**Global Business Plan Project**

**7. Financing Sources for Global Business Operations**

**Learning Goals**

1. To determine start-up costs for proposed global business operations
2. To identify sources of funding for international business activities

**Purpose**

Both global expansion by large organizations and initial international business activities by smaller companies require financing. In this module, your goal is to obtain information related to start-up costs and sources of funds for your international business enterprise.

**Resources**

Web links:

* Global Edge CyberSite: <http://globaledge.msu.edu/>
* Business Around the World Atlas: <https://highered.mcgraw-hill.com/sites/0078137217/student_view0/business_around_the_world.html>

**Conduct Research**

Based on the global business opportunity identified in Module 1 (or a different international business enterprise or idea), research information related to the following:

1. ECONOMIC ENVIRONMENT

Discuss the influence of the country’s infrastructure and economic conditions (inflation, currency exchange rate, interest rates, unemployment, personal income) on startup costs and the financial potential for this business enterprise.

1. START-UP COSTS

Identify expenses (and estimated amounts) that would be necessary when starting this global business enterprise. (Be sure to consider equipment, buildings, vehicles, infrastructure improvements, training costs, consultants, legal fees, and licenses.)

1. FINANCING SOURCES

Compare the availability and costs associated with different sources for funding this global business enterprise. (Large companies may sell stock, issue bonds, and obtain loans. Smaller organizations might make use of personal investors, small business loans, venture capital sources, or government-guaranteed loans.)

**Supplementary Activity**

Obtain recent currency exchange rates for the country you have researched. Graph changes of these currency values in relation to two or three other countries. Discuss economic and political factors that may have influenced any changes in the country’s exchange rate.

**E-Commerce Application**

Locate online information sources for organizations that provide funding for start-up enterprises involved in exporting and international business. What requirements exist to obtain this funding?

**Prepare Summary**

In a separate Word document, prepare a summary report consisting of the following components:

1. An overview of economic conditions that might affect start-up costs and financing alternatives for the proposed global business enterprise.
2. A description (and estimate of amounts) of the necessary start-up costs.
3. A synopsis of financing alternatives that might be used in this situation.
4. Recommend actions that might be taken to obtain financing for the proposed global business enterprise. Provide evidence to support your recommendations.

**View Sample Report**

The following project segments are EXAMPLES and SAMPLE MATERIALS. Please note:

1. These samples were selected from several student team projects at one school and are not intended to represent a particular level of quality, and DO NOT represent a complete project.
2. The accuracy of content, data, and clarity of writing are NOT guaranteed; and
3. These samples may NOT BE DUPLICATED.

Our harbor, which will span a distance of eight miles, will cost us approximately $3 billion to construct. The $3 billion will come from governments subsidizing the harbor, as well as from the sponsors. Our project consists of excavation and dredging approximately 1,100 feet by 600 feet of fastland along the northwest margin of Peru in Chiclayo. We will excavate a triangular area of approximately 230’ by 280’ by 360’ and will have a depth of 38’. This will cost us approximately $13,900,000. The estimate for this price was obtained by Healy Tibbitts Builders, Inc.

To sponsor harbors, the Happy Harbor Company will seek funding from three major American-based companies: McDonalds, Pepsi, and Anheuser Busch. These three major sponsors will provide money mainly for the entertainment and retail sector of the harbor. The sponsors will help support our commitment to provide quality family entertainment throughout the year. Their financial support will help underwrite a variety of free attractions and entertainment, and their advertising and promotional support will help us exceed the approximately 8.2 million visitors that we are expecting at our harbors each year. Of the 8.2 million visitors the entertainment sector expects, the Happy Harbor Company hopes to earn $10 million a year.

For construction purposes, Caterpillar will be providing the materials and equipment for a minimal price as we advertise the benefits of their company to the governments in which we build our harbors. This will make it profitable to build our harbors as well as expand Caterpillar’s business throughout the world.

Start-up costs will include a $10,000 initial franchising fee due upon signing the franchising agreement. Approximately $60,000 will be needed to pay for the lease on the property and for the renovations that will be needed on our store. Since we will be investing in SUBWAY internationally, we are not able to benefit from the equipment-leasing program through SUBWAY headquarters. SUBWAY estimates equipment costs to be around $50,000, but through strategic alliances these costs will be cut by coming to agreements with equipment companies in Brazil. Another $40,000 will be needed for expenses like opening inventory, signs, insurance, supplies, training expenses, opening advertising, and other miscellaneous expenses. Operating costs will include labor, supplies, along with an eight percent royalty to SUBWAY weekly, and a three percent advertising fee. Revenues will come from in-store sales, on-line sales, and catering to small and medium sized businesses. Our pricing strategy will be to slightly increase the price of our products compared to American prices, with respect to the American dollar.

We have decided upon obtaining a small business loan from an American bank. We believe that by doing this in America, we will decrease fears of loan problems due to a more stable economy in the U.S. By having the luxury of the SUBWAY name, we believe banks will be much more comfortable approving our loan application. We will also use the Billy Blanks Foundation for some start-up money. That foundation has worked with corporate SUBWAY for a number of years starting up franchises internationally.

According to the opportunities and requirements for Buen Salud Vitamin Company described in this business plan, and based on what we feel are sound business assumptions, our initial capital requirements are $6 million. To accomplish this goal we have developed a comprehensive plan to intensify and accelerate our marketing and sales activities, product development, services expansion, engineering, distribution, and customer service. To implement our plans we require a loan totaling $5 million for the following purposes:

1. Purchase initial materials and supplies (bottles, labels, ingredients, boxes for distribution, etc.)
2. Maximize sales with an advertising campaign to promote our products/services.
3. Reinforce Customer Support services to handle the increased demands created by an influx of new orders.
4. Purchase of vehicles to be used for large-scale distribution (semi-trucks).
5. Purchase of vehicles to be used for small-scale distribution (SUVs).
6. Facilitation of the licensing and patenting process.
7. Payment for legal fees incurred during research and development.
8. Increase research and development to create additional follow-up products as well as to further fine-tune our competitive advantages.