

Express Servicio: emerging markets motorcycle service innovation

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Abstract

This case follows an emerging market innovation from ideation to launch with consideration of possible growth strategies. It illuminates the decision-making process and strategic challenges an entrepreneur faces when starting a new company in an emerging market and considers the suitability and transferability of business models within different but culturally similar emerging markets. The case draws on competitive strategy theories to provide insight into the consideration of country characteristics and local competition in the decision-making process in each stage of development. The data for the case was collected through a series of interviews with the company founder as he recounted his journey from the start-up phase to implementation and growth phases. The case focuses on pivotal moments when decisions regarding growth and expansion require strategic deliberation and consideration within the context of emerging markets. This case is recommended for graduate students in courses on entrepreneurship, strategy, or international business. The learning outcomes are as follows: students will learn about the process of establishing a business, illustrate the main obstacles an entrepreneur faces when setting up a business, illustrate the business model used in the case, examine the role of the entrepreneur and the parties involved in running the business, and illustrate the challenges Express Servicio faces for the current and future operation of the business.

Keywords: emerging markets, decision making, entrepreneurship, strategy, business model

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INTRODUCTION

Early in 2019, José Alberto Lopez, owner and founder of Express Servicio wanted to grow his business by taking on a partner to help him expand his fledgling motorcycle repair locations throughout Central America and beyond. Without additional capital and support, he would not be able to grow his business as quickly or efficiently. There were a myriad of strategic decisions Lopez needed to make in order to determine who he should partner with and what he would be willing to do to reach his goals.

As Lopez was cruising on his motorcycle through the busy traffic of Guatemala City, which in December, was absolute chaos, the noise of the traffic was debilitating. The rows of the neat commercial buildings were a stark contrast to the crowded streets. The swell of cars entering the highway brought traffic to a slow crawl. He was meeting with another investor—someone he knew through a mutual friend. He desperately needed capital to grow his business, and his best option was to find a partner. Previous rejections from multiple banks and investors had been disheartening, but he was determined to see this through.

As he skirted around a row of stopped cars, he could not help but grin as his small vehicle let him keep moving through a traffic jam. He had never thought of motorcycles as a means of efficient transportation until he had befriended a few motorcyclists. He soon converted to using a motorcycle himself and then quickly realized there was a real need in the city for inexpensive, quality repair service. Lopez' solution was to open his own motorcycle repair service. He had opened Express Servicio a few months earlier, in December of 2018. He was amazed at how quickly it had grown in that short amount of time. Express Servicio had a fast-growing base of satisfied customers. Lopez hoped this meeting with a potential partner could help him grow even more quickly. Lopez pulled his motorcycle into a parking space in front of a glass office building and turned the engine off. He grabbed his helmet and headed inside.

Lopez was raised by a family of entrepreneurs; they instilled in him a desire to work hard and dream big. His grandparents operated a real estate company, which they had built from the ground up. His mom ran a small shop. Lopez' parents repeatedly told him to learn as much as possible from other people; both what worked and what didn't. He could learn from their successes and mistakes, so as to repeat the successes and not repeat the mistakes. This advice and their example matched with his own intrinsic desires is what fuelled Lopez' entrepreneurial vision. He explained:

'My grandparents and my mother were entrepreneurs, as were thousands of Guatemalan microentrepreneurs who got up early to grow their own businesses. I have admired them since I was young, and they have been part of my inspiration to start a business'.

After finishing his secondary education, Lopez, like many young students, went to college not knowing what to study. His vision was broad, only looking for something that would open doors for an opportunity. In 2008, he graduated with an undergraduate degree in Civil Engineering. He got the opportunity he was searching for when he was offered a position to work at NESTLÉ in Mexico. After a few years there, he returned to Guatemala to work at a digital marketing company. Lopez said:

'This stage was full of learning. I learned about how different processes worked and the day-to-day operations of businesses'.

In August 2012, Lopez attended a Latin American Business School full-time to get an MBA. In 2014, with the MBA in hand, he returned to Guatemala to find a job that would require his new qualifications. In January of 2015, Lopez was hired by an energy company to be their marketing manager for El Salvador, Honduras and Guatemala. He led commercial efforts to find new markets and new ways of doing business. As he related to and learned more about consumers and suppliers, he noticed saw an opportunity in the motorcycle sector:

‘This reinforced my entrepreneurial spirit, and I understood that this was what I wanted to dedicate myself to’.

Throughout 2017, Lopez studied the motorcycle market, curious if this was the best venture into which he should invest his time and resources. After many months of reflection, he decided it was time to start his own company. He continued to work for the energy company to benefit from having a fixed income while working on his own project in his spare time. In December of that year, Express Servicio was officially established as a place of business in Zone 5 in downtown Guatemala City, Guatemala.

THE GUATEMALAN DEMOGRAPHIC

The population of Guatemala had grown to 17.2 million inhabitants in 2017; 51.3% were women and 48.7% men, 49% lived in urban areas, and the average age was 17. Of the population, 74.5% worked in the informal sector (companies of low productivity or on their own) at the national level, though in the metropolitan area this percentage dropped to 47.6%. About 99% of the companies registered in the National Statistical Directory of Companies were classified as small companies, with 8% engaged in service activities and 45% registered either as individual owners or sole proprietorships.¹

Vehicles and Personal Transportation in Guatemala

According to the Superintendence of Tax Administration, in December of 2017, the vehicle fleet amounted to 3.53 million, with Guatemala City having the greatest number of motor vehicles, reaching 1.56 million, which represented 44% of the total vehicle fleet. Quetzaltenango and Escuintla represented 7% and 6.7% respectively. See Table 1. Of the total vehicle fleet there were 10.38 million motorcycles registered in the country, or 38.8% of the total, which was 44% more than the number of cars. See Figure 1.

According to the Department of Traffic of the National Civil Police, motorcycles were the type of vehicles most involved in traffic accidents (33%), followed by cars (20%) and pick-up trucks (16%). The Municipal Traffic Police of Guatemala City reported that more than 1.1 million vehicles of all types were traveling in the city. An increase of 50,000 new cars was estimated during 2018. Therefore, it was recommended that people leave their homes 25 minutes early to arrive on time to their jobs.

¹ National Statistics Institute of Guatemala INE

The Motorcycle Industry in Guatemala

In recent years, motorcycle use had increased dramatically due to the heavy and frequent congestion in the cities; the option for a fast and effective vehicle was desirable. Motorcycles also saved money and time. From 2013 and up, the number of vehicles sold exceeded an average of 100,000 units per year. Brands such as Suzuki, Bajaj, Honda, Italika, and Yamaha dominated the market at 69%.

In Central America, the cost of motorcycle importation was close to \$199 million for 2016. Guatemala was the main importer in the region with \$68 million in spending, followed by Costa Rica (\$34 million), Honduras (\$29 million), Nicaragua (\$22 million), El Salvador (\$16 million) and Panama (\$4 million) during 2017. China (52%), India (26%), the United States (4%), Japan (3%) and Brazil (2%) are the main countries that export motorcycles to Central America.

There are four parts that interact in the supply of motorcycles: the foreign manufacturer, importers and distributors, sub-distributors, and consumers. The price of motorcycles was the same between distributors and sub-distributors, since the latter did not bear the inventory costs because they worked by consignment. See Figure 2.

Although motorcycles were more affordable, financing them was restricted because unlike cars, which are a collateral guarantee, the credits that were granted to motorcycles were of a fiduciary type. In addition, interest rates were higher (40% or more) for motorcycles than for cars (10%–12%).

Spare Parts

In the Guatemalan market, commercial representatives of the main brands had retail stores that in turn supplied smaller stores. The original imported parts had a good rotation during the vehicle's warranty. After the warranty period, the vehicles were generally checked into independent workshops where the spare parts were not always the brand's original part, or new, but were significantly cheaper. See Exhibit 1.
Insert Exhibit 1.

Warrantees

Different distributors offered warrantees with limits between 6 months and a year or 10,000 and 24,000 km. Some specific warrantees were much shorter. For example, Masesa offered a 7-day warranty for endurance and cross-country motorcycles. These guarantees exclusively covered services and repairs due to manufacturing defects and/or components that affected the operation of the vehicle. See Appendix.

The warranties required that services had to be done by authorized workshops, usually the one where the motorcycle was purchased. Additionally, to make the guarantee effective, the documentation corresponding to the purchase of the motorcycle had to be presented. Usually preventive maintenance and routine operations, such as brake and clutch adjustments, fuel system cleaning, engine adjustment, or any other periodic maintenance had to be covered by the customer who purchased the motorcycle. The warranty was invalid if the motorcycle was subject to improper or negligent use, was operated under conditions other than those recommended, did

not receive maintenance/service as recommended, or received parts or repairs by unauthorized workshops.

The Dealership Service Department

The dealerships' authorized servicing workshops were a part of the after-sales service of the distributors. They provided preventive and corrective services for customers who bought a new motorcycle from the dealership. The majority of customers went to these workshops to use the guarantee they obtained with the purchase of their motorcycle. These workshops usually charged higher prices for labour when the guarantee did not cover the type of service needed. Furthermore, the spare parts they used were bought from the company, which increased costs for motorists. These workshops counted on specialized machines and equipment for a better diagnosis and utilized a skilled workforce. However, the waiting times for motorcycle maintenance were often long. See Exhibit 3.

Local and Neighbourhood Unauthorized Workshops

Usually, the workshops that were deemed unauthorized by dealerships were the local neighbourhood workshops. Occasionally, these workshops had people who were trained, honest, and gave good service, but most of these local informal workshops were notorious for being unhygienic, dishonest, providing poor service, and having staff who were under trained, which made them unreliable. However, these workshops had affordable prices for most of the customer base; in some workshops they charged around a half or a third of the services at the dealership. These workshops bought spare parts from third-party sellers, which reduced the cost of service.

Demand and a Gap in the Motorcycle Services for Customers

The demand for after-sales service exceeded the capacity of importing/distributing motorcycle companies. Since the growth rate accelerated, with more than 100,000 units sold each year, the average price of motorcycles was around US \$1,000. Motorists were encouraged to service their bike every 3,000 km, meaning an average of five services per year at a price of \$45 each. In estimation, only about 10% of services were provided by dealership workshops and a high percentage were carried out in neighbourhood workshops or by the users themselves. Most motorists were price sensitive, so they had their services performed in workshops where they were charged a lower price.

FIRST STEPS

In 2016, Lopez began to pay special attention to these motorcycle trends. He was curious to understand more about their efficiency as a way of transportation and the inefficiency of post purchase service providers. He sought out to question motorcycle dealers and motorists to answer some of their pain points and issues the customers deal with. From these inquiries, he learned in detail about the process of purchasing a motorcycle all the way down to the post purchase stages and beyond. He also studied about biker customers' decision to purchase a motorcycle in the light of other options and what were some of the reasons for their preferences in certain features. This allowed him to learn more about what the consumer needs were at that

moment and what they would need in the future for the maintenance of their motorcycle. Lopez' business schooling and work experience, along with the information provided by the motorcyclists and dealers, allowed him to critically examine the shortcomings of the motorcycle buying, owning and servicing process. He could see that the post purchase and maintenance stage was being neglected by the distribution channel of dealership, which focused its efforts on selling the item, and on the other spectrum the local, neighbourhood informal shops often were considered unreliable, inconsistent, unprofessional, unpredictable in pricing and level of service expertise.

Lopez was anxious to set out on his own business venture and fill this gap and pain point of the customer needed a consistent reliable place for service of their motorcycles. With the information he had, he knew there was innovations to be made in the motorcycle market. There was a need to be filled. In his spare time, Lopez investigated the market dynamics of the motorcycle industry in Guatemala. He explored motorcycle suppliers and their customers, motorcycle trends, what portion of vehicles in Guatemala were motorcycles and, finally, who participated in the maintenance and sale of spare parts. After this analysis, he was convinced that motorcyclists would pay for such a service. It was the opportunity that he was looking for.

Lopez believed that starting a business in close proximity to places of high traffic would work perfectly in Guatemala. He imagined that with prices similar to the neighbourhood workshops but with the higher and more consistent quality of service offered by the dealerships with uniform, consistent prices would allow him to appeal to a bigger market in Guatemala City.

CENTRAL AMERICAN ENTREPRENEUR CHALLENGES AND OBSTACLES

The development and implementation of Express Servicio was not easy from multiple fronts. First, in his business school education Lopez had not studied about how to start a company in Central America. Local professors taught a curriculum that had a Silicon Valley or North American approach. Lopez thought that the approach of a Central American entrepreneur must be different than in North America as the entrepreneurial ecosystem of investors, incubators and accelerators were either not present or varied in Central America. Lopez did not even know if the government would support his efforts or if he grew too big would the government find a reason to shut down or stop his company.

Lopez' business education programs did not talk about these unknowns, gaps in knowledge or about others in the region who may have overcome or been stalled trying a certain strategy to survive beyond a year or more. It left Lopez wondering about why he was taught how to start a company with the North American approach. He was left guessing about how Central American entrepreneurs ignited their businesses, gained a foothold and survived past first or even third year. How do you get funding and what are the pitfalls? Is the government supportive and how hard is it to get approvals and permits in Guatemala? These strategies were not discussed with a local or regional context in his business school training and the North American start-up strategy method in many books and taught by his professors did not have much value. Who could help him? What were the pros and cons of asking family and friends to support him? Although Lopez had savings set aside for the project, it was not enough.

With his business plan in hand, he turned to a Guatemalan bank to request a loan, which would serve as capital to start the project. However, they informed Lopez that his request had been denied. Lopez resorted to a family loan, the contribution of two partners, and his personal savings to get a sufficient initial investment to launch the project in early December 2017.

Business Model

Express Servicio mainly offered preventive maintenance, as well as the sale and replacement of spare parts for motorcycles. The idea was to offer quality service and quick repairs at an affordable cost. The services were offered at a shop strategically placed near high motorcycle traffic areas. Another strategy behind the location was proximity to suppliers, which allowed the company to maintain a small inventory. Additionally, Lopez created a mobile unit that offered services at customers' homes and places of business, appealing to another audience due to convenience. See Exhibit 4.

Lopez considered several business model formats and templates such as the Lean Canvas model. The Lean Canvas model is a simple one-page business model designed to allow an entrepreneur to visualize the entire business plan at a glance. Another visual that Lopez considered early on was the Double Diamond Model. In the Double Diamond Model there are four stages defined by either convergent or divergent thinking. The first diamond highlights the need to understand the customer's problem and determine if it is of high importance before forming the solution to deliver and develop. These stages included in the model: 1) Discover, identify, research and understand the initial problem, 2) Define the limit of the problem to be solved, 3) Develop a solution, 4) Deliver, test and evaluate, and prepare the concept for production and launch. See Figures 3 and 4.

One question in Lopez' mind was how he was going to stop me-too products and copies of this business models. Could he develop any barriers to entry? He wanted to differentiate from potential competitors by making his service centre easily identified with a clean, professional appearance rather than the chaotic exterior of the typical neighbourhood workshops. His centre had prices for services listed on the exterior of the centre. Promotions were also posted outside (e.g., 'Free Motorcycle Wash'), making them easily visible to onlookers. See Exhibit 5.

With Lopez' previous marketing experience, he utilized social networks, mainly Facebook, where clients promoted the service with comments such as:

'I want to express my satisfaction for the A+ service they did on my Honda motorcycle, and comment on how kind and great the customer service was. I will continue visiting them for my next repairs'.

To make the company even more attractive, Lopez implemented a quick-fix process. A motorist could enter the premises, fill out a form, have a mechanic make a diagnosis, be quoted, and then guaranteed delivery of their motorcycle in an hour and a half. The convenience, efficiency, and affordability of the company lured in many customers.

Most customers were middle-class individuals who used motorcycles instead of cars as a means of transportation to their jobs, either because a car was too costly or because they needed to move faster. The services were intended for motorcycles from 100cc to 200cc, which represent 80% of motorcycles in the country, but Express Servicio did not exclude larger-capacity motorcycles or high-end motorcycles from service.

Meanwhile, Lopez also operated a mobile workshop that was designed to provide preventive maintenance for motorcycle fleets from delivery companies. Lopez was responsible for establishing relationships with these businesses, and the mobile unit regularly went to the companies to examine their motorcycles, changing oil and/or replacing parts.

Pricing

Express Servicio offered three types of preventive services both in the workshop and in the mobile unit. These included Tune Up express at \$22 for each service, Super express at \$32 for each service, and Plus express at \$43, with a distribution of 30%:30%:40% for the different services respectively. See Exhibit 6.

On average, Express Servicio served 10 clients per day although they had the capacity to serve more. The hours were from 8am to 5pm, Monday to Saturday. Express Servicio projected to reach 13 services per day during 2018 with the service centre and the mobile unit. The expected rate of return for the project was 15%.

Initial Financial Information

Express Servicio made an initial investment of \$10,000 for the implementation of the project; \$6,000 was for equipment and maintenance of the premises, and \$4,000 for legal expenses, municipal permits, and office expenses. For mobile services, the unit was purchased and fitted out for an additional \$10,500.

The costs incurred included fixed monthly costs amounting to \$2,800 as follows: \$400 per worker for wages (Express Servicio had four mechanics and a secretary), \$300 for building rental, \$150 for security, \$150 in accounting services, \$200 in utilities (electricity, water, telephone, and internet services), and \$1,200 for miscellaneous costs (the fuel of the mobile unit, spare parts, accessories, and oil and lubricants). Guatemala also required an income tax of 25%. Express Servicio maintained a minimum inventory; it had a contract with suppliers of spare parts and accessories that were in the vicinity of the premises, and likewise had an agreement with Lopez' energy company, in order to acquire lubricants at a low cost.

GROWTH STRATEGY FOR EXPRESS SERVICIO

After four months operating in the Guatemalan market, Express Servicio grew exponentially. In the first few weeks, the company was well received by motorcyclists and was increasingly recommended by clients, who referred new customers to Lopez. Similarly, Express Servicio contracted with three different companies that had motorcycle fleets to provide preventive maintenance. Lopez was planning his next move; he had a large potential market and had proven that his idea was working. Express Servicio was planning to grow to three new service centres within Guatemala City, which had the greatest number of motorists. In five years, Lopez projected a total of twenty-four service centres (75% in the metropolitan area and 25% in the country).

The Option of a New Centre in South America

Lopez had been in contact with some friends from his MBA program who were interested in his business idea. From them, the idea of taking the model to South America emerged. In this process, his friends had identified a country with similar characteristics to those of Guatemala with an estimated demand of 15 daily services per service centre on average. Lopez and one of his friends worked on designing a standardized service centre model that could be easily

replicated. The initial investment was 15% higher when compared to opening a new service centre in Guatemala. See Exhibit 7.

Wanting to Grow

Seeking additional financing, Lopez participated in an entrepreneurship contest, which had a prize of \$10,000. Lopez was a finalist but a few points shy of winning. However, the positive comments he received from the judges encouraged him to continue with his venture.

At the end of 2017, Lopez presented his expansion plan to an investment fund. He showed them the positive responses from his consumers, his potential market, and growth plan. Impressed with the potential, they listened to Lopez' request for financing three new service centres that would become operational during 2018. However, in the end, the investors postponed making a decision on the request, saying they would re-evaluate it after the new year.

A bit dejected, Lopez hesitantly scheduled a meeting with a businessman and investor who had investments in an automotive parts shop. Again, Lopez prepared a powerful presentation, armed with his data on growth and the estimated profitability of his venture.

The Meeting

After presenting Mr. Hernández with everything he had prepared, Lopez gave him a few minutes to digest the information. He had been a little too energetic in explaining his desire to grow. He wanted to come off ambitious, but not overzealous. In addition to being motivated, Lopez knew he needed to be relatable and credible to be convincing. Mr. Hernández leaned back in his chair, and finally broke the silence:

‘Mr. Lopez, based on our experiences in the motor industry, combining our efforts could be very successful, but I cannot guarantee anything right now. If I do decide to work with you, I would only invest in covering the opening of two new service centres. I still need to evaluate the potential risks’.

‘Yes, sir. I understand’.

His next question shocked Lopez.

‘Do you really believe this new model you’ve designed will pay for itself’?

‘Yes. We have been operational for only four months and look how well we are doing’.

‘You are doing well, but like you said, it has only been four months. What about a year from now? Five? Will your company hold out and keep succeeding? That is my concern. Your business model is sound, but we may need more time to fully analyse its success’.

At this response, Lopez was hopeful. Mr. Hernández could see the potential for growth.

In spite of his ambivalent answer, Lopez was already planning how and where he would invest the capital. Lopez hoped Mr. Hernández would help give Express Servicio the needed momentum to grow.

Lopez had managed on his own to overcome many competitive barriers within Guatemala's emerging market to appease the need he had detected. He had invested his own capital and resources, relied on his experience and familial wisdom, and taken the necessary risks to quickly become a successful entrepreneur. He could continue to build his business, albeit at a slower pace, without the aid of Mr. Hernández. He would have more autonomy and be able to make decisions on his own, but he liked the idea of growing in faster and possibly more exponential ways with his business model that had proven to work in the short-term. In considering the long-term, however, there were additional issues to take into account in areas that were still foreign to Lopez. Scaling the company in different locations and countries would require more resources and support. Lopez would like to have a partner to share the responsibility as well as the decision making. Mr. Hernández had a good reputation and the experience to help grow the company at a more rapid pace.

Still, Lopez needed to consider what aspects of the partnership – if any – might be a deterrent to growth for Lopez' fledgling company. Did he have any reservations about Mr. Hernández? Lopez also wondered what specific assessments Mr. Hernández would need to carry out before investing in Express Servicio. He realized that regardless of whether he expanded with the help of Mr. Hernández or not, there were more investigations of his own he wanted to conduct. Whatever the outcome, Lopez wanted to thoroughly strategize a multi-faceted expansion plan to grow Express Servicio. He would prefer to do this with Mr. Hernández, but for now, he would have to wait for an answer.

TEACHING NOTE

Synopsis and Audience

In early 2018, José Alberto Lopez, founder of Express Servicio, was heading to an entrepreneur's office for a follow-up meeting to convince the entrepreneur to be his new partner. Lopez aimed to expand his after-sales service centres for motorcycle maintenance into three new centres, which would be located in different parts of Guatemala. Express Servicio had been well received by motorcyclists in Guatemala City and it was crucial for the venture to get financing to expand and capitalize on the demand. Hoping for success in obtaining needed financing, Lopez was analyzing how, where and when to invest this capital.

This case reflects the obstacles and challenges faced by an entrepreneur in establishing a business and obtaining financing and provides information on various academic topics such as management analysis and decision making, strategy, marketing, and entrepreneurship, among others. The case is suitable for students in a Master of Business Administration program with a focus on entrepreneurship or other related graduate programs. Also, the case can be used in seminars or workshops on entrepreneurship.

Learning Objectives

1. Learn about the process of establishing a business.
2. Illustrate the main obstacles an entrepreneur faces when setting up a business.
3. Illustrate the business model of Express Servicio.
4. Examine the role of the entrepreneur and the parties involved in running the business.

5. Illustrate the challenges Express Servicio faces for the current and future operation of the business.

Questions

1. Make a summary of the case.
2. What is the situation facing Express Servicio?
3. Discuss the process of establishing an enterprise and analyze the main obstacles an entrepreneur faces when establishing a business.
4. Analyze the motorcycle industry in Guatemala. Do an analysis using Porter's 5 forces.
5. Carry out an internal analysis of the undertaking based on the business model and the Express Servicio strategy.
6. Make an analysis of the demand for motorcycle after-sales services. What is the potential market for Express Servicio? How much of the demand is Express Servicio covering?
7. Is Express Servicio making a profit? When will the owner break even?
8. Why is getting financing so important for Express Servicio? In the case of obtaining financing, how should Lopez invest the capital? Should he just establish call centres or should he also invest in a new mobile service? Should Lopez invest only in Guatemala City or go to the interior of the country? Would it be feasible to open a service centre in South America? What would your decision be?
9. If you were the potential partner, would you provide the necessary capital for Express Servicio to grow?

Research Methods

The primary data for this case was collected at the organization's Guatemalan site. The method of inquiry was through several in-depth interviews over the course of a year by one of the authors. The protagonist of the case was physically present. In addition, onsite observations of Express Servicio were conducted longitudinally. Several other competing businesses deemed to have a similar business model were observed to add context to this case discussion. All data collection was naturalistic in design and during normal working hours for the business and in natural functioning context. All secondary data, such as economic and political information, was collected in the country. Each data point collected, both primary and secondary, was checked locally for authenticity and accuracy.

TEACHING PLAN AND ANALYSIS

Make a summary of the case. (5-10 minutes)

In early 2018, Lopez, founder of Express Servicio, was heading to an entrepreneur's office for a follow-up meeting to convince the entrepreneur to be his new partner in order to expand his project into three new service centres, which would be located in different parts of Guatemala. Express Servicio had been well received by motorcyclists in Guatemala City and it was crucial for the venture to get financing to be able to expand and capitalize on the demand for after-sales services for motorcycle maintenance. Hoping for success in obtaining the needed financing, Lopez was analyzing how, where and when to invest this capital.

What is the situation facing Express Servicio? (5 minutes)

Since its inception, Express Servicio has had trouble getting financing. The owner requested financing from banks and capital funds but was unsuccessful both to start the business and then to expand. In addition, he participated in entrepreneurship competitions and was not favored. Currently, the company is close to obtaining financing with a potential partner, which would allow it to expand to three new service centres.

Discuss the process of establishing an enterprise and analyze the main obstacles an entrepreneur faces when establishing a business. How did Express Servicio deal with this process? (15 min)

- **Study market trends:** In the process of starting a business, be aware of the market (country, region, city) and have the ability to detect potential business ideas.
- **Analyze the industry:** Once the potential business idea is detected, make an analysis of the industry, how it works, and the main players (e.g., suppliers and consumers) in order to have a broader understanding of the sector.
- **Analyze the demand:** Know the demand before undertaking and implementing the business idea. Consider who is participating in the market and supplying the product or service demanded, how they are doing it and if there is an opportunity to participate in that market.
- **The business plan:** Have a business plan with guidelines and the aspirations of the entrepreneur. The plan should consolidate the business idea and include the objectives, mission and vision, market projections, initial investment, main costs and the sale price.
- **Financing:** This is one of the main limitations of entrepreneurs in the establishment of a business. One may have an excellent business idea, an identified market and a good business plan, but if financing is not available, this limits start-up. Hence the need to seek strategic partners or resort to financial institutions, for which information on the points above must justify a potential investment.

Express Servicio went through this process. It took more than a year for Lopez to detect the idea, analyze his market (suppliers and customers) and do a study of the demand, and later to consolidate his business plan. The main obstacle faced by Express Servicio was financing, both in its beginnings and in the growth stage of the business. Express Servicio sought financing in different ways, both in financial institutions and in start-up competitions, and is now looking for a new partner who can provide capital to expand.

Analyze the motorcycle industry in Guatemala. Do an analysis using Porter's 5 Forces. See Table 2. (15 minutes)

- An average of 100,000 units were sold per year, which exceeded the after-sales service capacity of motorcycle dealers.
- The main brands were Suzuki, Bajaj, Honda, Italika and Yamaha, which represented 69% of the market.
- In Central America, Guatemala was the main importer of motorcycles, importing motorcycles worth over \$136 million (\$68 million in the first half) in 2017.

- The main countries where motorcycles were imported were China, India, the US, Japan and Brazil.
- The main actors in the marketing of motorcycles were the foreign manufacturer, importers / distributors, sub-distributors and the consumer.
- Financing was a restriction on the purchase of motorcycles by consumers and the interest rates were very high compared to cars.

After-sales service

- Spare parts: The main brands had commercial representatives who had retail warehouses that supplied smaller warehouses. The original imported parts had a good turnover during the useful life of the vehicles warranty.
- The warranties had limits of between 6 months to 1 year, or between 10,000 km and 24,000 km, whatever happened first applied.
- The services were limited to workshops authorized by the company where the motorcycle was purchased.
- The authorized workshops were part of the after-sales service of the distributors.
- These shops charged higher prices for labor and costs for spare parts were higher.
- Typically, routine preventive maintenance operations, such as brake and clutch adjustments, fuel system cleaning, engine adjustment, or other routine maintenance routine had to be covered by the end customer who purchased the motorcycle.
- Neighbourhood garages offered more accessible services for motorists, labor costs were low, and parts were inexpensive because they did not use original parts, but they were unreliable.

Carry out an internal analysis of the undertaking based on the business model and the Express Servicio strategy. See Tables 3 and 4. (15 minutes)

- Preventive Service: Express Servicio mainly offered preventive maintenance, as well as the sale and placement of accessories and spare parts for motorcycles. It offered quality service and speed at an affordable cost for motorists in Guatemala.
- Location: Express Servicio was strategically located at a point of great influx of motorist traffic, and also had a mobile unit that offered home services. The location was well-selected due to the fact that within 5 minutes, there were about 10 suppliers of spare parts. This allowed Express Servicio to have a minimum inventory. In addition, the company was located on the route to many companies and offices.
- Promotion: The service centre had an attractive appearance with the prices of services outside so that anyone could see them from the street and have them constantly present.

Strategy

- Segmentation: Express Servicio was intended to service motorcycles between 100cc to 200cc. These motorcycles were used as a form of mobility mainly to work. Users of this type of motorcycle preferred a low-cost mobilization service. Therefore, they required low-cost after-sales services.

- Target market: Express Servicio customers were middle-income; they were asset owners who used motorcycles to get to their jobs quickly and cheaply. These consumers were price sensitive, so a low-cost service was attractive to them.
- Positioning: Express Servicio was a relatively new venture that offered a quality service similar to that of the dealers' service workshops. The service was quick (customers were guaranteed to deliver their motorcycle in 1.5 hours) and the price that could compete with those of neighbourhood workshops.

Make an analysis of the demand for motorcycle after-sales services. What is the potential market for Express Servicio? How much of the demand is Express Servicio covering? (15 minutes)

There is a potential demand of 6.9 million services from the entire motorcycle fleet in Guatemala, of which 90% (6.21 million) perform services in neighbourhood workshops or on their own. The value of these services amounts to \$279.45 million. See Table 5.

Express Servicio sells an average of 10 services per day for 24 days per month, for a total of 240 services per month and 2,880 services per year. This implies that it would supply 0.04% of the potential demand (2,880 / 6,900,000). Express Servicio capacity is 5,760 services per year. Currently 50% of its theoretical capacity is being used.

Data	8 h / 1.5 h per service = 5.33 services / day
• 4 mechanics	5 services * 4 mechanics * 24 days * 12 months = 5760 services/year
• 1.5 hours each service	Utilization = 2880/5760 = 50%
• 8 hours per day	

Is Express Servicio making a profit? Calculate the equilibrium point. See Table 6. (15 minutes)

According to the information in the case, you can make a cash flow and determine that with current sales levels, Express Servicio is generating profits.

The breakeven point can also be calculated with the information from the case.

Scenario 1 - Tune Up Express. Assuming Express Servicio only managed to sell Tune Up express services (\$22 per service), breakeven would be achieved by selling 165 services per month or 7 services per day. With current sales levels, which amount to 240 services per month, profits are generated. See Table 7.

Scenario 2 - Super Express. If Express Servicio only sold Super express services (\$ 32 per service), the breakeven point would be achieved by selling 104 services per month or 5 services per day. With current sales levels, which amounts to 240 services per month, profits are generated. See Table 8.

With current sales of 10 units and a sales distribution of 30% Tune Up express, 30% Super Express and 40% Plus Express, an average a price of \$33.40 per service is obtained. With this information, the break-even point is achieved when 99 services are sold per month or 4 services per day. This would be achieved on the tenth day of each month. With the 240 services being sold per month, profits are being generated. See Table 9 for the current scenario.

Why is financing so important for Express Servicio? If financing is available, how should the owner invest the capital? Should he establish call centres or should he also invest in a new mobile service? Should the owner invest only in Guatemala City or go to the interior of the

country? Would it be feasible to open a service centre in South America? What would your decision be? (15 minutes)

- Growth: Although it is true that the venture is generating profits, it needs financing to invest, expand and establish three new service centres in Guatemala.
- Demand: There is a demand for after-sales services for motorcycles. The company currently serves 0.04% of the demand.

-10 services per day * 24 days per month * 12 months = 2880

-2,880 services per year / 6,900,000 potential services of the total vehicle fleet

If you were the potential partner, would you provide the necessary capital for Express Servicio to grow? See Table 10. (15 minutes)

According to cash flow and one-year sales projections, the project has an IRR of 16% and a NPV of \$ 1,455.71, which seems attractive, considering that it is a relatively new company and that it would recover the initial investment made by Express Servicio in less than a year.

If you were the potential partner, would you provide the necessary capital for Express Servicio to grow? See Table 11.

Conclusions (5 minutes)

- Growing up in Guatemala City, in order to have investment control, and taking into account distances and the bargaining power of suppliers and consumers, it would be important to invest in a new mobile service in order to cover a greater number of companies with motorcycle fleets.
- Investing in South America does not seem to be an option at this stage of the venture. The company should first consolidate in Guatemala.
- Express Servicio seems an attractive investment for the potential partner since the initial investment of Express Servicio will be recovered in the first year of operation of the project.

REFERENCES

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<http://www.construguate.com/index.php/estadisticas/indicadores-macroeconomicos/parque-vehicular>

Superintendence of Tax Administration (SAT) and the Guatemalan Chamber of Construction.

(n.d.) <http://www.construguate.com/index.php/estadisticas/indicadores-macroeconomicos/parque-vehicular>

Suzuki Guatemala. (n.d.). www.suzuki.com.gt



APPENDIX**MASESA Motorcycle Warranty Policy**

- a. 2-wheeled motorcycles, brands TVS, MRT, BENELLI and CF MOTOT have a warranty coverage limit of 24,000 km. or 12 months, whichever comes first; Likewise, all repairs and / or corresponding maintenance services must be carried out in the authorized Masesa Motor Services, based on the guarantee certificate.
- b. 3 and 4 wheel motorcycles, TVS, MRT and CF MOTO brands. They have a warranty coverage limit of 12,000 km. or 12 months whichever comes first; likewise, all repairs and / or corresponding maintenance services must be carried out in the authorized Masesa Motor Services, based on the guarantee certificate.
- c. KTM 2-wheeled motorcycles segments have a warranty coverage limit of 2 years with no mileage limit, not including normal wear parts attributed to motorcycle use (such as cables, clutch discs, rubber, etc.).
- d. KTM, 2-wheel Enduro and cross-country motorcycles have a 7-day warranty coverage limit.

Warranty coverage

- a. The warranty covers engine parts for manufacturing defects, under normal driving conditions and motorcycles received under warranty must be evaluated by Masesa technical personnel, to determine whether or not the warranty applies.
- b. Metal parts are guaranteed for rust for 30 days from the date of sale.

No warranty coverage

- a. The warranty does not cover parts that require changes due to normal wear and tear, such as: Control cables (acceleration, clutch, brakes), electrical system (bulbs, full harness, battery, fuel pump, regulators, sensors, TCI) , tires, pneumatic tubes, hoops, suspension system, paint, accessories, rubber parts, gaskets, filters, upholstery or any other part that suffers wear.
- b. The operations of preventive maintenance routines, such as: brake and clutch adjustments, cleaning of the fuel system, engine adjustment, or any other periodic maintenance routine should be covered by the end customer who purchases their motorcycle.
- c. Any problem caused by excessive use, insufficient maintenance, careless handling, failure to follow the warning or danger signs of the dashboard.
- d. Any damage, wear or tear due to the use of spare parts that are not original or the use of lubricants and / or additives not specified, according to the technical specifications suggested by Masesa.
- e. Any motorcycle modified in engine, traction, steering, suspension and chassis parts, without Masesa's authorization.
- f. Any equipment or accessories including trailers and side cars installed by third parties, and the damage that this equipment generates to the motorcycle.
- g. Wear parts attributed to normal use.
- h. Motorcycles subject to overloads.

- i. Premature wear of the engine due to improper development or settlement of the engine in its first kilometers of travel.
- j. Engine damage due to use at very high speed (RPM).
- k. Very small vibrations or low sound noises, which are not recognized as failures that affect the motorcycle's performance. They are considered as normal operating sounds and vibrations.
- l. Corrosion and external damage caused by the jump of stones, gravel, salt, scratches, dents, hail or other form of impact.
- m. Discolorations resulting from insects, sap, pitch, acid rain, storms, lightning, radioactivity or pollution.
- n. Loss of motorcycle use, loss of time, loss due to damage to personal or third-party property, loss of income, inconvenience, rental of substitute vehicles and other consequential damages such as gasoline, telephone, bank loans, insurance, lease fee, trips, stays, hotels, trailers, cranes, alternate transport, etc., that are generated during motorcycle repair.

Reasons you may lose the warranty. Applies to all motorcycles.

- a. If repairs and / or maintenance services were performed outside our network of authorized Motorcycle services.
- b. Do not perform maintenance services at the mileage or time intervals required in this certificate.
- c. Repairs for road accidents or damages to third parties.
- d. Use of the motorcycle in conditions different from those designed. Defects caused by improper use, negligence or improper care of the motorcycle.
- e. If the motorcycle is used for competitions.
- f. Motorcycles with adulteration in any of its control panel indicators (kms. count, fuel level, etc.).
- g. Motorcycles used in competitions or leased, or that are unarmed in whole or in part.
- h. 2-wheel motorcycles used as a motorcycle taxi service.
- i. If the maximum weight supported by the motorcycle indicated in the user manual is exceeded.
- j. Damage caused intentionally or by uncontrollable external agents and / or cases considered as fortuitous (floods, earthquakes, fires, etc.).
- k. Minor failures not considered as a quality defect and that do not affect the normal performance of the motorcycle.
- l. Maintenance costs and supplies (oil, spark plugs, filters, sandpaper, grease, etc.), with the exception of labor in the free maintenance "are charged to the owner".
- m. Costs incurred by the consumer while the motorcycle is being maintained.
- n. If the motorcycle remained in a Masesa Authorized Motor Service for a period not determined by a warranty claim, this will not entitle the consumer to claim compensation for damages or economic costs or to extend the warranty.

Requirements to enforce your guarantee

- Present your original "Certificate of Guarantee" and copy of both sides, with the maintenance service record duly signed and stamped by the authorized Masesa Motor Service.
- Present your motorcycle circulation card.
- You can make your warranty claim in all authorized Motoservices and own Masesa workshops.

Source: MASESA (www.masesa.com/politica-de-garantias)

Exhibit 1

Spare Parts Offered by Suzuki Guatemala

SUZUKI CATÁLOGO FEBRERO 2018
REPUESTOS/ACCESORIOS

56 AÑOS
Sirviendo a los Guatemaltecos

EVITA MULTAS
CHALECO LED
• 3 Reflectores
• 30000 Horas de vida
OFERTA Q8900
NORMAL Q.1155.00
AHORRO Q2600

SET DE RETROVISORES
OFERTA Q3499 c/u

FILTRO DE AIRE
OFERTA Q2390

PASTILLAS DELANTERAS
OFERTA Q2999

HULE DE MAZA
EN125 / EN125 / EN150
OFERTA Q3499

DIAFRAGMA DE CARBURADOR
EN125-2A
OFERTA Q5145

FILTRO DE ACEITE
OFERTA Q1950

VALVULA DE ESCAPE
EN125-2A
OFERTA Q4921

PORTAMANECILLA CLUTCH
OFERTA Q6700

KIT DE CABLES EN-125
Cable de Clutch
Cable de Acelerador
Cable de Starter
OFERTA Q8900
NORMAL Q.95.95
AHORRO Q1000

KIT DE RELACIÓN EN-125
OFERTA Q19900
NORMAL Q.222.00
AHORRO Q2300
Sprocket delantero
Sprocket trasero
Cadenas **PEK**

Source: Suzuki Guatemala (www.suzuki.com.gt)

Exhibit 2

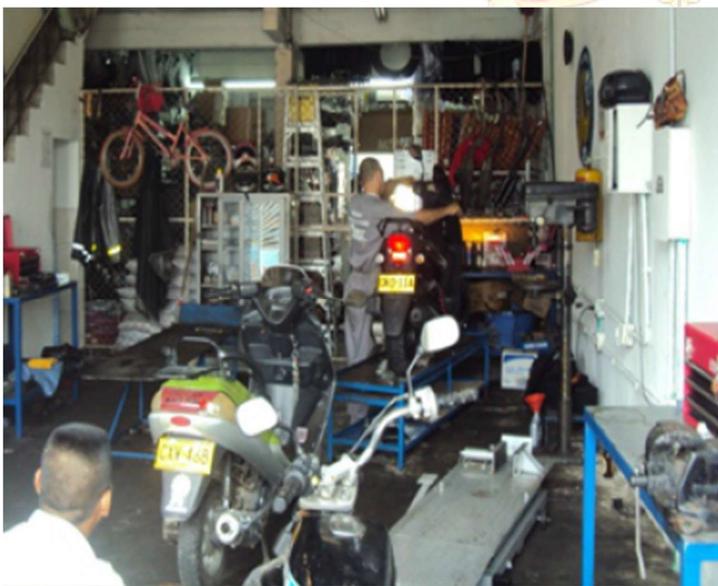
KTM and Honda Agency Service Workshops



Source: Express Servicio

Exhibit 3

Neighborhood Workshops



Source: Express Servicio



Exhibit 4

Express Servicio Home Service and Service Center



Source: Express Servicio

Exhibit 5

Express Servicio Service and Information Center



Source: Express Servicio

Exhibit 6

Preventive Services Offered by Express Servicio

<p>TUNE UP EXPRESS</p> <p>30 MIN.</p>	<p>SUPER EXPRESS</p> <p>30 MIN.</p>	<p>PLUS EXPRESS</p> <p>45 MIN.</p>
<ul style="list-style-type: none"> + CHANGE OF OIL + 1L OIL + CHANGE OF CANDELA + 1 CANDELA + CARBURETOR CLEANING + FUEL TANK DRAIN + CLEANING + GASOLINE FILTER + MOTORCYCLE WASH 	<ul style="list-style-type: none"> + 360 REVIEW / DIAGNOSIS + CHANGE OIL + 1L OIL + CHANGE CANDELA + 1 CANDELA + VOLTAGE, CLEANING, CHAIN LUBRICATION + CLEANING AND LUBRICATION OF CABLES + BRAKE ADJUSTMENTS* + MOTORCYCLE WAS <p>EVERY 3,000 KMS</p>	<ul style="list-style-type: none"> + 360 REVIEW / DIAGNOSIS + CHANGE OIL + 1L OIL + CHANGE CANDELA + 1 CANDELA + VOLTAGE, CLEANING, CHAIN LUBRICATION + CLEANING AND LUBRICATION OF CABLES + BRAKE ADJUSTMENTS * + VALVE CALIBRATION + CARBURETOR CLEANING + MOTORCYCLE WASH <p>EVERY 6,000 KMS</p>

Source: Express Servicio

Exhibit 7

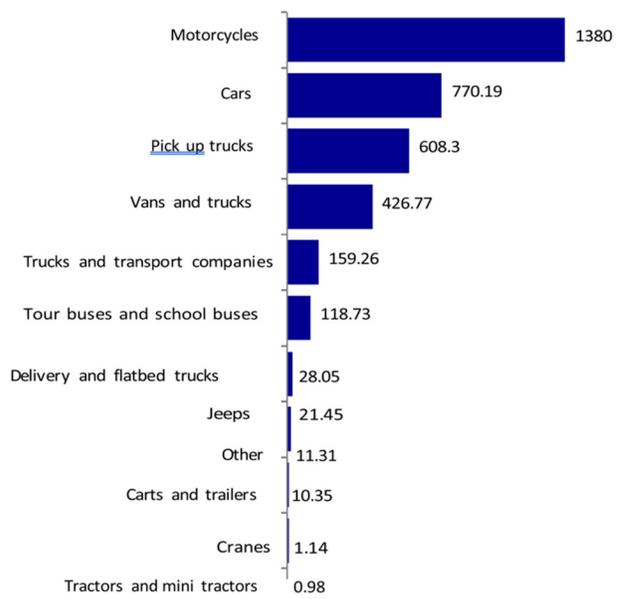
Design of a Standardized Service Center for Express Servicio



Source: Express Servicio

Figure 1

Vehicle Registrations of Guatemala City by Type (by thousands of vehicles)



Source: Prepared by the author with data from the Superintendence of Tax Administration (SAT) and the Guatemalan Chamber of Construction.

(<http://www.construguate.com/index.php/estadisticas/indicadores-macroeconomicos/parque-vehicular>)

Figure 2

Motorcycle Distribution Channels in Guatemala

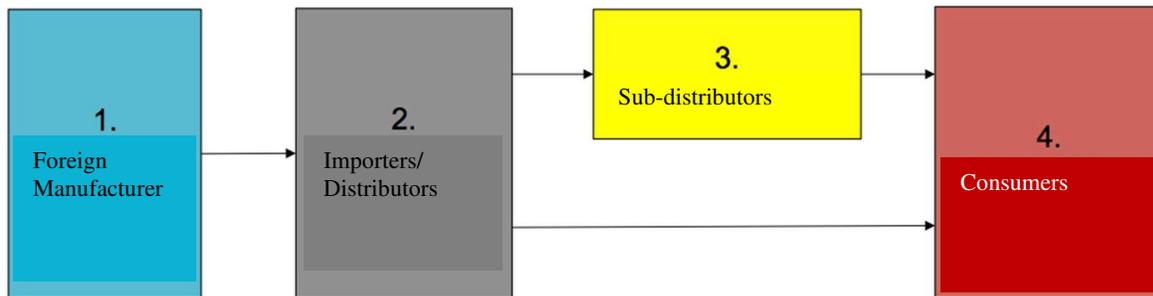
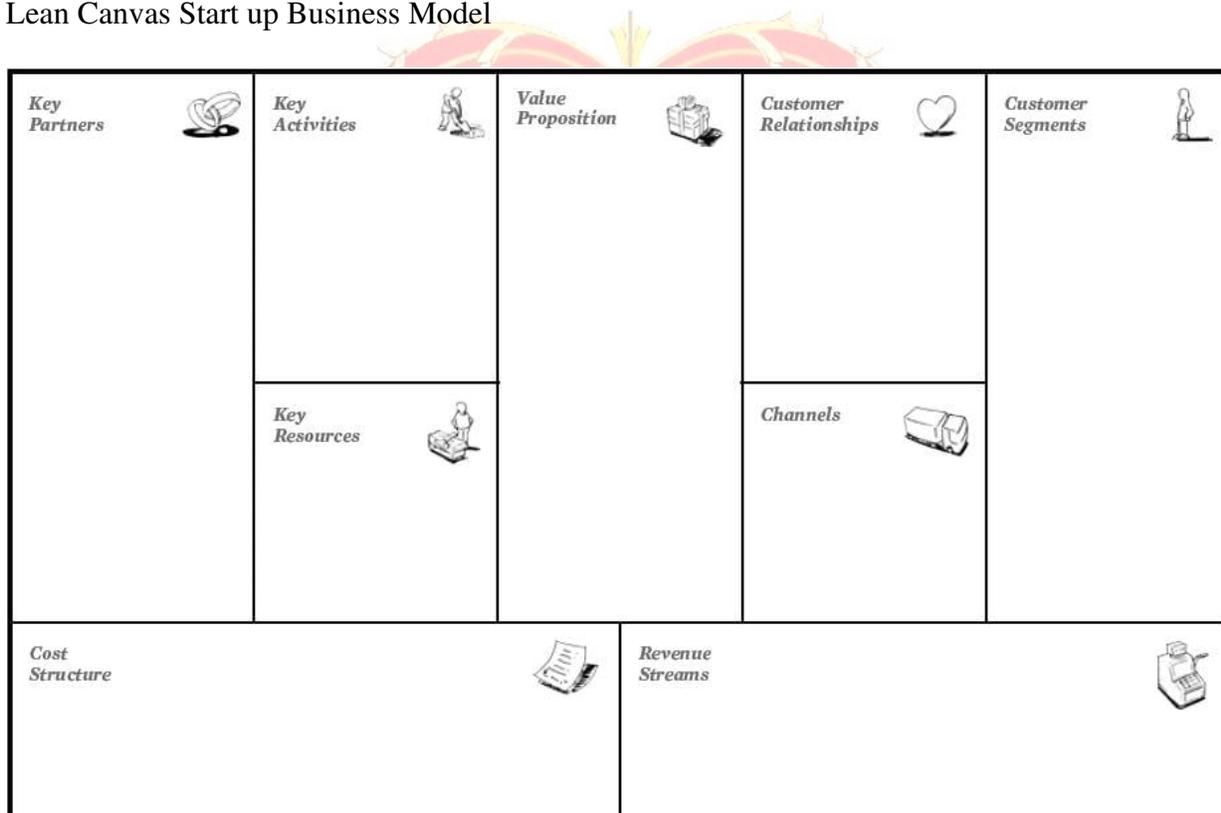


Figure 3

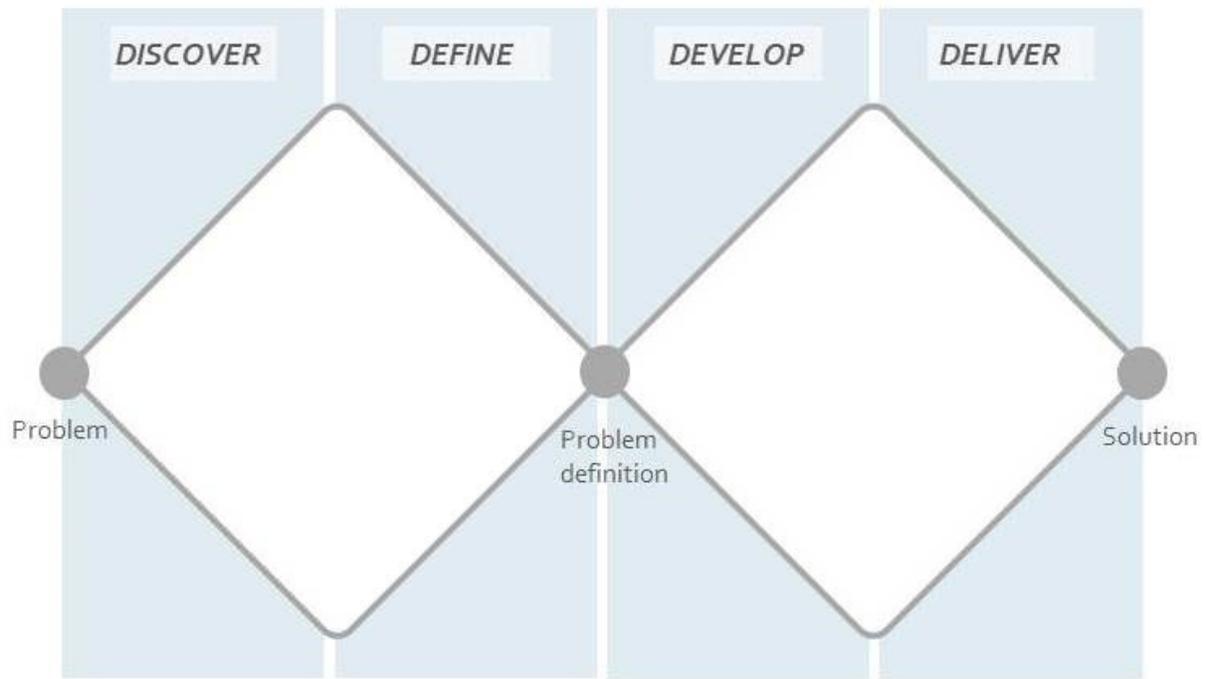
Lean Canvas Start up Business Model



Source: BusinessModelGeneration.com

Figure 4

Double Diamond Start up Business Model



Source: <https://innovationenglish.sites.ku.dk/model/double-diamond-2/>



Table 1

Vehicle Count by Population - Counties in Guatemala as of December 2017

Counties	Population		Vehicle Fleet		Relationship (Vehicles/100 0 inhabitants)
	Total	Percentage	Total	Percentage	
Alta Verapaz	1,292,176	7.5%	56,180	1.6%	43
Baja Verapaz	316,198	1.8%	40,750	1.2%	129
Chimaltenango	713,512	4.1%	110,170	3.1%	154
Chiquimula	434,532	2.5%	81,630	2.3%	188
El Progreso	186,347	1.1%	39,290	1.1%	211
Escuintla	821,372	4.8%	228,760	6.5%	279
Guatemala	3,717,074	21.6%	1,560,000	44.1%	420
Huehuetenango	1,334,629	7.8%	116,970	3.3%	88
Izabal	482,953	2.8%	106,210	3.0%	220
Jalapa	371,156	2.2%	48,860	1.4%	132
Jutiapa	513,140	3.0%	105,510	3.0%	206
Petén	734,979	4.3%	106,690	3.0%	145
Quetzaltenango	924,182	5.4%	240,890	6.8%	261
Quiché	1,103,487	6.4%	71,170	2.0%	64
Retalhuleu	356,158	2.1%	77,120	2.2%	217
Sacatepéquez	371,310	2.2%	62,500	1.8%	168
San Marcos	1,192,533	6.9%	156,820	4.4%	132
Santa Rosa	407,651	2.4%	79,700	2.3%	196
Sololá	507,878	3.0%	27,940	0.8%	55
Suchitepequez	603,927	3.5%	95,540	2.7%	158
Totonicapan	553,112	3.2%	39,980	1.1%	72
Zacapa	261,695	1.5%	83,130	2.4%	318
Total	17,200,000		3,535,810		

Source: Prepared by the author with data from the National Statistics Institute (INE), Superintendence of Tax Administration (SAT) and Guatemalan Chamber of Construction (<http://www.construguate.com/index.php/estadisticas/indicadores-macroeconomicos/parque-vehicular>)

Table 2

Porter's 5 Forces (Strategy)

Threats from New Entrants	Threats from Substitutes Bargaining	Power of the Consumer Bargaining	Power of Suppliers	Intensity of Competition
<ul style="list-style-type: none"> • Low entry barriers • Entry of new informal services and / or neighbourhood workshops • Spare parts suppliers can vertically integrate and offer motorcycle maintenance service 	Marketing of DIY kits can lead to motorists choosing to do the maintenance services themselves	<ul style="list-style-type: none"> • Motorists are price sensitive, looking for low cost parts and services • Do-it-yourself kits and neighbourhood workshops are options, which gives high negotiating power. 	There is very high dependency because it depends on suppliers to maintain a minimum inventory of spare parts and lubricants	High - there is an offer of specialized services and neighbourhood workshops, depending on the needs of the motorist

Table 3

Tactic - 4P's Analysis

Product / Service	Express Servicio offered preventive motorcycle services and sale of accessories and spare parts. It also offered home maintenance services.
Price	It competed in price with neighbourhood workshops, offering agency quality service.
Plaza	Express Servicio is located in a place with high motorcycle traffic and close to suppliers of spare parts. In addition, a mobile unit offer on-site services.
Promotion	Express Servicio offered services quickly and guaranteed delivery of the motorcycle to its customers in an hour and a half. It had an attractive image seen from the street, placing the prices of services in view of motorists. It also offered free motorcycle washing services. It was also promoted on social networks, especially on Facebook.

Table 4

Annual Increase

Average services / motorcycle / year

Average price of each service

Services outside of distributors' workshops

Total vehicle fleet

3.53 Millions 100%

Motorcycles

1.38 Millions 39.1%

Annual increase

0.10 Millions 7%

Average services / motorcycle / year

5 by year

Average price of each service

\$45

Services outside of distributors' workshops

90%

	YEAR	2017	2018	2019	2020	2021
		(data in millions)				
Total	Motorcycles	1.38	1.48	1.58	1.68	1.78
	Services per year	6.9	7.40	7.90	8.40	8.90
	Potential value of the after-sales service market	\$310.50	\$333	\$356	\$378	\$401
Potential services outside of official workshops	# services	6.21	6.66	7.11	7.56	8.01
	Value of services	\$279.45	\$299.70	\$319.95	\$340.20	\$360.45

Table 5

Clients/day	10
Working days in the month	24

	Price	Distribution/ Day	Income per day
Tune Up express	\$22.00	3	\$66.00
Super express	\$32.00	3	\$96.00
Plus express	\$43.00	4	\$172.00

	2017			
	Sept	Oct	Nov.	Dec.
INCOME				
Tune Up express	\$1,584.00	\$1,584.00	\$1,584.00	\$1,584.00
Super express	\$2,304.00	\$2,304.00	\$2,304.00	\$2,304.00
Plus express	\$4,128.00	\$4,128.00	\$4,128.00	\$4,128.00
Total INCOME	\$8,016.00	\$8,016.00	\$8,016.00	\$8,016.00
Direct Costs				
Supplies	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00
Administrative Costs				
Salaries	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00
Other Costs				
Rental	\$300.00	\$300.00	\$300.00	\$300.00
Security	\$150.00	\$150.00	\$150.00	\$150.00
Accounting Services	\$150.00	\$150.00	\$150.00	\$150.00
Electricity, water, telephone, internet services	\$200.00	\$200.00	\$200.00	\$200.00
Total Operative Costs	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00
Profit before taxes	\$4,016.00	\$4,016.00	\$4,016.00	\$4,016.00
Taxes (25%)	\$1,204.80	\$1,204.80	\$1,204.80	\$1,204.80
Net Profit	\$2,811.20	\$2,811.20	\$2,811.20	\$2,811.20

Table 6

Equilibrium Profit

Clients/day	10
Working days in the month	24

	Price	Distribution/ Day	Income per day
Tune Up express	\$22.00	3	\$66.00
Super express	\$32.00	3	\$96.00
Plus express	\$43.00	4	\$172.00

	2017			
	Sept	Oct	Nov.	Dec.
INCOME				
Tune Up express	\$1,584.00	\$1,584.00	\$1,584.00	\$1,584.00
Super express	\$2,304.00	\$2,304.00	\$2,304.00	\$2,304.00
Plus express	\$4,128.00	\$4,128.00	\$4,128.00	\$4,128.00
Total INCOME	\$8,016.00	\$8,016.00	\$8,016.00	\$8,016.00
Direct Costs				
Supplies	\$1,200.00	\$1,200.00	\$1,200.00	\$1,200.00
Administrative Costs				
Salaries	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00
Other Costs				
Rental	\$300.00	\$300.00	\$300.00	\$300.00
Security	\$150.00	\$150.00	\$150.00	\$150.00
Accounting Services	\$150.00	\$150.00	\$150.00	\$150.00
Electricity, water, telephone, internet services	\$200.00	\$200.00	\$200.00	\$200.00
Total Operative Costs	\$4,000.00	\$4,000.00	\$4,000.00	\$4,000.00
Profit before taxes	\$4,016.00	\$4,016.00	\$4,016.00	\$4,016.00
Taxes (25%)	\$1,204.80	\$1,204.80	\$1,204.80	\$1,204.80
Net Profit	\$2,811.20	\$2,811.20	\$2,811.20	\$2,811.20

Table 7

Scenario 1 Breakeven

Fixed Costs		Variable Costs	
Salary	\$2,000.00	Total Variable Costs	\$1,200.00
Rental	\$300.00		
Security	\$150.00		
Accounting	\$150.00		
Electricity, water, telephone, internet services	\$200.00		
Total fixed costs	\$2,800.00	Variable Unit Costs	\$5.00
Price and Utility		Volume	
Average Unit Price	\$22.00	Break even	165
Total Revenue	\$5,280.00	Units Sold	240
Total Costs	\$4,000.00		
Operating Profit	\$1,280.00		

Breakeven

	No sales	With losses	Break-even point	With Profits
Sold Units	0	82	165	240
Income	\$-	\$1,811.76	\$3,623.53	\$5,280.00
Variable Costs	\$-	\$411.76	\$823.53	\$1,200.00
Fixed Costs	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00
Total Cost	\$2,800.00	\$3,211.76	\$3,623.53	\$4,000.00
Utilities	\$(2,800.00)	\$(1,400.00)	\$-	\$1,280.00

Table 8

Scenario 2 Breakeven

Fixed costs		Variable Costs	
Salaries	\$2,000.00	Total Variable Costs	\$1,200.00
Rent	\$300.00		
Security	\$150.00		
Accounting service	\$150.00		
Electricity, water, telephone, internet services	\$200.00		
Total Fixed Costs	\$2,800.00	Variable Unit Costs	\$5.00
Price and Utility		Volume	
Average Unit Price	\$43.00	Breakeven	74
Total revenue	\$10,320.00	Sold Units	240
Total Costs	\$4,000.00		
Operating Profit	\$6,320.00		

Breakeven

	No Sales	With Losses	Breakeven	With Profits
Sold Units	0	37	74	240
income	\$-	\$1,584.21	\$3,168.42	\$10,320.00
Variable Costs	\$-	\$184.21	\$368.42	\$1,200.00
Fixed Costs	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00
Total Costs	\$2,800.00	\$2,984.21	\$3,168.42	\$4,000.00
Utilities	\$(2,800.00)	\$(1,400.00)	\$-	\$6,320.00

Table 9

Current Scenario

Fixed Costs		Variable Costs	
Salary	\$2,000.00	Total Costs Variables	\$1,200.00
Rent	\$300.00		
Security	\$150.00		
Accounting services	\$150.00		
Electricity, water, telephone, internet services	\$200.00		
Total Fixed Costs	\$2,800.00	Variable Unit Costs	\$5.00

Price and Utility		Volume	
Average Unit Price	\$33.40	Breakeven	99
Total Revenue	\$8,016.00	Units Sold	240
Total Costs	\$4,000.00		
Operating Profit	\$4,016.00		

Breakeven

	No Sales	With losses	Breakeven	With Utilities
Sold Units	0	49	99	240
Income	\$-	\$1,646.48	\$3,292.96	\$8,016.00
Variable Costs	\$-	\$246.48	\$492.96	\$1,200.00
Fixed Costs	\$2,800.00	\$2,800.00	\$2,800.00	\$2,800.00
Total Costs	\$2,800.00	\$3,046.48	\$3,292.96	\$4,000.00
Utilities	\$(2,800.00)	\$(1,400.00)	\$-	\$4,016.00

Table 10

Alternatives

Guatemala Department (Guatemala City)	Departments (Quetzaltenango, Escuintla)	South America Option
<ul style="list-style-type: none"> • It has the largest vehicle fleet, 44% of the total • Higher population and density of vehicles per 1000 inhabitants = 420 • Greater control of each service centre (inspection, supervision) • Alliances with suppliers • It would be a good option to invest in one more mobile unit, considering that Express Servicio could conclude agreements with more companies that have fleets of motorcycles 	<ul style="list-style-type: none"> • These departments have the highest percentage of vehicle fleet after the department of Guatemala, 7% and 6.5%, as well as 261 and 279 motorcycles per 1000 inhabitants, respectively • Less control of each service centre, by distance • It does not have alliances with suppliers in the area • Travel costs 	<ul style="list-style-type: none"> • You would have very little control of the service centre. • It is a new market and a new culture • It is in high demand • Start-up costs are much higher = \$ 12,500 • $(10,000 * 1.25) = 12,500$ • There would be a greater number of services sold per day = 15, more than the 10 currently sold in Guatemala

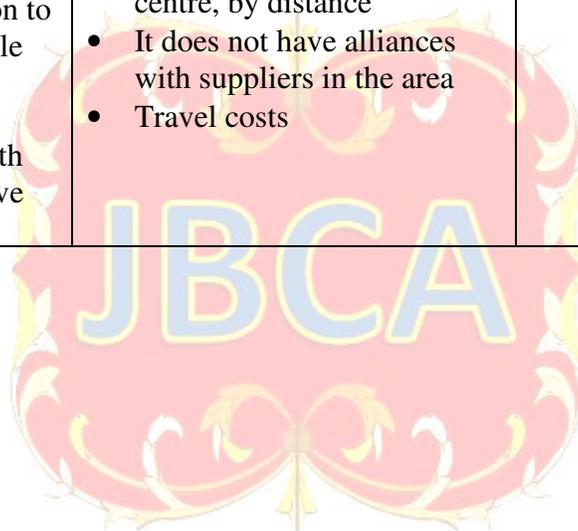


Table 11**Growth**

Cientes		10
Días		24

	Precio	Distribución día	Ingresos por día
Tune Up express	\$ 22.00	3	\$ 66.00
Super express	\$ 32.00	3	\$ 96.00
Plus express	\$ 43.00	4	\$ 172.00

	2017				2018											
	Septiembre	Octubre	Noviembre	Diciembre	Enero	Febrero	Marzo	Abril	Mayo	Junio	Julio	Agosto	Septiembre	Octubre	Noviembre	Diciembre
Inversión inicial	\$ 20,500.00															
Ingresos																
Flash express	\$ 1,584.00	\$ 1,584.00	\$ 1,584.00	\$ 1,584.00	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20	\$ 2,059.20
Super express	\$ 2,304.00	\$ 2,304.00	\$ 2,304.00	\$ 2,304.00	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20	\$ 2,995.20
Plus express	\$ 4,128.00	\$ 4,128.00	\$ 4,128.00	\$ 4,128.00	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40	\$ 5,366.40
Total Ingresos	\$ 8,016.00	\$ 8,016.00	\$ 8,016.00	\$ 8,016.00	\$ 10,420.80											
Gastos Directos																
Insumos	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00	\$ 1,200.00
Gastos Administrativos																
Salarios	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00	\$ 2,000.00
Otros gastos																
Alquiler	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00	\$ 300.00
Seguridad	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00
Servicios contables	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00	\$ 150.00
Servicios de electricidad, agua, teléfono, internet	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Total Gastos operativos	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00	\$ 4,000.00
Utilidad antes de impuestos	\$ 4,016.00	\$ 4,016.00	\$ 4,016.00	\$ 4,016.00	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80	\$ 6,420.80
Impuestos (25%)	\$ 1,204.80	\$ 1,204.80	\$ 1,204.80	\$ 1,204.80	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24	\$ 1,926.24
Utilidad Neta	\$(20,500.00)	\$ 2,811.20	\$ 2,811.20	\$ 2,811.20	\$ 4,494.56											

Tasa de Crecimiento Proyectado 2018	30%
Tasa de Rendimiento Esperada	15%
VAN	\$ 1,455.71
TIR	16%