

MT499 Unit 1 Discussion Video Script

Susan: Hi, I am Susan and my friends Frank, Jimmy, and I have been friends since childhood. We lived in the same neighborhood and attended the same elementary and high schools in Detroit, Michigan. We worked at a local automotive parts plant, although we were unemployed due to a "headcount reduction" at our plant.

In the past, we have had many conversations about starting a carpet cleaning business, considering we all have experience working in carpet cleaning organizations in Detroit. One day, I called Frank and Jimmy to meet for lunch and discuss the possibilities of opening a carpet cleaning company. During lunch, we decided to open a small carpet cleaning business, and spent several hours discussing plans to start the business.

Frank, Jimmy, and I scheduled a meeting with my father to discuss our plans to start a carpet cleaning company and ask for a loan. The carpet cleaning company would provide carpet cleaning services to home owners, numerous apartment complexes, and businesses located throughout the city of Detroit, Michigan, and the surrounding communities. To differentiate our carpet cleaning company from others in the Detroit area, we decided to use environmental friendly, non-toxic cleaning agents and offer free estimates for carpet cleaning. We estimated needing \$25,000 in startup capital to fund the business.

The following is a breakdown of our estimated startup capital:

*Used carpet cleaning van with installed carpet cleaning equipment: **\$11,000***

*Used portable carpet cleaning machine, hoses, wands, sprayers, and additional equipment: **\$4,000***

*Internet, computer, fax, printer, phone, website, business license, registration, and business insurance: **\$5,000***

*Cash budget for miscellaneous costs: **\$5,000***

*Total Startup Capital: **\$25,000***

With a little prodding, my father agreed to give us a three-year \$25,000 loan with an interest rate of 8.5%. Our business model was very simple. We entered into a three-way partnership, with me managing the office and Frank and Jimmy performing the carpet cleaning services. Our marketing plan included word of mouth referrals, a website, and using flyers and brochures I created in our office (a small office in my father's garage). In determining our prices and services, we researched carpet cleaning companies in the Detroit area. Due to a saturated market of carpet cleaning companies, we decided to offer prices 20% lower than our competitors' prices to create customer demand for our carpet cleaning services.

During the first couple of weeks, we only received a few phone calls from homeowners, although in the third and fourth week, the calls from homeowners picked up and apartment complex managers began to call to request carpet-cleaning services for 1, 2, and 3 bedroom units. Soon we were booked up for weeks in advance.

What was originally designed to be a Monday through Friday 8 to 5 operation, turned into a 7-day business averaging between 12-14hours per day. Frank and Jimmy could not keep up with the number of requests for carpet cleaning, we had serious mechanical problems with the engine in the carpet cleaning van, and our cleaning equipment was constantly in repair. In addition, we were spending too much time conducting free estimates when the clients did not purchase our carpet cleaning service. Customers began to make complaints concerning the quality of our service, missed appointments, and poor customer service.

Frank, Jimmy, and I were exhausted in attempting to provide quality services on a daily basis. Our company, Clean-Air Carpet Cleaning produced a profit in the third and fourth quarter; however, we decided to close the Clean-Air Carpet Cleaning Company after one year in business.

Disclaimer: Any similarity to real or imaginary names or company names is purely coincidence. This fictitious company and its characters were created purely for educational purposes only.