

# Case study: **Tangled Web design consultancy**

## Background

In 2003, Michael Tangle was made redundant from his well paid job in London and decided to relocate to Newbury in Berkshire to start his own business. He decided to do what he knew best; website design.

Having found vacant and affordable premises in the Greenham Common Business Park he raised the capital needed to start the business through his own savings and a loan from the bank.

### Facts:

**Founded:**  
2004

**Owner/s:**  
Michael Tangle

**Legal form:**  
Private Limited  
Company

**Product/service:**  
Website Design

**Annual turnover:**  
£540,000

**No of employees:**  
5 full time staff

## Growth of the business

For two years, the business struggled to find clients as the competition within the local area was strong. Many of the businesses offering similar services were well established and larger than Tangled Web, better placed to win some of the more valuable contracts from local medium and large businesses. Michael aimed his marketing at small businesses, some of whom were also located on the business park, and gradually built up a portfolio of clients.

Events suddenly took a turn in May 2006 when Michael succeeded in winning a contract with a large local retailer. He was able to employ two more staff, one of whom was a very experienced designer who had completed work for many of the larger businesses in the area. He brought with him useful contacts, which eventually led to a contract to develop and manage the site for a high profile, international company.

The business continued to do well in 2007, however turnover growth slowed as the business failed to attract any more large clients.

## The investment

Michael Tangle plans to open a second office in Reading. He hopes to target the large businesses based in the area and win more contracts. To launch this new office he will need to pay for the deposit and two months' rent up front for premises, hire three new members of staff and purchase the latest hardware and software to ensure high quality. He will also need to market the business in the Reading area through a high profile publicity campaign.

Rather than increase the debt of the business, Michael is looking for an investor who is willing to put **£50,000** into the business. In return he is offering 30% of the profits generated through the Reading operation. Based on the business in Newbury, Michael forecasts that net profit in the first three years will total £15,000. However, this is dependent on the business winning contracts from two large clients in the first two years.

## Further information

The web design industry has grown steadily over the last decade

Businesses tend to cut the budget for websites when the economy takes a turn for the worse