used OOsta.am and reserved car wash in 15:00 in car wash near American University of Armenia, you pay the same 3,000 AMD to car wash Company, however, car wash company pays to OOsta.am 10% fee, which in this particular case would be 300 AMD. According to conducted analysis, during 1st quarter of our operation, people will use our services 1,128 times. This number by the end of the year will grow to 11,893. Respectively for 1st quarter, our revenue would be 1,686,243 AMD and yearly cumulative revenue will reach 17,771,574 AMD. As we can see from part of operating expenses, the biggest proportion has salary expenses, which accounts about 73% of operating expenses, which includes salary expenses for operators, on place car washers and drivers for delivering the car to washing service place.

About 10% of total operating expenses are office expenses, including office rent, utility and other office rent expenses. 9% is a car maintenance expenses, inducing insurance, parking fees, maintenance, fuel and other maintenance expenses. 8% accounts marketing and advertisement expenses, including marketing by digital channels, by radio, and also traditional face to face marketing.

At the end of first year Oosta.am is generating 1,740,845 loss. Starting from 3rd quarter, the company would be able to breakeven, and as we can see from profit and loss statement, operating profit for the 3rd quarter is 60,327 AMD, which the company was able to reach by serving 3,750 orders. In other words, 3,750 orders per quarter or daily 42 orders from all types of services, is the breakeven point. For following years both the number of employees and cars for on place car washing is growing. And by the end of the second year oosta.am would be able to generate yearly 7,752,000 AMD profit. For the 3rd year operation, profit is projected to have 122% increase by reaching 17,245,251 AMD per year.

Initial investment for the business is calculated to be about 8,800,000 AMD, out of which 70% is capital investment needed, other part is the amount needed to cover operating expenses, until the company would be able to generate enough revenue to cover all costs.

As we see, company is not able to cover investment by the end of 1<sup>st</sup> year. According to Profit and loss statement initial investment would be covered only by the end of 1<sup>st</sup> quarter of 3<sup>rd</sup> year, which is quite high figure for payback period. Also it is worth to mention, that for such companies though profit generation is very important, but more essential role has market capitalization, which we believe could reach the amount of the initial investment even within a year.

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## Conclusion

OOsta.am as a real business is still in developing stage. However, we can confirm that a lot of work has been done. The idea of a platform to connect drivers and car wash services will be developed and in case of success, parking and repair services will be provided in near future.

Indeed, research done and results of the survey are inspiring. At the same time, we found out that at this moment majority of respondents are ready to use only registration feature. It can be explained by the fact that people are not familiar with on place car wash and with the service of a driver order. Therefore, we are to educate customers and gain a reputation of a high quality service provider. Marketing will play a crucial role on this way.

In this era of digitalization, an application that will allow to save time and experience easy car wash, will attract a lot of people. Surely, Armenian market is a small one. However, we have a long term plan to expand abroad, particularly to Russia.

If one looks closely to international companies like Airbnb/EBAY/Uber he can see that Airbnb is the world's largest accommodation provider, but it doesn't own any real estate, EBAY is the world's most valuable retailer, but it has no inventory, Uber is world's most valuable automobile company, but it doesn't produce or own cars. So, our ultimate and long-term goal is to be among these companies and with the right approach we are confident in our success.

Appendixes

Appendix 1 Prototype



## Appendix 2 Survey questions

### *For Car Wash Services*

Your working hours are

- ☐ 9:00-18:00
- ☐ 9:00-22:00
- ☐ 24 hours
- ☐ Other

On average how many cars you serve a day during?

May-September

- ☐ Up to 10
- ☐ 11-20
- ☐ More than 20

October-April

- ☐ Up to 10
- ☐ 11-20
- ☐ More than 20

On average how many minutes you spend to wash?

Sedan

- ☐ 20-30
- ☐ 30-40
- ☐ More than 40

SUV

- ☐ 20-30
- ☐ 30-40
- ☐ More than 40

What are your rush hours?

- ☐ 9:00-18:00
- ☐ After 18:00

What would you prefer to use for acceptance of car washing reserve?

- ☐ Phone
- ☐ App

Which percent is reasonable to pay middleman?

- ☐ 10%
- ☐ 10%-15%
- ☐ More than 15%

## ***For Drivers***

You are:

- ☐ male
- ☐ female

You are:

- ☐ employed
- ☐ self-employed
- ☐ unemployed

Your car is:

- ☐ Sedan
- ☐ SUV

How often do you wash your car (not by yourself) during May-September?

- ☐ Once a week
- ☐ Twice a month
- ☐ Once a month
- ☐ Once in a 2 months

How often do you wash your car (not by yourself) during October-April ?

- ☐ Once a week
- ☐ Twice a month
- ☐ Once a month
- ☐ Once in a 2 months

Is a queue at car wash service a problem for you?

- ☐ Yes
- ☐ No

How long it takes from you to get your car washed?

- ☐ Up to 30 minutes
- ☐ 30-60 minutes
- ☐ 60-90 minutes
- ☐ More than 90 minutes

Would you use an Application? / you can choose several options/

- ☐ To Reserve a time at car wash service
- ☐ To take your car to wash service and get it back
- ☐ To have your car washed on place
- ☐ None of the above

Which method would you choose to pay?

- ☐ Cash
- ☐ Online



### Appendix 3 Financial model



Financial-Model-O  
Osta.am.xlsx