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MGMT 8020 Assignment Three **MyStore Analytics Business Plan** Critique

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# Table of Contents

[SPECIFICATIONS](#_c5rpsdy8g2ak)

[Table of Contents](#_q5myyy9byo7w)

[Q1. A business plan has many functions which change as the business develops. Pick three of the key functions and indicate in what way the MSA business plan demonstrates each of the functions?](#_h449rav4dg44)

[Measure against which to judge performance](#_gaksuuh5z9a9)

[Marketing (growth)/Goals](#_7b60kpm1ixyg)

[Financial](#_j8lapw3szwrd)

[Enables communication of the strategies to stakeholders](#_uwmgnqnwoggi)

[Outlines the opportunity & puts some shape on what the resulting business could be](#_fq1cqdnnamco)

[Q2. Can you evaluate and critique the following sections of the Business Plan:](#_52rt5au5zec3)

[Executive Summary](#_em330c4if3sg)

[Critique & Evaluation](#_2xn0is470tx8)

[The Business Model & Scaling Strategy](#_jjhlkc6gn24k)

[Critique & Evaluation](#_v9nn1221k5k8)

[Q3: If you were an investor, upon examination of the Market Analysis section, please explain your rationale for determining whether MSA product represents an attractive investment opportunity or not?](#_4poq0mc4iu71)

[Size of the Market](#_bguodud1itlu)

[Awareness of Risks](#_j9mrti3emoib)

[High interest in the Product](#_rg0pib231twd)

[Q4. If you were an investor, upon examination of the Financials supplied, please explain your rationale for determining whether MSA product represents an attractive investment opportunity or not?](#_7vzjbh384f04)

## Q1. A business plan has many functions which change as the business develops. Pick three of the key functions and indicate in what way the MSA business plan demonstrates each of the functions?

Business plans are documents which are used for planning out specific details of your business. According to Entrepreneur Magazine, typical business plans average 15 to 20 pages[[1]](#footnote-0), which makes the MSA plan slightly above average at 21 pages. Comprehensive business plans have three sections, namely, business concept, marketplace and finance, which are in turn broken down into seven components, including the overview or summary of the plan, a description of the business and market strategies, competition analysis, design and development, operations and management, and financial information. The combination of all these features allows the business plan to fulfill certain key functions, for example, it acts as a measure against which to judge performance, it enables the communication of the strategies to stakeholders and it outlines the opportunity which exists for this business in the market and gives an idea of the potential form of the resulting business. Mostly when looking for investment.

I intend to review the MSA business plan based on the three key functions mentioned above.[[2]](#footnote-1)

### Measure against which to judge performance

#### Marketing (growth)/Goals

The success of a company can be judged based on its overall performance, which in turn depends on company performance, in particular, areas of activity. Performance in the marketplace influences profitability. The key indicators of market performance are market share and market ranking by sales volume. If you have a substantial market share and rank in the top two suppliers, you have a market influence on pricing and are more likely to be profitable.

Gaining a significant market share is one of the goals or milestones by which the success of the company’s market growth and performance can be evaluated. The business plan lays down certain milestones which the company aims to achieve, and a comparison can then be drawn between the projected results of the business plan and the actual performance of the company. An example of this can be found in “Scaling Strategy,” the section in which they have outlined the countries where they hope to expand their company in the future. This can be used as a measure of market growth, as the actual performance can be compared with the scheduled performance as laid out in the business plan. For example the “Partner Channel Revenue Generation,” sets the following goals:

1. Nov ‘13 - Productise wireless device monitor and enter the market
2. Mar ‘14 - Automate report generation and sending to scale business effectively
3. Jun ’14 - Make Wi-Fi access available without monitoring

These goals can be monitored for performance, to see if the scale of the company grows as the business plan predicted.

#### Financial

In the finance sections, the MSA plan gives a clear vision on what they think the business will be earning each year. This is the standard by which the business will be judged over time. As can be seen in the example table below, the MSA plan provides very exact figures for their financial projections, showing growth and increase year after year, and providing a basis upon which to monitor the company’s performance.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2013 – Previous Year | 2014 – Current Year | 2015 – Year 1 | 2016 – Year 2 |
| Revenue | 2,270 | 190,360 | 585,840 | 1,132,320 |

However, in addition to numerical factors such as profit margin (see above), other indicators, such as liquidity and solvency ratios allow you to evaluate a company's performance on purely financial terms, but the MSA plan makes no mention of these vital elements of a good business plan. Liquidity and solvency ratios judge your company's performance with regard to ensuring that it can perform and grow into the future. You can compare these ratios to those of other companies to evaluate performance. As the MSA plan does not make reference to these ratios, the ability of the plan to function as a measure by which to judge performance is compromised.

### Enables communication of the strategies to stakeholders

Effective communication enables a company to inform and build relationships with its stakeholders. It is a two-way process, which also enables stakeholders to interact with the company, including employees supplying ideas for improvements and customers providing feedback.

In the business plan, they describe their strategies for enabling stakeholder communication by “My Store Analytics markets our technology in Ireland and UK through a direct sales channel and internationally through partner channels.” which includes into how they plan to get to market and how they plan to make money from with that detail.

They also talk more about this in their section on how they plan to charge customers for using their business model of “Software-as-a-Service (SaaS)” which “will be [their] primary revenue model for direct sales.” This is a recurring revenue model. They also inform us about other methods which they intend to use in their business plan, such as marketing campaigns and scaling strategies.

* Direct Marketing with live Demonstrations:
* Powerful visual media to illustrate how it works:
* Online targeted ads to track the progress and effectiveness of our marketing while ensuring that My Store Analytics is the first hit when searching for such solutions:

### Outlines the opportunity & puts some shape on what the resulting business could be

During the business plan, this function can be observed in the information which we are given on this problem experienced by their target customers: “Retailers have a wealth of knowledge on their purchasing customers yet know little about browsers and non-purchasing visitors to their stores. Conversely, their online counterparts have been able to maximise the potential of their online stores by analysing how the visitors interact with their shops.” The explanation of how the business intends to help these customers: “By bringing innovative cutting edge technology to the retail sector, My Store Analytics can empower retailers with the ability of Online-Analytics for the real-world shopping environment.”

They go into more detail on their solution in the business plan and explain their model, namely the SaaS model, and they also explain what the business plan is like and what it will turn into.

## Q2. Can you evaluate and critique the following sections of the Business Plan:

### Executive Summary

Any reader of a business plan will first want to know what kind of business you're starting or already have. Therefore the executive summary, or statement of function, should succinctly encapsulate your reason for writing the business plan. It needs to tell the reader directly what it is that you want and why.

It is very important to impart the reader or potential investor with a clear idea of what your plan is and why they should invest through a brief and businesslike executive summary.

**Length:** The executive summary should consist of a concise account of the contents of the business plan, roughly a page in length and its purpose is to give potential investors an outline of the plan. However, in MSA’s business plan this section is twice the generally recommended length because it is overloaded with extraneous detail, which will doubtless be confusing and boring for the reader. If the executive summary, which is supposed to be the brief and coherent part of the plan, is overlong and convoluted then very few readers are likely to able to decipher the rest of the report.

**Competition:** As well as being longer than it should, the MSA’s executive summary does not provide the reader with clear information on competition within the market, for example, it is not explained who their competition is or what they do as a business. The information which is actually given is vague at best, for example, two main competitors who use similar methods and technology are mentioned but their companies are not named. They also attempt to overstate their advantages over their competition by loading the text with buzzwords, in an effort to hoodwink the reader into believing that theirs is the better system because they use fancier sounding words. Not only does the executive summary lack detail, but a blatant attempt is made to obscure the facts.

### The Business Model & Scaling Strategy

A business model is the part of the business plan that explains the value of the product or service to its customers. Normal reports have the following sections section will include the following details; how your business model works, the value proposition, the target market, key partnerships, pricing & positioning and the distribution model. The scaling strategy acts as a means of showing investors that the occupation can be expanded to new markets, new customers or to even create new products. It shows the investors that there is an ambition to become larger and more successful.

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**Pricing Models:** In the report they have the pricing models as a whole is underdescribed. According to the information which we are given, MSA are planning on having two types of sales which are based around monthly payments. They don’t clarify the difference between either of the sales types, they only say that one costs twice without explaining why. When talking about their revenue model they repeatedly mention SaaS but at no point do they explain the concept or what it means in terms of revenue.

**Partnership**: In their scaling strategy section, they talk about forming a partnership with an Irish distributor who will help them in selling an additional 100 units. They do not mention at any point how they hope to acquire other distributors if they plan to grow into other countries. They don’t mention any other potential partners such as UK, Turkey and Portugal or how they plan on reaching these partners such a marketing or growth.

## Q3: If you were an investor, upon examination of the Market Analysis section, please explain your rationale for determining whether MSA product represents an attractive investment opportunity or not?

Angels and venture capitalists (VCs) are taking on serious risk. New ventures frequently have little or no sales; the founders may have only the faintest real-life management experience, and the business plan may be based on nothing more than a concept or a simple prototype. There are serious reasons that VCs are so parsimonious with their investment money.

From the information in the Market Analysis section it is possible to determine whether or not this is an attractive investment opportunity. In order to make this judgement, I will examine two areas, namely the size of the market place and the awareness of the risks.

#### Size of the Market

The report states that the retail business intelligence “global market is valued at €12.5bn with a compound annual of 16.5%” which is both accurate and impressive. It also states that the My Store Analytics markets their technology in Ireland and UK through a direct sales channel and internationally through partner channels.

In the report they address the Total Addressable Market[[3]](#footnote-2), however, they don't state any actual clear figure. I am aware that they are normally built up roughly, but this isn't addressed at any other point in the plan. They address the usage of multi-chain retail stores, but this will not apply to every store as the laws concerning customer tracking vary from country to country. However, based on the information on SaaS, monthly income would be relatively significant at an average of €90,000, resulting in a yearly total of €1,080,000. This is interesting as according to the plan, this is related to the addressable market, meaning that, as previously mentioned, they already have multi-chain stores testing it out, so that they can expand quickly and promptly within the country. They use TAM and SAM correctly, in order to create semi-actual projections for the next five years, however, this could have been better expressed.

According to the charts and figures using units of sales and grosses, the size of the market is enormous: €120 by 150 units.

#### Awareness of Risks

They addressed some of the risks that become evident upon reading the document such as consumer privacy. The question of identification is a major concern and would be a huge roadblock for the company, as privacy and tracking are consistently controversial topics, which are regularly subjected to new debates and legislation. Any new update to the widely differing and rapidly evolving laws on information gathering and privacy could cause the failure of the company. [[4]](#footnote-3)

**Not all phones can be monitored**, which is another potential obstacle for the company’s growth. According to recent reports and the business plan itself, 41% of people do not have a phone,[[5]](#footnote-4) which means not everyone can be recorded as they enter and leave the stores, resulting in inaccurate data.

#### High interest in the Product

It's clearly stated that they have already had some big name stores Ireland and UK testing and using their product, including Cummins Sports, which indicates that the interest for a product like this does exist. In the report, they also that “55% of all multichannel retailers are looking to to start using a product like that which Mystore Analytics provides over the next 2 years”. As a result of the interest, they already have shops using their product as well as half of the retail market seeking to try and start using something like MSA. This shows potential investors that a huge profit could be made.

However, the real problem is not whether the interest exists or even if it would be possible to generate an accurate reading of the number of people but rather whether it is technologically feasible. I personally don't believe that pinging the WiFi as is described in the plan would work, however maybe another method involving a connection on both ends of devices could be viable.[[6]](#footnote-5)[[7]](#footnote-6)

Based the research given in the report, shops are using their product and a significant portion of the retail market is expanding into areas similar to MSA and customer analytics in general, which makes it a clear that MSA is an attractive investment.

However, while MSA does sound good on paper, VCs with a technical background won't invest any funding at all without seeing a demo first.

## Q4. If you were an investor, upon examination of the Financials supplied, please explain your rationale for determining whether MSA product represents an attractive investment opportunity or not?[[8]](#footnote-7)

Going through the process of constructing a financial plan is a valuable exercise for any business owner. The financial plan, or budget as it is also called, helps guide the day-to-day decision making of the business on their path to their long term goals and, more importantly, will it make them profitable and attractive for the re-investors.

If income exceeds business expenses, the business will have effectively made a profit. On the other hand, if expenses exceed income, a loss would have been made.

A profit and loss statement is a great tool for identifying items of high expenditure or expenses that were unproductive in producing the profit. By analysing the profit and loss statement, you can better control business expenditure and thereby potentially increase profits.

Taking that into consideration, I will now analyse the financial report from an investor’s point of view:

Typical production costs generally increase as the company grows, such as Total Wages and Establishment Costs. The financial aspect of the plan is confusing in that a huge, almost doubled increase in income is projected between the end of 2016 and 2017, for example Sales & Marketing increases from €142,812 to €203,535, Hardware sales also increase by more than 200%. These are impressive at first glance, however there no reason is given for the spike, which seems unrealistic. The rate of production and increase remains stable until 2017, at which point it takes this sudden, improbable increase.

According to the plan, the Corporate Costs will decrease and become stable over time which is excellent. However in their figures on hardware, they did not take into account that hardware gets cheaper over time and consequently the costs should decrease. This discrepancy throws all of the figures into question.

The other figure which stands out is Retained Earnings[[9]](#footnote-8) which increase by 400%, which is, again, a very promising figure to see, however it should be unavailable without greater research and more detailed information on the figures and the overall plan for development, unless they mean the numbers are increasing and development of the hardware is getting cheaper.

If I were an investor, I would be interested in the company based on the figures given and I would invest a small loan for one to two years. However, the as an investor, I would be worried about the irregularities which appear in the figures after the year 2017, as it seems to me like an unsubstantiated exaggeration. Ultimately, my decision to invest on a long term basis would depend on the company’s ability to prove that their product works.

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4. "WorldPhoneTracker.com | Is phone tracking legal?." 2014. 15 Dec. 2015 <<http://worldphonetracker.com/is-phone-tracking-legal>> [↑](#footnote-ref-3)
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9. "Retained Earnings Definition | Investopedia." 15 Dec. 2015 <<http://www.investopedia.com/terms/r/retainedearnings.asp>> [↑](#footnote-ref-8)