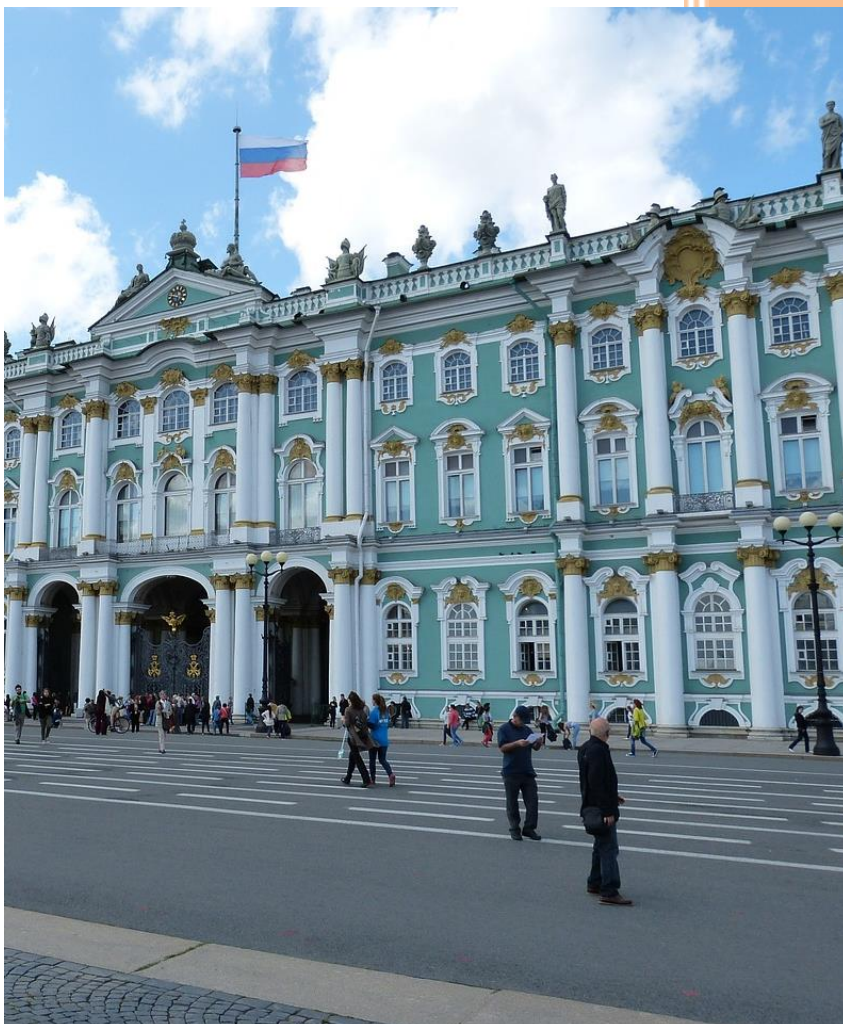


2015

# Business plan on creation of a law company for providing legal assistance to foreign tourists visiting Russia



Piter-Consult

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# 1 Summary

## 1.1 The essence of the would-be project

The aim of the project is to create a law company to provide foreign tourists with legal assistance in Russia.

The company's business model is to offer a so called "Security Card", that is a prepaid comprehensive legal service provided to foreign tourists. The company's client, by purchasing the "Security Card", gets an opportunity to apply for \*\* -hour legal aid as provided by applicable criminal or administrative codes, during his/her visit to Moscow and St. Petersburg.

It's assumed that this service will gain an exceptional popularity among foreigners visiting Russia. A number of exhibition and hospitality centers in St. Petersburg and Moscow, some travel companies in Germany, Italy, Britain, the United States, China and other countries, the Singapore Airlines company as well JSC "Intourist" have already expressed their interest in this product . Negotiations are under way to sell the product to large foreign companies interested in timely legal assistance to their employees, traveling to Russia with business trips.

The company's headquarters will be located in Singapore. In the offices, which are planned to be located in Moscow and St. Petersburg, there will be qualified lawyers always ready to assist clients. Clients may use call center services, website and a special mobile to apply for the service.

As part of the primary objective achievement, it is planned to reach the following goals:

- ....

## 1.2 The effectiveness of the project execution

The financial model of the project shows the following:

- The project achieves sustainable profitability in terms of net profit and EBITDA starting from the second quarter of \*\*\*\*;
- By \*\*\*\*, the consolidated net profit will reach \*,\*\*\* million USD, and the net profit margin will go to \*\*%;
- Project's internal rate of return (IRR) – is \*\*\*,\*%;
- Project's net present value (NPV) at a discount rate of \*\*% is \*\*,\*\*\* million USD;
- Simple payback period is \*,\* years from the start of the project; the discounted one is \*,\* years.

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### **1.3 The assumed form and conditions of the investor's participation**

The investor is invited to participate in development of a law firm, offering services for tourists visiting Russia.

The format of investor's participation: a contribution to the capital.

The proposed capital share – \*\*%.

The amount of the requested funding: \*,\*\*\* million USD.

Funds will be fully focused on running the project and paying the company's ongoing expenses prior to the release of self-financing.

The investor's potential output is a management buy-out (MBO) or a project sale to a strategic investor.

The project has high rates of commercial efficiency:

- The NPV for the investor is \*,\*\*\* million USD (at a discount rate of \*\* %);
- The IRR for the investor is \*\*, \*%.

## **2 Market analysis and marketing concept**

### **2.1 Determination of the project key idea and objectives**

#### **2.1.1 The aim of the project**

The aim of the project is to create a law company to provide foreign tourists with a legal assistance in Russia.

Despite the huge tourist potential, the number of foreign tourists visiting the country is far from possible values. This is largely due to the lack of infrastructure and, in particular, with fears of tourists for their security and ability to quickly resolve their problems in emergency situations involving communication with law enforcement and judicial system.

The “Security Card”, proposed to the tourists, is exactly this mission-oriented service. By purchasing the “Security Card” a foreign tourist becomes a client of the company and, if necessary, has opportunity to quickly get a full range of legal services. In a stressful situation, employees of the company, being professional practicing lawyers and attorneys, will ensure proper preparation of documents, show where to go in a particular case and hold talks with government authorities in a proper manner.

The strategic aim of the company up to \*\*\*\* is to ensure promotion and awareness of the service among target customer groups and get market penetration (percentage of sales among foreign nationals visiting Russia) at the level of \*, \*% in the target segment (tourists and business travelers from the EU, North America, Israel, China and South-East Asia). Total “Security Card” sales plan for \*\*\*\* is \*\*\*, \* thousand units.

Project objectives:

- establishment of a Central Office in Singapore, trade mark registration;

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- establishment of representative offices in Moscow and St. Petersburg, staff enrolment (lawyers and attorneys);
- establishment of a partners-agents network from travel and cruise companies as well as hotel chains for service implementation;
- promotion of services among foreign companies operating in Russia;
- creation and promotion of the company's Internet site describing the service and allowing online purchasing of the "Security Card";
- conclusion of a contract with a translation agency;
- conclusion of a contract with a call-center.

### 2.1.2 The project background and its relevance

The Russian Federation has a high tourist-recreational potential. Unique natural and recreational resources, objects of national and world cultural and historical heritage are concentrated on its territory, important economic, cultural, social and sports events are held in the country. A wide range of potentially attractive tourist objects and complexes, being of great popularity among Russian and foreign tourists, is available in many regions.

A variety of tourist-and-recreational resources allows you to develop almost all kinds of tourism, including recreational (beach), cultural and educational, business, outdoor, wellness and eco-touristic ones, as well as sea and river cruises, rural tourism, etc.

Russian cities traditionally occupy high positions in various tourist rankings<sup>1</sup>:

- Moscow took the <sup>1</sup>st place according to the number of tourists in <sup>2010</sup>, St. Petersburg was on the <sup>2</sup>nd place<sup>2</sup>;
- Russian cities in the ranking of art museums in the world (Top-<sup>100</sup> Art Museum Attendance): the State Hermitage Museum (St. Petersburg) — <sup>1</sup>st position ranking, the total annual attendance is <sup>10</sup> million people; State museums of the Kremlin (Moscow) — <sup>2</sup>nd position ranking, the total annual attendance is <sup>10</sup> million people; The State Tretyakov Gallery (Moscow) — <sup>3</sup>rd position ranking, the total annual attendance is <sup>10</sup> million people; Russian Museum (Saint Petersburg) — <sup>4</sup>th position ranking, the total annual attendance is <sup>10</sup> million people;
- In the ranking of European budget travel destinations (Europe <sup>4</sup>-star Traveler Index) Saint-Petersburg occupies the <sup>1</sup>st place, Moscow — the <sup>2</sup>nd place;
- The Cathedral of the resurrection in Blood, located in Saint-Petersburg, occupies the <sup>1</sup>st place within TOP <sup>100</sup> of The Most Interesting Places of the World.

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<sup>1</sup> \*\*\*

<sup>2</sup> \*\*\*

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- St. Petersburg is number \*\* ranking among top \*\* tourist destinations around the world (world top tourist destinations “World Destination”);
- Hermitage and the Winter Palace took the \*<sup>st</sup> place in the ranking of top \*\* best museums in the world (TOP \*\* Museums World).

Conducted analysis of realized and potential opportunities of the Russian tourist industry suggests that the significant tourist potential of the country is far from being fully utilized. In \*\*\*\*, the Russian Federation was visited by \*\*, \* million foreign nationals, and only about \* percent of these people arrived for tourism purposes. Whereas according to the forecast of the World Tourism Organization, a specialized agency of the United Nations, the Russian Federation, with the appropriate level of development of the touristic infrastructure, is able to take up to \*\* million of foreign tourists a year<sup>3</sup>.

Despite the fact that for many years Russia has been successfully integrated into the world political and economic space, a lot of foreigners preserved a stereotyping image of Russia as of not very simple country for tourism. Unfortunately, the image of the country somewhat worsened due to the geopolitical situation.

According to the World Economic Forum (WEF) in \*\*\*\*, the Russia took \*\*<sup>rd</sup> position out of \*\*\*\* countries in competitiveness of the tourism sector of the economy<sup>4</sup>. According to competitiveness factors chosen to estimate countries for the report, the strengths of Russia lays in rich natural and cultural resources, as well as air transport and telecommunications infrastructure. In its turn, significant negative effect is caused by the quality of the regulatory framework (the “Regulatory framework” subindex, which includes an assessment of the level of security and legal regulation). Russia takes on this criterion \*\*<sup>nd</sup> place - the lowest of all European countries. It also should be mentioned the results on the other criteria: “Policy rules and regulations” – \*\*\*<sup>rd</sup> place, “Security and safety” – \*\*\*\*<sup>th</sup> place, “Reliability of police services” – \*\*\*\*<sup>th</sup> place from \*\*\*. While Russia takes \*<sup>th</sup> place for the presence of natural tourism resources of world importance and \*\*<sup>th</sup> place for the cultural tourism resources of world importance.

It is worth noting also not-too-friendly-to-foreign-tourists ambience - low knowledge of foreign languages among civil servants, policemen and pink collars.

### 2.1.3 Description of the project service

The proposed service, that is a “Security Card”, is an exclusive practice that does not have analogues in the world practice. It consists in providing foreign nationals with legal assistance of attorney during their stay in Russia either for business or for tourism. The client of the company suffered from an offence (misdemeanour), covered by the Criminal Code of the Russian Federation or to the Russian Code of administrative offences, are granted right for free legal assistance of a lawyer, accompanied by an interpreter if necessary.

The client’s card (“Security Card”) is a personal identification document, generated electronically on the company’s Internet site by the client him(her)self or with the

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3 \*\*\*

4 \*\*\*

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help of the company's agents-partners, after conclusion of the contract for legal services with further payment transfer, and containing elements of identification data, providing its owner with the access to use available services of the Security Services in accordance with the rules.

Unless otherwise established by the company, the contract is valid during the period paid by the customer. The agreement shall terminate since the end date of the paid period that must be stated in the client's card ("Security Card").

Legal services are provided to the client as needed:

- ....

Services under this tariff plan are solely for the benefit of the customer.

List of services:

....

## **2.2 Market analysis**

### **2.2.1 The target client group**

The target client group includes tourists and business travelers from the European Union, the United States, Israel, South-East Asia.

According to statistics of visits in \*\*\*\*, the size of the target group was at least \* million persons per year in total, including tourists - at least \*,\* million person per year (more market assessment is provided in the sections below).

Now in a down economy Russia is focusing on attracting tourists from China, Israel, Turkey and South Korea. Thanks to the visa-free regime, the number of tourists from those countries increased significantly this year, which offsets the decline in the flow of tourists from Europe and the United States.

In accordance with the results of preliminary studies, it is expected that this service will gain an exceptional popularity among foreigners visiting Russia.

Negotiations regarding this-service-sale topic with a number of exhibition and hospitality centers in St. Petersburg and Moscow, some travel companies in Germany, Italy, Britain, the United States, China and other countries, the Singapore Airlines company, and JSC "Intourist" are in progress. Also, negotiations are under way to sell the product to large foreign companies, interested in the provision of timely legal assistance to their employees, traveling to Russia with business trips.

### **2.2.2 The current demand assessment**

According to the data from the Frontier Service of the RF FSS (Federal Security Service of the Russian Federation), the number of foreign nationals who had entered the territory of Russia in \*\*\*\*, amounted to \*\* \*\*\*\* persons in total. (+\*, % by \*\*\*\*).

....



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**Picture 1. The total entry of the foreign citizens into the Russian Federation (according to data from the Frontier Service of the RF FSS and the Federal State Statistics Service)**

Most trips were undertaken with private objectives, and only \*\*% of visits were rendered on business need.

...

**Picture 2. The diagram of the entry into the Russian Federation in \*\*\*\* according to the purpose (according to data from Rostourism)**

Leaders on visits were citizens of the former USSR countries – \*\* \*\*\*\* visits (\*\*%). The most frequent visitors of Russia were citizens of Ukraine – \* \*\*\*\* visits (\*\*%), Kazakhstan – \* \*\*\*\* visits (\*\*%), and Uzbekistan - \* \*\*\*\* visits (\*, %).

The EU countries (excluding Baltic States) performed \* \*\*\*\* visits (\*\*, %). Leaders, Poland, – \* \*\*\*\* visits (\*, %) and Finland – \* \*\*\*\* visits (\*, %).

...

**Picture 3. The diagram of the entry into the Russian Federation in \*\*\*\* according to the citizenship (according to data from the Frontier Service of the RF FSS)**

The share of visits on tourism amounted to % - \* \*\*\*\* people (minus \*, % by \*\*\*\*)<sup>5</sup>.

...

**Picture 4. The diagram of the entry into the Russian Federation (according to data from the Frontier Service of the RF FSS and the Federal State Statistics Service)**

China, Germany and the United States became leaders among countries according to the number of touristic trips to Russia in \*\*\*\*.

Among leaders the positive dynamics was demonstrated by China (+\*\*, %), Turkey (+\*, %) and Israel (+\*\*%) in \*\*\*\*.

The significant growth of Korean tourists was recorded as well (+\*\*%). It is linked to the lifting of the visa regime. In general, the complexity of the procedure of obtaining Russian visas is one of the major constraints on the inbound tourism development, according to the experts.

European countries generally have shown negative dynamics ( -\*\*, %), the number of visitors from the United States decreased by \*\*, %. This is due mainly to the geopolitical situation in \*\*\*\*, making even such fact as the Winter Olympics in Sochi, offset by.

**Table 1. Leading countries in the entry into the RF on tourism in \*\*\*\* (according to data from Rostourism)**

...

...

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<sup>5</sup> \*\*\*\*

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**Picture 5. The diagram of the entry into the Russian Federation in \*\*\*\* according to the citizenship (according to data from the Frontier Service of the RF FSS)**

The Russian incoming tourism has developed its own specialization. The most popular kinds of tourism in Russia are cultural-historical, nostalgic, educational, and business. However, such kinds of tourism as cruise, sport and event also have a promising future.

Among the most popular destinations for foreign tourists you'll find Moscow and St. Petersburg. It is also worth noting that such popular leisure activities as the Golden Ring trips and river cruises, are also tied to these two capitals. Habitual for Russian activities such as hunting and fishing, as well as all circumextreme and extreme kinds of travels: rafting, diving, trekking, bike tour, mountain climbing, skiing and other stuff, have attracted a small number of foreign tourists for now because of the high prices and low quality of the touristic infrastructure.

In the ranking of the most popular cities in the world for visits in \*\*\*\*, Moscow takes \*\*th place with its \*,\*\*\* million visits, St. Petersburg is located on \*\*rd place with its \*,\*\*\* million visits.

**Table 2. Top cities on visitation in \*\*\*\*6**

...

Not only State support, but also a variety of sports, cultural and political activities significantly contributes to development of inbound tourism.

In \*\*\*\* the Summer Universiade was held in Kazan, which was attended by more than \*\*\* thousand guests.

In \*\*\*\*, the Winter Olympic Games were held in Sochi, and attended by tens of thousands of foreign tourists. A modern resort for sporting, recreational and business tourism, which can receive guests all year round, was constructed in Sochi. Since October \*\*, \*\*\*\* Sochi international airport introduced the "open sky" mode, removing all restrictions on flights into the city by foreign companies and attracting more foreign tourists. It would operate for three seasons: winter \*\*\*\*-\*\*\*\*, the year of \*\*\*\* in the summer, and winter \*\*\*\*-\*\*\*\*. Direct flights to Sochi from Iran and China are expected to be introduced in summer \*\*\*\*. According to Anatoly Pakhomov, the Mayor of Sochi, only flights from Beijing and Changzhou of China can bring around two million tourists into the city.

As it is known, Russia has won the election of a host country for the Football World Cup - \*\*\*\*. Eleven cities of Russia: Moscow, Saint-Petersburg, Yekaterinburg, Sochi, Kaliningrad, Rostov-na-Donu, Saransk, Samara, Nizhny Novgorod, Kazan, and Volgograd, will be happy to welcome the guests of the Championship. A year before the World Cup, that is in \*\*\*\*, the Confederation Cup matches will be also held in Russia. In \*\*\*\*, St. Petersburg will take the three-match group stage and quarter-finals of the European Football Championship. In \*\*\*\*, Moscow and St. Petersburg will host the Ice Hockey World Championship.

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It can be assumed that the scale of these activities will attract large numbers of tourists from all over the world. The fact of running the most significant events in the world of sports has already improved the image of Russia in the eyes of global community, and the most favorable consequence of this could be an increased interest to Russia. Tourists, who will make sure that Russia can carry out large-scale events of world importance and ensure the safety and comfort of its guests, probably will want to go back again for more familiarity with its culture.

Significant impact on the development of inbound tourism is exerted by cross-year tourism, intended to increase bilateral exchange of tourists between Russia and other countries.

So, March \*\*, \*\*\*\* the year of Chinese tourism in Russia was launched, in response to last year's year of Russian tourism in China, to which the Chinese media have given an extensive information support. During \*\*\* days, the leading TV channels and Internet portals of China had been broadcasting \*\*\* videos, shot in Russia by Chinese reporters, and showing Russian cities, national parks and health resorts appealing to travelers. There were also a lot of publications on this topic in Chinese print media. This media project was called "Hello Russia!". The Internet television channel "Tân'Di" was officially launched at the project start-up ceremony, with further online broadcasting of all stories about Russia.

As of the end of the Russian touristic year in China, the flow of Chinese tourists to Russia grew by \*\*% from \*\*\*\* to \*\*\*\*. And in \*\*\*\*, China has become the first major provider of tourists to Russia, ahead of long-time leader Germany. Residents of the Middle Kingdom were of interest not only to the traditional routes, for example, from Moscow to Saint Petersburg, but also on tours in Tver, Novgorod, Suzdal and Vladimir.

Such years of tourism may be viewed as a logical continuation of the cultural cooperation of Russia with foreign States. So, in summer \*\*\*\*, a joint statement of intent for the year of Germany in Russia and the year of Russia in Germany to be held in \*\*\*\*-\*\*\*\*, has been signed within German-Russian intergovernmental consultations in Hanover. Cross-years have been running under the motto "Germany and Russia together to build the future", and at present time, when the program is at the culminating stage of its implementation, numerous activities in the fields of politics, economy, culture, education, science and research have already been carried out. The main centers of German Year \*\*\*\* in Russia were Moscow and St. Petersburg. In \*\*\*\*, the activities mainly take place in regions of Russia that also stimulates development of inbound tourism. Each activity takes place with participation of the citizens of the Federal Republic of Germany.

A similar cross-year practice became common: \*\*\*\* has been a year of France-Russia, \*\*\*\* – a year of Italy-Russia. During the intercultural cooperation, the foreigners become more familiar with Russia, with its economic and political life, as well as with its culture, history and traditions. Within the "years", as a rule, there is an increase in the volume of tourist traffic between cooperating countries, so such practice may be recognized as the appropriate initiative to stimulate interest in Russia, as in tourism destination as well.

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At present, Russia has actively joined international tourism. But so far, unfortunately, the tourist potential of Russia is used inadequately and absolutely does not correspond to the status that Russia occupies on the world tourism market. However, in the coming years, according to the UNWTO, this situation must change. According to this international organization, Russia should reach the \*<sup>th</sup> place in the list of the most popular tourist destinations in the world and receive up to \*\* million foreign tourists by \*\*\*\*. In this regard, the increased interest in the problem of inbound tourism in Russia is not surprising.

### **2.2.3 Expected competition**

Direct analogues and competitors of the proposed service on the Russian market and world practice do not exist.

As the existing security solutions and ways of assistance to tourists, we can point out the following:

#### ***Consulates***

According to general rules, foreign diplomatic representatives (embassies, consulates) within their competence provide legal advice and insure representation of foreign citizens in judicial and other bodies of the host state in accordance with the legislation of the host state, if such citizens are unable to protect their rights and interests because of their absence or any other reasons.

Disadvantages:

- ....

#### ***Insurance programs***

Some insurance products offered to tourists also include a cover of personal responsibility and legal costs along with the compulsory insurance of medical expenses. Support divisions of all insurance companies can also provide advice in emergency situations.

Disadvantages:

- ....

#### ***Concierge service for holders of premium credit cards***

The owners of premium credit cards such as MasterCard Platinum and Visa Infinite are offered in addition so-called Concierge services, that is a \*\*-hours assistance on a wide range of issues: from booking of hotel rooms to reservation of tables in restaurants. Assistance in emergency situations is also declared.

Disadvantages:

- ....

### **2.2.4 Conclusion. Assessment of the market share**

The results of the market analysis revealed that there was currently no proposal of such service. In most cases, foreign tourist in an emergency situation turns out to be single-handed with not always friendly guardians of order and justice. The problem is

## Business plan on creation of a law company

the language barrier and general system faults of the Russian law enforcement system, generally observed by foreign experts of the tourist market.

There is a problem of security for foreign tourists in Russia. In the world ranking of competitiveness of tourist product, Russia takes \*\*\*rd place out of \*\*\*th for “safety and security” criterion, and only \*\*\*th one for “reliability of police services” criterion.

The size of the target segment including tourists and businessmen from Western European countries, the United States, Israel, and China, is estimated to be at least \* million persons per year, of which tourists make at least \*,\* million persons per year.

The conducted polls have shown that \* out of \*\* people are interested in purchasing such services.

In view of the above mentioned, achievement of the relevant level of sales to ensure the profitability and return of investor’s funds, looks quite a feasible task.

## 2.3 Marketing plan

### 2.3.1 The concept of marketing

The company's marketing concept is to offer consumers, that are foreign tourists and businessmen visiting Russia, innovative product that is a “security card” allowing to receive a qualified legal assistance in an emergency \*\* -hours a day for a small fee.

Due to the fact that the product has no analogues in the market, the main marketing efforts will be focused on informing potential users about the benefits of the service and development of a system of marketing.

Thus, the company’s concept of marketing will be based on a system of intensification of commercial effort to promote a new product.

### 2.3.2 Sales plan

Total amount of target segment including citizens of EU countries, the United States, Israel, China and South-East Asian states, is estimated to be at least \* million persons per year (\*\*% of the total number of entries), including tourists - at least \*,\* million persons per year.

Given the novelty of the proposed service, a conservative sales forecast was adopted. In the first year, the share of services (percentage of clients who purchased the “Security Card” of the overall size of the target market) is accepted in the amount of \*,\*%. Further to development of sales channels, a share of penetration is planned to be driven to \*,\*%.

When assessing the size of the market we have adopted a conservative scenario on the dynamics of foreign citizens’ entry to Russia. So, market experts predicted the fall in the number of entries in \*\*\*\* at the \*\*%-level in comparison with \*\*\*\*. The number of visitors from Western Europe and the United States will be reduced to a greater extent. It is predicted that this decline will be offset by the increase in the number of visits from China, however, while planning, we have adopted a conservative scenario for reduction of the target segment from \*\*% to \*\*% with a return to the level registered in \*\*\*\* during next five years.

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Given these assumptions, the “Security Card” sales in \*\*\*\* will compose \*\*, \* million pieces and will increase to \*\*\*, \* million pieces by \*\*\*\*.

### **Table 3. Market share and sales plan**

...

*\* providing the sales launch in October*

### **2.3.3 Marketing tactics**

#### ***Competitive advantages***

As it is already mentioned, the direct equivalent of the proposed service does not exist. Major competitive advantages over their closest analogues are described below:

- ....

#### ***Sales channels***

The main sales channels:

1. Direct sales via the Internet-site of the company.

Online sales through the company's Web site for independent travelers.

The site and the proposed service will be promoted through advertising on tourist sites, as well as by means of contextual and search advertising (Google Adwords).

The average number of queries on the Google search engine on travel in Russia<sup>7</sup> is about \*\*\* thousand (Annex \*). While the number of queries on the topic of security and insurance is more than a thousand.

2. Sales through travel companies.

The main sales channel. There is a high percentage of organized groups among foreign tourists visiting Russia. For example, the Hermitage took \*, \* million tourists, \*\*\* thousand of which are organized foreign travelers. The passenger port of St. Petersburg took \*\*\* cruise and \* ferry vessels during the cruise season, lasted from \*\* April on \*\* October \*\*\*\*. About \*\*\* \*\*\* passengers arrived on their boards to the city.

The company plans to conclude agency agreements with the biggest operators of inbound tourism: Academservice, Intourist, NEVA, KMP, Express Line Travel, Dolphin, Russkie Prostory.

It is also planned to conclude cooperation agreements with the Tourist Association “World without borders” as well as with the Russian Association of Business Tourism.

The association “World without borders” brings together more than \*\*\* Russian operators of inbound tourism from \*\* regions of Russia: from Kam-

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<sup>7</sup> \*\*\*

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chatka and Primorye to Moscow and St. Petersburg. The members of the Association are registered and have branches in more than \*\* cities of Russia.

Russian Association of Business Travel ABT-ACTE Russia is the largest international organization in the field of business tourism on the territory of Russia and CIS. Members of ABT-ACTE Russia are travel managers and procurement professionals from more than \*\*\* leading Russian and international corporations. Partners of ABT-ACTE Russia are over \*\* leading suppliers of business travel services: domestic and international airlines, hotel chains, business travel agency, etc.

The important direction is conclusion of cooperation agreements with foreign tour operators specializing in Russia, as well as cruise companies - Exeter International, ExploRussia, Express To Russia, Go Russia travel company, Real Russia, Russian Guide Service, ASLA Travel Group and other.

### 3. Hotels.

Agreements with Russian and foreign hotel chains are also planned. “Security Card” will be offered at the check-in stands, and will also contain information about the service.

### 4. Direct sales to foreign companies operating in Russia.

Foreign companies operating in Russia are interested in purchasing these services for their employees

According to the federal migration service of Russia, as of April \*, \*\*\*\* there were officially \* \*\*\* \*\*\* foreign nationals arrived for business purposes to Russia.

## **Pricing**

The closest in meaning and understandable to the potential consumer analog of the offered service is the medical travel insurance. The average cost of health insurance for a week's visit to Russia is \*\*-\* euros per week<sup>8</sup>.

Therefore, determination of the price for “Security Card” at the same or lower rates of health insurance will be perceived as fair and won't cause a negative reaction.

The opening price for “Security Card” will be established in the amount of \*\* USD for the two-week period while tourist in Russia. Each additional day over the two-week period is charged at the price of \* USD per day.

The average estimated price for the purposes of financial planning of the present business plan is taken as \*\* USD.

The price can be adjusted depending on the level of demand.

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<sup>8</sup> \*\*\*

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### **Promotion program**

A special attention will be paid to consumer qualities of the “Security Card” while project promotion.

Sales policy will be aimed at the development of marketing channels and techniques, as well as wide-scale informing of potential customers and partners about the benefits of the service.

Promotion methods:

- ....

The establishment of a wide network of agents and partners from tour operators, cruise companies, hotel chains, is the most effective method of promotion, as they provide a closer contact with the target audience, and allow getting feedback from customers.

Development of a network of partners and agents consists from the work of managers with a client base, its update, negotiating with potential partners.

Placing articles in mass media and Internet allows the company to promote the service and its competitive advantages not in the form of direct advertising, but via presentation of information, having value to members of the target audience.

A list of events with planned costs can be seen in Section 4.3.3.

## **3 Organization**

### **3.1 Organizational structure and business model of the project**

The organizational structure of the project includes the following:

- ....

The interaction of project participants is given in the chart below:

...

**Picture 6. Organizational chart of the project**

### **3.2 Staffing structure**

Total number of personnel involved in the project will amount to \*\* people, including:

- TripAttorney headquarters in Singapore - \* persons;
- Office of the law firm in St. Petersburg - \*\* persons;
- Office (branch) of a law firm in Moscow - \*\* persons.

Calculation of lawyers in the Russian offices of the company is made based on the following assumptions:

- maximum number of sold “Security Cards” - \*\*\* \*\*\* pieces per year (\*\*\*\*);



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- proportion of clients requesting assistance - maximum of \*% or \* \*\*\* clients per year;
- peak number of case statements - August, \*\*% of the annual number or \* \*\*\* person per month;
- average time of a lawyer's work with one client – \* hours;
- peak workload of lawyers per month in total – \* \*\*\* persons/hours per month (\*\* persons/hours per day).

At \*\*-hour regime, the required number of work shifts at peak time will be \* people: \* senior counsel and \* lawyers.

In the \*\*\*\*-\*\*\*\* period, sufficient number of working shifts will be \* persons, in \*\*\*\*-\*\*\*\* timeframe - \* persons.

\* shifts of lawyers in total are required to ensure the normal operation of the company at \*\*-hour working regime.

Thus, by \*\*\*\* the total number of lawyers in each of the Russian offices will amount to \*\* persons - \* senior counsels and \*\* lawyers.

In future, within accumulation of statistical information on the actual number of new clients and time spent on provision of services, or in case of a sales plan change, the staff size can be adjusted.

### Table 4. Staffing structure

...

*\* starting from \*\*\*\*, in \*\*\*\*-\*\*\*\* – \* persons, in \*\*\*\*-\*\*\*\* – \* persons.*

## 3.3 Project schedule

The entire preparatory project phase will take \*-\* months:

- ...

The sales launch is scheduled for December, \*\*\*\*.

# 4 Financial analysis

## 4.1 Initial inputs

The following key project parameters were defined to be used in financial and investment analysis:

- Project start date – July, \*\*\*\*;

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- Planning horizon to calculate project indicators - \*\* months (\*, \* years), the last period – December, \*\*\*\*;
- Calculation step - a quarter;
- Financial calculations of this project are carried out in constant prices prevailing at the time of writing.

This method of calculation is based on the UNIDO technique, and suggests a proportional increase of costs together with the value of the final product due to inflation. Despite all the advantages of this method of calculation at current prices, our attempt to predict with certainty a change of product prices, may lead to additional error in finite values of economic and financial parameters of the project. Because of the excess of project revenue over project expenditure, there are nowhere reflected additional reserve funds, reducing the economic risks of the project to some extent. Other available benefits of this method:

- comparability of time-spaced indicators;
- ease of preparation of the information required.
- The Terminal value of the business at the end of the planning horizon is estimated by the Gordon's formula.
- The discount rate is equal to \*\* per cent throughout the planning horizon.

A Free Cash Flow method is used to calculate the parameters of the project. Risk as the uncertainty in the successful achievement of the targets of operational activity is about the same on both investment and operating phase. Thus, the discount rate should correspond to the expected yield from the operating business of a similar profile with a relatively stable level of sales/market share. Because of subjectivity of the assumptions and non-single-valued nature of analytical instruments used in the discount rates calculation by different methods, the project was adopted for the present rate at \*\*% per annum, corresponding to the expected income from projects with a similar level of risk.

## 4.2 Revenue

Total planned revenues with the assumptions in terms of market size and target share (Section 2.2.4) together with the price of services (Section 2.3.3) will compose \*\*,\*\*\* million USD by \*\*\*\*:

**Table 5. Revenue**

Indicators	Sum	****	****	****	****	****	****
The sale of the "Security Card", units	*** **	* **	** **	** **	*** **	*** **	*** **
Price, USD/units	**	**	**	**	**	**	**
<b>Revenue, million USD</b>	<b>**,***</b>	<b>*,***</b>	<b>*,***</b>	<b>*,***</b>	<b>*,***</b>	<b>*,***</b>	<b>**,***</b>

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*\*in light of sales launch in October*

Tourism market in Russia, as elsewhere in the world, is distinguished by a strong seasonality. The main peak of visits occurs in the summer months.

When planning for revenue, we have used the following assumptions on the seasonality of sales throughout the year:

...

**Picture 7. Seasonality of sales by quarters, %**

## 4.3 Current expenditure

### 4.3.1 Launching costs

Total project launching costs will amount to \*\*\* \*\* USD.

**Table 6. Launching costs**

...

### 4.3.2 Variable costs

#### *Translation and interpretation services*

It is planned to attract professional translators on the hourly chart to accompany the work of lawyers.

For the calculation of the cost of translation services, we have adopted the following assumptions:

- the proportion of clients requesting assistance - maximum \*% or \* \*\* clients per year (\*\*\*\*);
- the average time of the interpreter's work with one client – \* hours (with rounding to full hours);
- the average rate - \*\*USD/hour.

In \*\*\*\*, the total expenditure on the translation/interpreting services will be \*\*\* \*\* USD.

**Table 7. Cost plan for translation services**

Indicators	Sum	****	****	****	****	****	****
Translation costs	*, **	*, **	*, **	*, **	*, **	*, **	*, **

#### *Commission payments*

It is planned that most customers would be attracted by partners-agents from a number of tour operators, hotel chains, etc.

The average size of the Commission adopted at the level of \*\*% of the service cost (\*\* USD for a client at a price of the “Security Card” equal to \*\* dollars).

Total amount of Commission to be paid to partners by \*\*\*\* will amount to \*, \*\* million USD, according to the plan:

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**Table 8. Commission payments**

Indicators	Sum	****	****	****	****	****	****
Revenue, million USD	** ,***	* ,***	* ,***	* ,***	* ,***	* ,***	** ,***
Commission size, %		** ,*%	** ,*%	** ,*%	** ,*%	** ,*%	** ,*%
Share of sales through agents, %		** ,*%	** ,*%	** ,*%	** ,*%	** ,*%	** ,*%
<b>Commission amount, million USD</b>	* ,***	* ,***	* ,***	* ,***	* ,***	* ,***	* ,***

### ***Acquiring and banking services***

Tariff for acquiring costs, that is a bankcard payment service via Web interface, is adopted at a rate of \* ,\*%.

Total payment for acquiring costs will amount to \*\*\* thousand USD a year, by \*\*\*\*.

**Table 9. Plan of acquiring and other banking service costs**

Indicators	Sum	****	****	****	****	****	****
Acquiring costs	* ,***	* ,***	* ,***	* ,***	* ,***	* ,***	* ,***

### **4.3.3 Fixed costs**

#### ***Commercial costs***

According to the plan, commercial costs will amount to \*\*\* thousand USD a year.

In \*\*\*\*\_\*\*\*\*, commercial costs will amount to \*\*\* thousand USD:

**Table 10. Spending plan for product promotion**

...

#### ***Payroll expenses***

Total number of staff will reach \*\* persons (Section 3.2), including:

- Headquarters of TripAttorney in Singapore – \* persons;
- Office of the law firm in St. Petersburg – persons;
- Office (branch) of the law firm in Moscow – \*\* persons.

Total staff costs will constitute \*\*,\* thousand USD a year, including:

- Headquarters in Singapore – \*\*\* thousand USD a year;
- Russian company – \*\*,\* thousand USD a year.

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**Table 11. Labor costs on Singapore company's staff**

...

**Table 12. Labor costs on Russian company's staff**

...

*\*since \*\*\*\*, in \*\*\*\*-\*\*\*\* – \* persons, in \*\*\*\*-\*\*\*\* – \* persons*

**Table 13. Payroll expenses of the Russian company**

<b>Indicators</b>	<b>Sum</b>	****	****	****	****	****	****
Payroll expenses with allocations, million USD	*,***	*,***	*,***	*,***	*,***	*,***	*,***

***Other administrative expenses. The Singapore company***

The administrative costs of the Singapore company will make \*\*\* thousand USD per year.

**Table 14. Miscellaneous expenses of the Singapore company**

...

***Other administrative expenses. The Russian company***

The administrative costs of the Singapore company will make \*\*\* thousand USD per year.

**Table 15. Miscellaneous expenses of the Russian company**

...

The Russian company's additional costs include payment for the services of a call center.

The following assumptions are made while calculating the cost plan for the services of the call center:

- proportion of clients requesting assistance – \*%;
- average duration of a conversation with one client – \*\* minutes;
- average price per minute – \*,\*\* RUR/minute;
- monthly fee for telephone number – \*\* \*\*\*\* RUR;
- exchange rate for conversion into the United States dollars – \*\* RUR/USD.

The total costs for call center services will amount to \*\*, \* thousand USD a year.

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**Table 16. Costs on call center services**

Indicators	Sum	****	****	****	****	****	****
Minutes	*** **	* **	** **	** **	** **	*** **	*** **
Average fare		*,**	*,**	*,**	*,**	*,**	*,**
Expenses, RUR	* ** **	** **	*** **	*** **	*** **	*** **	* ** **
<b>Expenses, USD</b>	<b>** **</b>	<b>* **</b>	<b>* **</b>	<b>* **</b>	<b>** **</b>	<b>** **</b>	<b>** **</b>

Thus, according to the plan, total expenses of the Russian company will amount to \*\*, \* thousand USD in \*\*\*\*.

### 4.3.4 The structure of current expenditure

Taking into consideration above adopted assumptions, total planned current project expenses will make \*, \*\* million USD in \*\*\*\*.

...

**Picture 8. The structure of current expenditure**

## 4.4 Tax environment

### 4.4.1 The Singapore company

The tax system in Singapore is quite favorable.

In fact, the company will only pay corporate income tax at a rate of \*\*%.

Dividend tax in Singapore is missing.

Goods and services tax (the equivalent of VAT) isn't paid in the case of provision of services outside Singapore.

Total amount of corporate income tax will amount to \*, \*\* million USD in \*\*\*\*:

**Table 17. Corporate income tax payable in Singapore**

Indicators	Sum	****	****	****	****	****	****
Corporate income tax, million USD	*, **	*, **	*, **	*, **	*, **	*, **	*, **

A detailed calculation of profit is demonstrated in Section 4.7.

### 4.4.2 The Russian company

The company is non-profit.

The company will receive payment for services rendered in the sum to cover current costs and VAT tax payments. The VAT tax unit is a contract value with the Singapore company.

Total amount of tax payments by the Russian company will make up to \*, \*\* million USD by \*\*\*\*:

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**Table 18. The Russian company's tax payments**

Indicators	Sum	****	****	****	****	****	****
VAT, million USD	*,***	*,***	*,***	*,***	*,***	*,***	*,***
Tax on income, million USD	*,***	*,****	*,****	*,****	*,****	*,****	*,****
<b>TOTAL, million USD</b>	*,***	*,***	*,***	*,***	*,***	*,***	*,***

### 4.5 The need for financing

It is planned that the company will come out to self-financing in the second quarter \*\*\*\*. The need for financing of the launching costs and current expenses prior to entry on self-finance regime is valued at \*,\*\*\* **million USD**. Calculation of funding requirements is listed in the table below (Table 19).

Source of funds - investor funds as a contribution to the capital of the company. The proposed share – \*\*%.

The amount of investment requested – \*,\* **million USD**.

It is expected that all sum is paid at a time.

...

**Table 19. Calculation of funding requirements**

...

### 4.6 Cash flow budget

Cash flow analysis is performed to determine the needs in money, sources of cash inflow and modes of its use.

Project start is scheduled for July-August, \*\*\*\*, market launch – for the \*th quarter of \*\*\*\*. The project is to go to self-financing in the \*nd quarter of \*\*\*\*. Starting with the \*th quarter of \*\*\*\*, a procedure of paying dividends to the company's shareholders is scheduled. The following table provides a cash flow plan by years of the project. A quarterly breakdown is demonstrated in the Annex.

**Table 20. Consolidated cash flow plan, USD.**

...

In accordance with the projected financial model on the chart below, you may observe the accumulated free cash flow for the project (the X-axis shows project quarters).

...

**Picture 9. The accumulated free cash flow for the project**

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As you can see in the chart above, the project reaches a simple payback starting from the \*rd quarter of \*\*\*\* (in \* years from the start of the project). In this regard, a discounted payback period can be achieved in \* years from the start of the project.

## 4.7 Budget of revenue and expenditure

To determine net profit and get necessary data for further assessment of the project effectiveness, we've plotted a budget of income and expenditure (profit and loss account) using a financial model (Table 21).

The project becomes profitable in terms of net profit in the \*nd quarter of \*\*\*\* onwards.

Net income of the project will reach \*, \*\*\* million USD in \*\*\*\*.

The net profit margin is gradually increasing from \*\*% in \*\*\*\* and is stabilized in the range of \*\*% in \*\*\*\*.

A detailed profit plan is given in Annex \*.

**Table 21. Consolidated budget of income and expenditure, USD**

...

...

**Picture 10. Consolidated transaction flows of the project**

## 5 Project effectiveness

### 5.1 Performance indicators

A DCF project evaluation within FCFF-model that is by discounting the free cash flow has been performed to assess the effectiveness of the implemented investments on the basis of the built financial forecast.

The project free cash flow included a free cash flow forecast within \*\*\*\*-\*\*\*\* timeframe and a final free cash flow (FCF Terminal), which is the result of after-forecast-timeframe-cash-flow discounting on the Gordon's model of Gordon at the end of the forecast period.

**Table 22. Terminal value**

Indicator	Value	Note
Net cash flow from core activity, thousand USD/year	* **** **	In ****
Multiplier	**%	Discount rate
Terminal value, thousand USD	** **** **	



## Business plan on creation of a law company

Free cash flow (FCFF) is projected in accordance with its definition as a cash flow, which can be put out of business by the investors after payment of all current expenses and implementation of all appropriate investments.

Financial forecast is obtained by generation of a company's financial model, fully reflecting the effect of changes in these or that assumptions on cash flows. The built financial forecast served as the basis for an investment decision taken by the project initiators, and that is why it was formed through the progressive implementation of the principle of reasonable and conservative assumptions.

The financial modelling gave the following results:

- The project achieves sustainable profitability in terms of net profit and EBITDA from the middle of \*\*\*\*;
- In \*\*\*\*, the net profit will amount to \*,\*\*\* million USD. The net profit amount has a further growth and goes to \*,\*\*\* million USD in \*\*\*\*;
- The project payback period is \*,\* years since the start of the project;
- The discounted payback period is \*,\* years;
- The internal rate of return (IRR) is \*\*\*,\*%;
- The net present value (NPV) of the project, taking into account the assumptions and discount rate of \*\*%, is \*\*,\*\*\* million USD;
- The profitability index (PI) is equal to \*,\*.

The investment performance indicators were also calculated and provided to the investor of the project.

Contributions in the company's capital were taken as the negative flows, dividends and part of the Terminal value, corresponding to the suggested share of \*\*%, were taken the positive flows.

Performance indicators for the investor:

- The internal rate of return (IRR) for the investor – \*\*, \*%;
- The net present value (NPV) of the project composes \*,\*\*\* million USD;
- The profitability index (PI) – \*,\*.

Thus, the project is attractive and feasible.

## 5.2 Break-even analysis

The purpose of a break-even analysis is to define a point of equilibrium, in which the sales income is equal to the cost of the sold products. Break-even analysis is to compare the use of planned sales volume level, below which the firm is losing money.

The break-even point of the project is at a level of \*\*, \* million of sold “Security Cards” in \*\*\*\*, which is \*\*% of the plan. Thus, the project has almost four-time safety margin.

The break-even point is calculated using the method of project financial model using a method of simulation.

**Table 23. Break-even point**

<b>Indicators</b>	****	****	****	****	****
Break-even point, units (sales of “Security Cards”)	** ***	** ***	** ***	** ***	** ***
Break-even point, % (the ration of break-even sales level to the planned one)	***%	**%	**%	**%	**%

### 5.3 Sensitivity analysis

Quantitative analysis of the project sensitivity is an integral part of a comprehensive risk analysis, required to assess the effect of changing the size of the critical parameters of industrial and economic activities on the major financial and economic indicators of the business plan.

Within the project sensitivity analysis we have performed the assessment of the impact of changing the size of project critical parameters (volume of sales, operating costs, selling price, and the amount of the commission) on key financial and economic indicators of the project.

The sensitivity analysis is to determine the degree of influence of the varied factors on the financial result of the project. The most common method used to conduct sensitivity analysis is a simulation modeling. The internal rate of investment return (IRR) was used as an integral indicator.

The sensitivity analysis shows that the value of one of the selected parameters varies in a certain range ( $\pm$  \*\*%), while the other values are fixed, and these changes have an effect on the value of the chosen indicator of effectiveness.

Sensitivity analysis of the project showed that the price and sales volume has a greatest influence on the IRR (Picture 11).

...

*\*the effect of changing prices and sales volumes for variable costs is the same*

**Picture 11. Sensitivity analysis**

## 6 Risk analysis

Project risk is understood as the alleged deterioration of the outcome indicators of the project efficiency that occurs under the influence of external factors.

Innovation occurs under conditions of high uncertainty and is associated with high risk in comparison with conventional processes of industrial and economic activities. Since this project is innovative, it has specific risks.

The following key project risks can be pointed out and differentiated by their importance, and relevant activities that will help to minimize these risks:

**Table 24. Main project risks**

<b>Risk name</b>	<b>Significance level</b>	<b>Measures to minimize the risk</b>
Marketing risk (the risk of reduced sales volumes and prices for services)	high	...
Risk of low-quality rendition of services	low	
Organizational and managerial risk	low	
Financial risks	mean	
Macroeconomic and political risks	mean	

## **Annex \*. The number of Google search queries on travelling across Russia**

....

## **Annex \*. Financial plan**

**The financial forecast for the Singapore company's activity**

....

**The financial forecast for the Russian company's activity**

....

**Consolidated cash flow budget**

....

**Consolidated budget of income and expenditure**

....