Memorandum of Transmittal

MARIST COLLEGE

School of Management

Memorandum

To:	Instructor: Debra Zambito
	Title: Business Paper 4
From:	Bus 100N-123: Gr #3
	Angus Dickinson, Aditiya Roy, Cameron Ulrich, Natnael Mengistu, Connor Opderbeck
Date:	**November 22, 2016**
Subject:	Business Plan 4

Attached please find the assignment name which is due on ___11/22/16__as the third business plan assignment in BUS 100N-123, Introduction to Business and Management, your class meeting day and time THURS 5:00-6:15PM.

The work and writing presented in this assignment unless specifically specified in an appropriately cited footnote, endnote or reference note is solely ours.

Attachment

Q1.   Since our product does not create revenue based on the actual sale of the service, but

rather the effects that take place once the service is implemented, the initial start up cost is going

to seem like a big expense. When thinking about these initial costs, there are many inputs that we

must consider. These inputs range in costs depending on function and complexity. To create our

product, a customer loyalty system, we must consider; the costs of software development, the

costs of implementation, and the costs of maintenance. The cost of development is the amount of

money and time it will take to develop simple software that has straightforward features and

recording/reporting functions. The implementation process includes uploading this new piece of

software to all new processing terminals being sold, and also adding this system to the older

machines that are being used currently by businesses. The maintenance is thus the process of

keeping everything running smoothly. The maintenance costs will include regular check ups and

status checks on the machines being used to see if customers are having any particular issues

with the system that we can correct. The budgeted cost for the software development should be

between the range of $75,000-$100,000. The budgeted implementation cost should be in the

range of $5,000-$10,000. And the maintenance budget should be around $25,000-$50,000 for

the first year. What also must be remembered about this product is that it is not a service directly

for Cayan's customers, but rather it is actually implemented on the customers of the businesses

who use Cayan payment processing terminals. By targeting these consumers, we increase the

repeat business of customers who go to companies that use Cayan terminals. With more business

for these companies, Cayan can profit off of the increase transactions that come with a greater

amount of business.

Q2.   Our product, Cayan Coins, will be free of charge. The reason it is free is because we want

the customers to feel like they are saving money in the long run. Making the product free will not

only boosts Cayan's profits and sales, but all of the companies that will use our scanners too. If

we were to charge a price on our product, many people wouldn't purchase it because they would

feel as if they were losing money while we are telling them that they will save money. A free

rewards program that helps them save money as they visit the stores and purchase items, is better

because it does not require any pre purchase. All it would require is an email, credit card

information, and birth date for them to immediately start saving. On the other hand, the scanners

that come with the software for our product to run on will cost the companies money to purchase.

The current scanner prices range from $125-$319. We are planning to increase the prices of

those scanners like the Ingenico iCT220, Verifone Vx520, etc. by 30%. Because we need to

install the software of the product onto all of our devices it will require more employees to

develop the software and more time. As a result, the increase in the price of the scanners will

help pay for the hiring of more employees and the equipment needed to make the scanners. If

companies that have our older scanners that do not have the Cayan Coins software installed on it,

we will give a discount for the replacement. We will give them the new scanners with the special

Cayan Coins software installed on it, and then they return the older ones to us, where we can

install the software on them. However, the wear and tear of the scanner plays a big part of if they

get a discount or not. If the scanner is fully functional then they receive the full discount. If only

certain parts work on the scanner then they can get a partial discount depending on the damage.

As a result, we could use the functional parts of the scanner for the development of the new ones.

If, however, the scanner is totally broken, and cannot be used for parts, then they do not receive any discount whatsoever.

Q3.   Our pricing for this program will be of no cost to our customers. The reason why we have decided this is because we want what is best for our customers. Our competitors provide programs and systems where the customer will spend a certain amount of money to receive a certain amount of money back. The rates differs and nothing has a fixed rate. With Cayan Coins, every dollar spent will make 10 Cayan Coins. One thousand Cayan Coins results to a dollar back to our customers pockets. Having a fixed rate like this will result to having a loyal customer and leaving them happy with our services. This is the best strategy because when other companies see how much profit and revenue current companies, who have Cayan scanners, are making, they will begin to become part of the Cayan family.

Q4.   Our products will be promoted to every company that has Cayan scanners. They will be given instructions and a dialog to be given to each customer that comes their way. They will ask for the customer's e-mail first if they are interested in earning points. If they say yes, they will soon be sent an e-mail from our system giving the customers instructions on how to apply and start earning Cayan Coins. When it comes to units, we expect that every customer that comes across our scanners, will sign up for our rewards program. Therefore our first year will be considerably slow because our product will be fresh and not well known as of yet. As the years go by, by our 5th year, we expect more than 85 percent of customers will be part of our Cayan Coins program. For the first three years, we project getting a tremendous amount of sales and large quantities of our scanners to be delivered to different companies big and small. This is because Cayan coins would have made a name for itself and therefore, sell itself. The first year

will go steady possibility to not achieve its highest potential, second year will go smooth, more people will start to learn about what we have to offer, and the third year will sky rocket.

Q5.   **Income statement:** Our income statement to build and utilize the Cayan Coin system involves the accounting for three new positions and corresponding salaries. To create the system, a software engineer would be hired, as well as two new tech support employees to help keep the maintenance of the system once it is up and running. If we pay the software engineer a salary of $100,000, plus the addition of payroll taxes and benefits brings us to $130,000. If we add the cost of two tech support salaries and benefits, it brings our cost to $234,000. With the additional cost of new serves to hold all the new data being used by the Cayan Coins system at a price of $60,000, plus office supplies and low budget advertising, and three new computers for the new employees brings us to a total cost of $300,600 for the first year. Year two should yield a cost of $297,620, and year three is expected to have a cost of $304,851. The initial decrease in cost from year one to year two is due to the computers being a sunk cost and not a recurring payment in year two. The later increase in cost is mainly due to salary being a variable cost that would likely rise slightly over the next two years.

Cash Flow: The cash flow statement measures where the allotted money is being directed whether it is a cost of financing, investing, or operating. In the Cayan Coins model, costs such as the computers, the servers and other supplies would fit under investment activities while costs such as the salaries and the advertising and maintenance costs are dedicated as operational activities. The overall costs remain the same as before, an outflow of $300,600 for the first year, $297,620 for the second year, and $304,851 for the third year.

Master Budget: The master budget includes a financing plan for all the cost incurred of producing a good or service. In the Cayan Coins master budget, $310,000 dollars will be allocated towards the general sale and administration costs of creating and piecing the system together. An allocated $6,000 is for purchasing items such as the computers for the additional employees hired. The creation cost of the system is an over prediction of each years cost to leave leeway in the budget in case any unexpected costs are incurred.

6)   To sum up, by using our product Cayan can develop its customer loyalty system. Our product projects in five years 85 percent of our customers will be using cayan coins, which promises increased number of transactions and more customers being interested in using Cayan's products and services . The combination of our customer loyalty system combined with cayan's cutting-edge technology platforms will make the company more competitive in the electronic payment industry.