

Business proposal

Business



**ASSIGN
BUSTER**

Business Proposal Melissa Wojciehowski ECO561 March 14, 2013 Ed Hartman
Business Proposal ThomasMoneyService (TMS) Inc. opened its doors in 1940 with the primary purpose of supplying the average household with loans for everyday needs. Since its origination, the company's success has spawned an expansion including business loans, business acquisition financing, and commercial real estate loans. In 1946 Thomas merged with Future Growth Inc. , an equipment financing company.

The merger proved to be a smart move for TMS as they became a viable reckoning force within the forestry and construction industries. From the beginning to mid-2005 TMS proved to be a very successful company and relished all its stature. Like many businesses, TMS experienced drastic losses in stock values because of the economy, and resulted in the need to lay off some of its employees. Natural disasters such as flooding, forest fires, animal activist protesters, and the recent economic crisis were reasons TMS experienced a loss in sales in previous years.

The purpose of this proposal is to present suggestions on how TMS can increase revenue, achieve production levels, determine how costs can be attuned to maximize profits, suggest a mix of pricing and non-pricing strategies, and create barriers to entry into the market if possible. This proposal will also look into ways on how the company can increase product differentiation, and if there is other means to minimize the cost for the product. Increasing Revenue

Because of the recent decrease in sales, TMS should first consider the marginal revenue and cost profit maximizing guide to determine whether there significant profit will produce to validate producing building and

forestry equipment. Based on data gathered, after completing the analysis it proves that the marginal revenue exceed the marginal cost proving that no more would be added to cost than to revenue. If profits are maximized, prices need to be in excess of the average total cost where ($P = MC$ output) as prices are kept at the equilibrium point to maximize revenue.

Consumers need a production differentiation because this reflects on the demand of the product. Advertising is a strong marketing tool used to show the public what FGI can offer, not just price wise, but when comparing the quality between competing parties. Thomas Money Inc. can also incorporate its employees into the plan by enhancing customer service and drawing on the idea of expanding into the building of the medical industry. Thomas Money Inc. can also increase revenue by finding new ways to improve the production levels.

Because the company manufactures its own brand of forestry and building , they have an advantage over their rivals because they can brand, patent, or license its own products. Investing in companies from within the medical industry, a new focus can be placed on the construction of nursing homes and hospitals that will also assist with increasing revenue. Reducing prices and a strong advertising campaign are ways the company can increase demand for its product in turn boosting levels from revenue to production. Maximizing Profits Thomas Money Inc. as the potential to maximize profits, especially after the information stated that marginal revenue exceeds marginal costs. Increasing revenues and limiting variable costs are the primary motives for the company therefore FGI will need to shift from its consumer targeting from new equipment to used equipment. By focusing on the used equipment

and liquidating the repossessed units will generate an increase to marginal revenue since the variable costs for those units do not exist. The company does not have to stop producing new equipment, but the level of new production need to follow the economic condition and markets to retain normal profit.

In calculating the data provided additional revenue can be achieved by integrating resource and production efficiency. In using a series of short-run production analysis and application techniques FGI can maximize profits using the total revenue and total cost approach. With total revenue of \$2, 600 and total cost of \$1, 050, it produces an economic profit of \$1, 550 before the law of diminishing returns begins to affect it negatively. Fixed costs maintain the same output level and variable costs fluctuates at each level increasing at more than \$50 dollars, it is recommended that the company look into the cost of advertisement.

Although it is a much needed source to increasing revenue and production levels, there need to be another alternative to advertising during the super bowl events especially since it is very costly during that event. Other methods of advertisement can be in the form of newspaper ads, and local TV channels. Creating Price, Non-price strategies and barriers to market entry In every market the primary goal for companies is to sustain or increase profitability, especially during a slow-down of the economy.

Ways of doing so is by limiting marginal costs of production and maintain a fair or comparable market selling price to keep consumers from buying from other rivals. As companies incur marginal cost of producing, it triggers a trickling effect where those costs are transferred into the market price that

in turn is believed by the consumers. The result is a decrease in consumer demand for the product which creates a loss in profits for the company and consumers looking at other companies for similar products or substitutes.

When considering pricing strategies, consumer expectations must be considered. Pricing should be set based on several factors such as geographical location, market segment, and economic conditions. Being flexible toward pricing policies change based on the dynamics of the market is the recommendation for the company. Non-price strategies and barriers to market entry are effective ways of sustaining economic profit and provide a higher potential for increased revenues and maximizing profits.

Investing in research and development, becoming technologically equipped, and implement a strong consumer-oriented programs to substantiate the organizations appreciation and show organizational worth of those consumers expectations, demand, and wants. (McConnell) As mentioned previously, some barriers to entry should include patents for designs, copyrights, and branding of Thomas Money Inc and FGI within the current and future economic markets (McConnell) Product Differentiation and other cost saving measures

Product differentiation is achieved by ensuring an entity's products are established from all other organizations within the market, which includes establishing a product mix appropriate to Thomas Money Service Inc. and FGI's goals and objectives. The improvement of equipment through research and development in the nursing and hospital market through merging, acquiring, or investing in other existing and reliable organizations validates a strong product mix across various market. Thomas Money Service Inc. nd FGI

may reduce internal costs through various and simple methods that strengthens increase in revenue, profit maximization, sustaining applicable market pricing, establishing product, mixes and differentiation through high quality. Some cost saving measures includes establishing a strong purpose toward product improvement and eliminating unnecessary areas of productivity. Conclusion In summary, to sustain the goals of continuing to be a competitive and profitable company this business proposal has considered the market conditions in which the company performs.

The rate of success Thomas Money Service Inc. and FGI have maintained over the long years of performance provides the basis for the proposal made to increase revenue, employ profit maximization, establish product mix and differentiation, establish price and non-price barriers to market entry, and reduce costs. The design and strategic approach under the business proposal is to ensure the continuance, profitability, and stability of both Thomas Money Service Inc. and FGI providing a strong a basis for expansion, promoting growth, and development for future years respectively.