



Updated for Presentation: Financial Performance Review for SWEng Group Three (SG3) Enterprise for First Three Years of Development and Trading

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Product Marketing Information provided by Marketing Manager.

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1. <u>Total Product Income</u> including App Subscription Income and App Advertising Income: [Version 1 -V1 - Preliminary results submitted for Financial Performance Review on 25 May 2018; Version 2 -V2 - Updated results submitted with final deliverables on 7 June 2018].	
2. <u>Other Direct Costs</u> – Advertising and Marketing Costs: [Unchanged between preliminary and updated results].	
3. <u>Pricing Strategies, Volumes, Prices, and Market Research, including Marketing Manager`s Product Marketing Report:</u>	
-This produces:	
A: Total App Subscription and App Advertising Income (ie:1 above).	
B: Advertising Costs (ie:2 above).	
C: A Derived Marketing Mix (via market research).	
4. <u>Approach Taken on Salaries, Fixed, and Other Assets.</u>	

Appendix B: Hybrid Cash Flow (Separate Document).

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Introduction:

1. This report has been updated following the submitted 25 May 2018 Financial Performance Review and contains financial and other relevant information in order to demonstrate Sweng 3's team performance to the Financial Adviser.

2. Appendix A (per the Marketing, Finance, and Project Managers) contains not only the Marketing Manager's Product Marketing Report, but also key market research that has influenced pricing strategy, projected volumes, related operational objectives, and costs

Interim Executive Summary (Prior Progress Review by Project Manager):

Finance

Overall, we have been making excellent progress whilst staying well above budget, leaving headroom for other stages of development, such as the companies' marketing campaign, which will greatly benefit the products success.

The work hours across the initial development of this project greatly varied from the predicted work structure, as it failed to take into account other priorities such as exams and coursework and assumed a uniform work distribution. On top of this, staff have worked so efficiently that tasks have been completed well within the predicted time scales, and so we have stayed well below our budget.

Company Structure

To better support the staff working on this project, new roles have been introduced in our structure to alleviate pressure from the finance manager. Two of our group members have been unanimously elected during a board meeting, and they have been working with the finance manager in analysing cash flow and researching expenditure.

Programming

Certain aspects of app development has been re-scheduled to prioritize the features essential to the user experience. Further development (such as the server) has been pushed back.

Summary

The app has been developing nicely, with several spurts rapidly turning dreams to reality. We are all very excited to demonstrate this fantastic product soon!

Updated Executive Summary:

Purpose of this Report for our Presentation:

This is to promote our immediate and longer term Business, Marketing, Finance, Human Resource, and Operational objectives and show how these are pursued in current marketing and financial plans.

How Sweng 3 intends to Market a Visual Cooking App Product:

Sweng 3 intends to use a Freemium model to price their hands-off cooking app and aims to promote their product targeted at 18-30 year olds interested in cooking apps across internet searches for cooking apps, advertising on social media platforms, during Freshers Fairs, and through the use of pop up stalls, flyering/leaflets, and tie-ups with big brands.

What is Sweng 3's Unique Selling Point and Customer Value Proposition:

- Sweng 3's unique selling point (USP) is in its name - ie : it is a "Hands Off" approach enabling customers to find cooking recipes via an app without intensive handling during cooking.
- The one-off customer therefore derives value from the cooking convenience proposed.
- The annual subscriber not only receives this proposed cooking convenience, but also gains the advantage of rewards offered only when an advance annual subscription is paid.

Our Recommendations and Conclusions:

-Our group does not propose to repay our Loan Capital of £50,000 within the 3 year time frame of this report and plans to retain profits within the business whilst market share is grown during and beyond the Development Phase (Year 1), and Launch and Growth Periods (Years 2 and 3).

Product Description:

“Hands Off!” is a new, innovative, user-friendly digital cookbook in the form of a cooking app where customers can find culinary diversity and catering to meet any desired specification.

With a unique design aimed at minimising screen contact during app usage, our cooking app features a slideshow-based delivery, and seeks to reduce physical interaction with devices whilst actually cooking. (Most cooking apps are flawed in that constant scrolling and unlocking of the device is required whilst users cook. This is inconvenient if the user has dirty hands or cannot leave cooking unattended).

“Hands Off!” therefore resolves physical cooking issues through its slideshow feature where the user can tap the screen once to go to the next step and twice to go back. With this simple system, fingers are not required, and the screen stays clean.

Aimed at 18-30 year olds, the app is packed with recipes to appeal to our audience and includes a list of useful features. For example, the recipes contain useful dietary information, state how long recipes take to prepare, and display the number of favourites a recipe has so that the user can gauge how popular a recipe is.

Beyond recipes, users also have access to a modifiable shopping list to keep track of recipe ingredients, a recipe history, favourites, and a search page that enables search by name, by keyword, even by dietary requirements.

The app can even generate suggested recipes for the user based on usage history and favourited recipes. This will make it easier than ever for anyone to explore new cooking experiences as part of a budding culinary community that allows users to upload recipes for others to enjoy.

With Hands Off! our customers will never need to shell out on expensive and bulky books again!

Product Business Model:

Our product utilises a freemium business model¹, as discussed in our initial presentation.

This model, popularised by products and services such as Spotify² and Tinder, as well as a cooking app called Panna³, means that the business has a free version of the product as well as a paid version, with specific limitations arising on the free version.

A successful freemium model⁴ will have enough features on the free version to gain traction with users, but enough limitations to entice the user into purchasing for a paid version of our app.

The free version of our product therefore has the following limitations:

- The user can only go through the steps/method of one recipe per day.
- The user can only create one recipe themselves per month.
- The user cannot download recipes.
- The user can only access certain cooking technique and recipe videos.
- Inside the recipe method, there will be an integrated (native) advert on the second slide for each recipe. (There will also be a similar advert for the paid version of our app at the end of the recipe steps).
- There will be pop-up (interstitial) adverts either every 10 minutes or every time the user exits and re-enters the app.
- The user can only see the numerical ratings of a recipe (how many favoured a recipe) and the reviews others found most helpful.

The paid version of our product (the way in which we will charge is covered later in the report) will have the following benefits:

- There will be fewer adverts.
- The user will have unlimited access to any recipe methods and creation of recipes.
- The user can download recipes and shopping lists.
- The user can upload a shopping list from the app to the website of any supermarket for ease of shopping.
- The user can view rough pricing of ingredients within a recipe's shopping list.

NB: Following discussion with the Project Manager and Software Manager, many of the features that differentiate between free and premium usage will be implemented after the 18th June 2016 finish date of the Development Phase. These will therefore require completion during Launch and Growth periods (Years 2 and 3).

¹ Staff, "Freemium", *Investopedia*, 2018. [Online]. Available: <https://www.investopedia.com/terms/f/freemium.asp>. [Accessed: 25- May- 2018].

² "How Spotify's Business Works", *Business Insider*, 2018. [Online]. Available: <http://www.businessinsider.com/how-spotifys-business-works-2011-10?IR=T>. [Accessed: 25- May- 2018].

³ Play.google.com, 2018. [Online]. Available: <https://play.google.com/store/apps/details?id=com.pannacooking.panna&hl=en>. [Accessed: 25- May- 2018].

⁴ "Freemium Business Model | The Psychology of Freemium | Feedough", *Feedough*, 2018. [Online]. Available: <https://www.feedough.com/freemium-business-model/>. [Accessed: 25- May- 2018].

Product Income Sources:

For our product, we therefore have two sources of income in the short-term (longer term: the constantly evolving app environment could open up further potential income sources).

These 2 income sources follow the AdSense Revenue Model and our own Subscription Service Model as follows:

AdSense Revenue:

- Our adverts will consist of two types, native and interstitial. (This represents a compromise reached during Finance, Marketing, and Project Manager consultation over what could provide most financial benefit with minimum user dissatisfaction).
- Native adverts will appear twice in every recipe method (one advert only will also appear during the paid version of our app), whereas interstitial adverts will occur either every 10 minutes during app running time or each time the user exits and re-enters the app. (The research supporting the click through rate on these adverts is contained in Appendix A-section 3).

Subscription Service:

- Our subscription service, the paid version of our app, will charge the user £2 per annum. (This is based on research contained in Appendix A - section 3).
- In exchange for this higher £2 annual subscription charge, the user will have access to regular and monthly benefits, either in the form of vouchers and discounts, or free items. (This is similar to the current O2 rewards scheme).
- When it is feasible to introduce subscription benefits cannot yet be timetabled, as timing is likely to depend on public reaction to our app once launched.

Product Pricing Strategy: (based on Appendix A-Section 3 Research):

To decide on the price of our app, research was undertaken in the form of customer surveys and online research into the typical prices for apps and companies in our industry with similar business models.

The results of our 21 February 2018 (approximate date) survey⁵ were then used to decide:
-some app features and how much users expected to pay for a monthly subscriptions (between £1.49 and £1.99 per month).

We also researched our industry competitors (such as BBC Good Food⁶ and Panna³) when arriving at this annual subscription price charging the user £2 per month (£24 annually) and found that this price appealed to our user demographic (18 to 30 year olds) and could generate sufficient income for our business, provided an adequate number of subscribers without cancellations could be retained in our first year (30,000 overall target:12,536 with cancellations target).

⁵ S. Gilbert, "Hands Off! Cooking app survey", Smartsurvey.co.uk, 2018. [Online]. Available: <http://www.smartsurvey.co.uk/s/CP2SH/>. [Accessed: 25- May- 2018].

⁶ See Appendix A–section 3–per Marketing Manager Research and Analysis.

Product Marketing Plan - Summarised:

Covered in more detail in Appendix A-section 3, our preliminary marketing plan is:

Product:

- Our product is a cooking app whose unique feature is its hands-off approach (the USP is in the name).
- Our target market is 18-30 year olds interested in cooking apps.

Price:

- Our price depends on what type of app service the customer wants:
 - A. If this a one-off app usage, then the price is 17p.
 - B. With the aim being to secure a more lucrative, reliable annual subscription from the user, the annual subscription rate is £2 per annum for which the subscriber receives freebies and/or events access.

Place:

- Our product will be sold, accessed, and available through the well-established internet app market (via mobile, computer, and Ipad app usage).

Promotion:

- Our product will be promoted, advertised, and marketed through:
 - A. Internet searches for cooking apps.
 - B. Advertising on social media platforms.
 - C. Freshers Fairs promotions.
 - D. Pop up stalls, flyering/leaflets, and tie-ups with big brands (eg: Nandos and Encodas- product tie-ups, and cheaper supermarkets chain tie-ups).

These promotions aim to attain:

- a target of 30,000 annual subscribers.
- a minimum of 12,536 subscriptions after cancellations.

-Executing this marketing plan to meet this target will form a major advertising expense during our Launch and Growth periods (years 2 and 3) and a full-scale Advertising Strategy will need to be developed from our initial research (Appendix A - section 3).

Product Costs:

Covered in Appendix A-section3, our direct advertising and marketing costs include the following:

Short Term Imminent Costs (Years 2 and 3):

- Purchase of a domain name.
- Other advertising and marketing costs (for example: high quality video and photography equipment to produce videos displayed on the app).

Longer term Costs (beyond our 3 year time frame):

- Either rental or purchase of a server (Appendix A- section 4)
- Reconsideration of premises, IT service usage, and the purchase of other fixed assets. (Appendix A- section 4)

Deriving Objectives through Internal and External Marketing Influences and a Brief SWOT Analysis:

-With only some of Michael Porter's [65] five force analysis framework (threat of new entrants, threat of substitutes, bargaining power of customers, bargaining power of suppliers, and industry rivalry) appearing relevant to the competitive, but as yet unsaturated cooking app market aimed at 18-30 year olds, (for example: new entrants and rivalry), then this brief market analysis focuses on how Internal and External Influences could affect our app income and advertising costs, as well as our business, marketing, finance, human resources, and operational objectives.

1. Internal Influences leading to the Derivation of Immediate and Longer Term Business, Marketing, Finance, Human Resource, and Operational Objectives;

Our start-up enterprise has effectively derived its own **short term** internal objectives through market and financial research. These are.

A. Business, Marketing, and Finance Objectives;

- At present, our immediate, short term enterprise objectives are consistent with our finance and marketing objectives and may be summarised as follows:

1. Achieving 30,000 @ £24 a year post cancellation App Subscription Income in Yr 2 and Yr 3:

Yr 2: 30,000 subscribers at £24 post cancellation rates could produce: **£221,400**

Yr 3: 30,000 subscribers at £24 post cancellation rates with accumulation could produce: **£430,200**

(12,536 minimum subscription levels are needed to cover costs, as shown in our Other Financial Information).

2. Achieving volumes between 1k and 10k for App Advertising Income at 17p in Yr 2 and Yr 3:

We are aiming to achieve a 5,000 volume at 17p from App Advertising Income in Years 2 and 3:

5,000 @ 17p each a year should produce an income of: **£850**

(Volume Range = 1k to 10k. Price 17p must stay same once set. Price ranges are: Lowest 13p, highest 22p, mode 17p).

3. Spending £58, 026..50 on Advertising and Marketing costs in Years 2 and Year 3 as follows: **£ Years 2 and 3:**

A. Domain Costs:

Domain Costs: £264.96 divided by 10 yrs = £26.50 per year 26.50

B. Non Domain Costs:

1. AdWord - £1,200 for 12 Months: 14,400

2. Social Media -£80 a day: 29,200

3. Other Advertising Costs:

-This provision has been set not to exceed the opportunity cost of further advertising using platforms such as Adword). 14,400

(-Freshers Fairs costs = £8,000 of this opportunity cost provision.

-£6,400 is therefore available for stalls, flyers, leaflets, brand tie-ups, and any other media advertising or marketing costs).

Total Non Domain Advertising Costs: **£58,000**

Total Advertising/Marketing Costs: **£58,026.50**

4. Pursuing our Market and Pricing Strategy Research in Appendix A-section 3 results in the following Preliminary Marketing Mix [66]:

Product:

- Our product is a cooking app whose unique feature is its hands-off approach (the USP is in the name).
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Price:

- Our price depends on what type of app service the customer wants:
 - A. If this a one-off app usage, then the price is 17p.
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Place:

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- Our product will be promoted, advertised, and marketed through:
 - A. Internet searches for cooking apps.
 - B. Advertising on social media platforms.
 - C. Freshers Fairs promotions.
 - D. Pop up stalls, flyering/leaflets, tie-ups with big brands.

-Pursuing these 4 key short term Business, Finance, and Marketing objectives will ensure that costs are fully absorbed, profitability is achieved in Year 2, and cash flow/liquidity is maintained during Launch and Growth phases in years 2 and 3.

-**Longer term**, beyond the 3 year time frame, our Business and Finance objectives will expand to include the following:

1. Repayment of £50,000 Loan Capital.

2. Development of a formal reporting structure whilst considering incorporation as a private company.

B. Human Resource Objectives:

In the **short term**, our Human Resource objective is to **restrict wage spending in years 2 and 3** until app subscription income becomes established.

-**Longer term** beyond the 3 year time frame, our Human Resource objective is **to develop a more market-competitive pay structure** in order to retain valuable employees

Year 2
(52wks)
£

Launch Phase: Year 2 Direct Wages:

3 staff performing overlapping roles,
using top-end £29k salary estimates
from Target Recruitment [53],
for 3 months/13 weeks
= 3 x 29k x 3 months = £21,750
(Target [53] = £26-29K,
Telegraph [52] = £27K,
Reed [54] = £39K)

21,750

Year 3
(52wks)
£

Growth Phase: Year 3 Direct Wages:

£21,750 x CPI 2.5% [14] = £22,294

(CPI: Consumer Price Index Rationale:

Per Office of National Statistics:

-to March 2018 = 2.3%

-to February 2018 = 2.5%

-Annual Average Rate March 2017

to March 2018 = 3.2%

-Therefore, median 2.5 % rate

used for inflationary price increases).

22,294

Whilst these salaries are “median” in size to reflect the enterprise’s current launch and growth market uncertainty, they will need to increase once App volume is achieved in order to maintain a motivated, well-trained workforce that can continue to deliver market-leading customer service and productivity to maintain a competitive market advantage.

C. Deriving Other Business and Operational Objectives:

- As the cooking app market is highly competitive, our market-orientated business will constantly need to adapt to a range of customer evolving needs and technological developments. This means that the 3 staff employed will need to conduct continuous market research, updates, and adaptations in order to achieve and sustain the app income volumes required during years 2, 3, and beyond.

-In the **short term**, our finance objectives require our business operations capacity to stay as it is **ie: to continue renting premises and using an IT Service** to achieve income and cost management objectives, at least until app subscription volume is established during years 2 and 3.

-**Longer term**, beyond the 3 year time frame, our business objective is **to expand our business operations capacity** and become more self-sufficient through ownership of our own fixed assets (for example: business premises) and technological assets (for example: servers : Appendix A- section 5. As capacity expansion could prove rapid, especially for servers, research has already been undertaken on servers within the 3 year time frame).

2. External Influences affecting our Business, Marketing, Finance, Human Resource, and Operational Objectives:

The above internal objectives could be affected by external factors such as:

A. Economic Environment:

-At present, we have assumed a 2.5% inflation rate [14] for costs arising in years 2 and 3. Any change in this will directly increase our business costs and affect our cash flow/liquidity and profitability.

-We have also assumed that a 16.86% APR will continue for the £50k loan capital financing the start-up of our business. Any change in this will directly increase our loan costs and affect our cash flow/liquidity and profitability.

-If the cooking app is marketed internationally, exchange rates may also come to affect our business costs and affect our cash flow/liquidity and profitability.

B. Competitor Actions:

-Our market research has examined our place in the cooking app market for years 2 and 3, but new competitors could emerge (Amazon, Apple) and this could force us to adapt our freemium business model.

C. Market Dynamics:

-Any changes in **cooking app market size and uptake** (for example: market dominance by a single, significant competitor such as Amazon or Apple), **speed of market growth** (currently we are expecting 30k volume at £24 each and assuming consumer purchasing power remains static), **and market segmentation** (we are currently targeting the 18-30 age range, inclusive of students), will affect our enterprise's business, financial, and marketing objectives.

D. Technological Changes:

-Our cooking app market could be affected by future technology changes (for example: Alexa and other voice activated cooking app products), although a need for a visual cooking app is likely to remain.

-As a result, our market research must stay up to date not just with new competitors, but with new technology, if we are to achieve a 30,000 app subscription rate and sustain it beyond the current 3 year time frame examined.

E. Social and Political Change:-

-Because of recent data scandals, (Cambridge Analytica), a stronger regulatory framework over the handling of personal data referred from social media sources beyond what is currently required could emerge.

-This could have an impact on how subscribers' information is referred, stored and used, and lead to us making regulatory programming adaptations within the cooking app itself.

-As a result, our market and technology research must stay up to date with new competitors, new technology, and new regulations if we are not only to achieve a 30,000 app subscription rate, but sustain it beyond the current 3 year time frame examined.

3. Brief Strengths, Weaknesses, Opportunities and Threats (SWOT) Analysis:

Further consideration of internal and external influences resulted in the following SWOT [66] analysis:

<u>Strengths:</u>	<u>Weaknesses:</u>
<p>-Because our £50k loan capital investment does not have to be repaid in our second year of business (profits are expected to be retained), we have effectively received a kick-start to our liquidity and profitability.</p> <p>-Because our small, expert work force can operate without financing fixed or significant technological assets (for example: a server), this should enable our enterprise to stay agile when growing and adapting our own visual cooking app.</p> <p>-Because our app encompasses a visual “hands-off” cooking approach as our app’s main selling point, this should enable us to secure cooking app market share.</p>	<p>-Because we are a late entrant to an ever-changing and well-established cooking app market without a pre-existing reputation, we will need to publicise our market presence to obtain market share.</p> <p>-When addressing how to update our existing app subscription facility with continuous technological updates, we will be operating from a smaller employee base than was available during the Development phase of our product.</p> <p>-Because we need to gain market share, we will need to manage continuous “freebie and/or event expectations” for our target market (18 to 30 year olds) pre, post, and during subscriptions. (Our predecessors, for example: Spotify Premium, have achieved this).</p> <p>-Because we do not want to limit our business objectives, we will need to address the risk of cancelled subscriptions and avoid them as far as possible.</p>
<u>Opportunities:</u>	<u>Threats:</u>
<p>- Because computer, mobile phone and Ipad app usage is an established, familiar environment for our target market (18-30 year olds interested in cooking), there is an opportunity to secure a customer base through our innovative app.</p> <p>-At the very least, our “hands off” approach should enable us to capture an opportunity for niche aspects of a larger cooking app market.</p>	<p>- As a start up, we lack the datasets, financial backing, and publicity capability of well-established competitors (for example: Apple, BBC Good Food). Such competitors could threaten our gain of market share should they adopt a “copycat” “hands off,” visual cooking app approach.</p> <p>- As a start up, we have less resources to deal with technological developments (for example: voice activated cooking applications using Alexa, Siri, etc) as quickly as our competitors. Our cooking app will therefore need to be flexible in order to meet future customer needs and expectations.</p>

Hybrid Cash Flow Statement For Development Phase of Product:
(Actuals to 21 May 2018; Financial Plan to 18 June 2018 - See
Appendix B):

Week Commencing	Spring term										Summer term										Forecast	
	1	2	3	4	5	6	7	8	9	10	Actual	1	2	3	4	5	6	7	8	9	10	
8/12/18	19/12/18	22/12/18	29/12/18	5/2/2019	12/2/2019	19/2/2019	26/2/2019	5/3/2019	12/3/2019	19/3/2019	26/3/2019	2/4/2019	9/4/2019	16/4/2019	23/4/2019	30/4/2019	7/5/2019	14/5/2019	21/5/2019	28/5/2019	4/6/2019	11/6/2019
Contracts																						
Contract with Yearling	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Contract with Shire 4	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Total Contracts in	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Total Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Expenses																						
Estimated VMS Accrued	0.00	56.25	67.50	258.75	53.30	221.15	81.25	68.25	63.75	45.75	65.75	62.50	62.50	62.50	62.50	62.50	62.50	62.50	62.50	62.50	62.50	
Actual F 24.1 Excesses Managed	0.00	50.00	125.00	218.88	206.25	437.50	314.38	498.88	425.00	0.00	0.00	46.88	227.50	75.00	66.25	41.75	3.38	67.50	45.75	112.50	6.25	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.12	112.50	112.50	0.00	0.00	25.00	75.00	75.00	6.25	3.38	67.50	134.38	103.13	6.25	0.00	
Actual F 24.1 Excesses Managed	0.00	29.25	191.25	191.25	163.75	88.75	93.															

Points to Note relating to Hybrid Cash Flow Statement For Development Phase of Product: (Actuals to 21 May 2018; Financial Plan to 18 June 2018 - See Appendix B):

- The actual hours used in the first Financial Report were found to be erroneous in dispersion post submission. This was corrected in Financial Reports Two and Three.
- The dividing line between the actual and forecast values in this cash flow (as indicated by the vertical bold blue line) shows that actual values now run from 8 January 2018 to 21 May 2018, with 28 May 2018 to 18 June 2018 (the last 4 weeks of our Development Phase) using forecast values per our original Financial Plan.
- Our loan was approved in week 8, one week later than envisaged. (Loan interest has been adjusted).
- The dates agreed for the handover and acceptance of code (as shown in contracts) are different to the original dates predicted. (Our cash flow has been adjusted for this).
- The differences between Financial Plan wage costs and hours and actual wage costs and hours to date is covered by Variance Analysis in Appendix C.

[Version 2-V2- Updated results: submitted with final deliverables on 7 June 2018]
Profit and Loss Statements for Financial Plan (Forecast), Development (Year 1), Launch (Year 2), and Growth (Year 3) Periods:

Notes	V2 Profit and Loss Statements	Forecast Year 1 24 Weeks 18 June 2018 £	Development Year 1 24 Weeks 18 June 2018 £	Launch Year 2 52 Weeks 18 June 2019 £	Growth Year 3 52 Weeks 18 June 2020 £
	Income:				
1.	App Advertising Income			850	850
1.	App Subscription Income			221,400	430,200
2.	Contract Income	128	1,000	-	-
1.	Total Income:	128	1,000	222,250	431,050
	Direct Development Costs:				
3.	Wages:				
	Project Management	3,943	2,016		
	Quality Assurance and Documents Management	2,169	2,013		
	Software Management	4,503	3,506		
	Design Management	1,869	1,337		
	Finance Management	4,400	2,877		
	Multimedia& Content Management	2,556	1,501		
	GUI Management	2,272	1,969		
	Marketing Management	2,338	2,391		
	Total Wages:	24,050	17,610	21,750	22,294
	Other Development Costs:				
4.	Contract Costs	128	1,000	-	-
5.	Advertising and Marketing Costs	-	-	58,026	58,026
	Total Direct Development Costs:	24,178	18,610	79,776	80,320

[Version 2-V2- Updated Results: submitted with final deliverables on 7 June 2018]
Profit and Loss Statements for Financial Plan (Forecast), Development
(Year 1), Launch (Year 2), and Growth (Year 3) Periods:

Notes	V2 Profit and Loss Statements	Forecast Year 1 24 Weeks 18 June 2018 £	Development Year 1 24 Weeks 18 June 2018 £	Launch Year 2 52 Weeks 18 June 2019 £	Growth Year 3 52 Weeks 18 June 2020 £
	Indirect Development Costs:				
	Overheads:				
6.	Rent	15,185	15,185	33,723	34,566
6.	Utilities	1,200	1,200	2,665	2,732
6.	IT infrastructure	2,400	2,400	5,330	5,463
7.	Total Overheads:	18,785	18,785	41,718	42,761
8.	Interest	2,215	2,025	8,430	8,430
	Total Expenditure:	45,178	39,420	129,924	131,511
9.	Income less Expenditure: Net Profit or Loss:	-45,050	-38,420	92,326	299,539

[Version 1-V1-Preliminary Results: 25 May 2018 Financial Performance Review]
Profit and Loss Statements for Financial Plan (Forecast), Development
(Year 1), Launch (Year 2), and Growth (Year 3) Periods:

Notes	V1 Profit and Loss Statements	Forecast Year 1 24 Weeks 18 June 2018 £	Development Year 1 24 Weeks 18 June 2018 £	Launch Year 2 52 Weeks 18 June 2019 £	Growth Year 3 52 Weeks 18 June 2020 £
	Income:				
1.	App Advertising Income			850	850
1.	App Subscription Income			360,000	360,000
2.	Contract Income	128	1,000	-	-
1.	Total Income:	128	1,000	360,850	360,850
	Direct Development Costs:				
3.	Wages:				
	Project Management	3,943	2,225		
	Quality Assurance and Documents Management	2,169	2,003		
	Software Management	4,503	3,191		
	Design Management	1,869	1,347		
	Finance Management	4,400	2,919		
	Multimedia& Content Management	2,556	1,531		
	GUI Management	2,272	2,159		
	Marketing Management	2,338	2,031		
	Total Wages:	24,050	17,406	21,750	22,294
	Other Development Costs:				
4.	Contract Costs	128	1,000	-	-
5	Advertising and Marketing Costs	-	-	58,026	58,026
	Total Direct Development Costs:	24,178	18,406	79,776	80,320

[Version 1-V1-Preliminary Results: 25 May 2018 Financial Performance Review]
Profit and Loss Statements for Financial Plan (Forecast), Development
(Year 1), Launch (Year 2), and Growth (Year 3) Periods:

	V1 Profit and Loss Statements	Forecast Year 1 24 Weeks 18 June 2018 £	Development Year 1 24 Weeks 18 June 2018 £	Launch Year 2 52 Weeks 18 June 2019 £	Growth Year 3 52 Weeks 18 June 2020 £
Notes	Indirect Development Costs:				
	Overheads:				
6	Rent	15,185	15,185	33,723	34,566
6	Utilities	1,200	1,200	2,665	2,732
6.	IT infrastructure	2,400	2,400	5,330	5,463
7.	Total Overheads:	18,785	18,785	41,718	42,761
8.	Interest	2,215	2,025	8,430	8,430
	Total Expenditure:	45,178	39,216	129,924	131,511
9.	Income less Expenditure: Net Profit or Loss:	-45,050	-38,216	230,926	229,339

Notes to Profit and Loss Statements: (covering V1 and V2):

(Version 1 - V1 - Preliminary results submitted for Financial Performance Review on 25 May 2018;
Version 2 - V2 - Updated results submitted with final deliverables on 7 June 2018).

1. Total Product Income - Version 2:

Year 2 (52wks)	Year 3 (52wks)
£	£

A. App Subscription Income:

V2 – Yr 2 and Yr 3 :

Applying travel and lifestyle per Appendix A-section 4 app retention rates to
Appendix A-section 3 income numbers:

Yr 2:

Annual target market = 30,000 subscriptions at £24 a year each =	<u>£720,000</u>	<u>£720,000</u>
Only part of this is likely to be retained as follows:		
-month 1: 44% retention x 30,000 = 13,200 x £2 a month =	26,400	
-month 2: 35% retention x 30,000 = 10,500 at £2 for a month =	21,000	
-month 3: 29% retention x 30,000 = 8,700 at £2 a month =	17,400	
-Assuming retention rates then stay at 29% for the rest of year 2:		
-months 4 to 12 = 9 months		
-9 months: 29% retention x 30,000 = 8,700 at £2 for 9 months =	<u>156,600</u>	
<u>Total Year 2 App Subscription Income:</u>	<u>£221,400</u>	

<u>1. Total Product Income-Version 2 (ctd):</u>	Year 2 (52wks) £	Year 3 (52wks) £
<u>A. App Subscription Income (ctd)</u>	B/F 221,400	
<u>Yr 3:</u>		
-Assuming 29% of our first 30,000 subscribers are retained from year 2 for the whole 12 months in year 3:		
-Year 2 (whole year 3): 29% retention x 30,000 = 8,700 at £2 for 12 months =		208,800
-Assuming a fresh 30,000 subscription volume and £720,000 income is available for year 3 with similar retention rates to year 2:		
-month 1: 44% retention x 30,000 = 13,200 x £2 a month =		26,400
-month 2: 35% retention x 30,000 = 10,500 at £2 for a month =		21,000
-month 3: 29% retention x 30,000 = 8,700 at £2 a month =		17,400
-Assuming retention rates then stay at 29% for the rest of year 3:		
-months 4 to 12 = 9 months		
-9 months: 29% retention x 30,000 = 8,700 at £2 for 9 months =		156,600
<u>Total Year 3 App Subscription Income:</u>		<u>£430,200</u>

B. App Advertising Income:

V2 – Yr 2 and Yr 3:

Sweng 3 researched a market with a range of 1k to 10k volume available for one-off hits.

Adopting a “median” approach and recognising the 17p mode price would need to remain the same once set, a volume of 5,000 was assumed to be attainable.

(Lowest price = 13p,

Highest price = 22p,

Mode price = 17p)

(V2 does not apply retention and churn rates to one-off hits, but does use a lower-end 17p price).

(Appendix A: section 3)

5,000 x 17p =

Assume 5,000

£850

Assume 5,000

£850

<u>Total Product Income-Version 2:</u>	<u>£222,250</u>	<u>£431,050</u>
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1.Total Product Income –Version 1(ctd):

(Version 1 - V1 - Preliminary results submitted for Financial Performance Review on 25 May 2018;
Version 2 - V2 - Updated results submitted with final deliverables on 7 June 2018).

	Year 2 (52wks) <u>£</u>	Year 3 (52wks) <u>£</u>
<u>A. App Subscription Income:</u>		
<u>V1 – Yr 2 and Yr 3 :</u>		
Sweng 3 aimed at a target market of 30,000 annual subscriptions at £12 a year each: (Appendix A: section 3) (V1 results did not apply retention and churn rates and did not accumulate subscription income from year 2 into year 3. But V1 results did use a lower-end £1 price rather than the subsequently confirmed £2 price for annual subscriptions).	360,000	360,000
<u>B. App Advertising Income:</u>		
<u>V1 – Yr 2 and Yr 3 :</u>		
Sweng 3 researched a market with a range of 1k to 10k volume available for one-off hits. Adopting a “median” approach and recognising the 17p mode price would need to remain the same once set, a volume of 5,000 was assumed to be attainable. (Lowest price = 13p, Highest price = 22p, Mode price = 17p) (V1 did not apply retention and churn rates to one-off hits, but did use a lower-end 17p price). (Appendix A: section 3) 5,000 x 17p =	Assume 5,000 £850	Assume 5,000 £850
<u>Total Product Income Version 1:</u>	<u>£360,850</u>	<u>£360, 850</u>

2. Contract Income:

-This income was planned, negotiated, contracted and achieved during the Forecast and Development
Periods only.

3. Wages:

- Development Phase wages are less than forecast owing to less hours being worked than was envisaged in the original Work Breakdown Schedule. (Forecast numbers are per the Financial Plan)

-In V1: Unpaid wages from 7 May 2018 to 18 June 2018 are included in Creditors and Accruals.

-In V2: Unpaid wages from 21 May 2018 to 18 June 2018 (4 weeks) are included in Creditors and Accruals.

V1 and V2: Wages for years 2 and 3 are calculated as follows:

Year 2:

3 staff performing overlapping roles, using top-end £29k salary estimates from Target Recruitment [12], for 3 months/13 weeks = **3 x 29k x 3 months = £21,750**

(Target [12] = 26-29K, Telegraph [11] = 27K, Reed [13] = 39K)

Year 3:

£21,750 x CPI 2.5% [14] = £22,294

(CPI: Consumer Price Index Rationale: Office of National Statistics supplies the following Rate Information:

CPI -to March 2018 = 2.3%

CPI -to February 2018 = 2.5%

-CPI Annual Average Rate March 2017 to March 2018 = 3.2%

-Therefore, median 2.5 % rate used for inflationary price increases throughout). [14]

4. Contract Costs:

-These were planned, negotiated, contracted and achieved during the Forecast and Development Periods only.

5. Advertising and Marketing Costs:

(Unchanged between V1 and V2)

	Period 1	Year 2	Year 3
	(24wks)	(52wks)	(52wks)
	<u>£</u>	<u>£</u>	<u>£</u>
<u>Advertising Costs :</u>			
<u>Domain Costs:</u>			
(Same for V1 and V2)			
(Same for Yr 2 and Yr 3)			
(Appendix A: section 3)			
Domain Costs: £264.96 divided by 10 yrs			
= £26.50 per year	-	26.50	26.50
<u>Other Non Domain Advertising Costs:</u>			
(Same for V1 and V2)			
<u>A. AdWord</u> - £1,200 for 12 Months:	-	14,400	14,400
(Appendix A: section 3)			
<u>B.Social Media</u> -£80 a day:	-	29,200	29,200
(Appendix A: section 3)			
<u>C. Other Advertising Costs:</u>			
-This provision has been set not to exceed the opportunity cost represented by further advertising using platforms such as Adword).	-	14,400	14,400
(-Freshers Fairs costs = £8,000 of this opportunity cost provision.			
-£6,400 is therefore available for stalls, flyers, leaflets, brand tie-ups, and any other media advertising or marketing costs)			
(Appendix A: section 3)			
<u>Total Non Domain Advertising Costs:</u>	-	<u>£58,000</u>	
<u>£58,000</u>			
<u>Total Advertising/Marketing Costs:</u>	-	<u>£58,026.50</u>	<u>£58,026.50</u>

6. Overheads:

-These were prescribed as Rent, Utilities, and IT for Sweng 3.

(As a result, Forecast and Development costs are the same. Forecast numbers are those per the Financial Plan).

-In V1:

- Overheads unpaid by 7 May 2018 are included in Creditors and Accruals.

-In V2:

-Overheads unpaid by 21 May 2018 are included in Creditors and Accruals.

-Overheads for Years 2 and 3 are calculated as follows:

	Forecast Period £	Development Period £ 24 Weeks	Year 2- Launch Phase £ 52 Weeks	Year 3 - Growth Phase £ 52 Weeks
			CPI 2.5% (see note 5 above)	CPI 2.5% (see note 5 above)
Rent	15,185	15,185	33,723	34,566
Utilities	1,200	1,200	2,665	2,732
IT	2,400	2,400	5,330	5,463
Total	18,785	18,785	41,718	42,761

7. Overhead Recovery Rates:

-Using Overheads before interest from 8 above and direct labour hours below, this has been calculated as::

	Development Period £ 24 Weeks	Year 2- Launch Phase £ 52 Weeks	Year 3 – Growth Phase £ 52 Weeks
Total Overheads	18,785	41,718	42,761
Total Direct Labour Hours	1,392.5	1,365	1,365
Overheads divided by Hours	£13.49	£30.56	£31.33

In V1 and V2:

Years 2 and 3 Direct Labour Hours are calculated as follows:

3 staff, 35 hour weeks, for 13 weeks = 1,365 hours. (Kept the same for Years 2 and 3).

8. Interest, Loan Capital, and Burn Rates:

-Repayment of our £50k Loan Capital is not envisaged for Years 2 and 3, as our enterprise is aiming to focus on attaining a target market share of 30,000 app subscriptions post cancellations at £24 each per annum.

- A net £38,216 (V1) or £38,420 (V2) of £50,000 has been spent during the Development Period (Year 1) and this leaves only £11,784 (V1) or £11,580 (V2) available to finance Year 2 costs of £129,924. Therefore, our loan financing will be “burned through” during our second year unless significant app subscription income after cancellations is retained.

V1 and V2	Development Period £ 24 Weeks (6 months)	Year 2- Launch Phase £ 52 Weeks (12 months)	Year 3 – Growth Phase £ 52 Weeks (12 months)	Total Cash Flows in £ divided by: Total Months
V2 Total Net cash balances (after Creditors and Accruals) per Balance Sheets	11,580	103,906	403,445	518,931
V1 Total Net cash balances (after Creditors and Accruals) per Balance Sheets	11,784	242,710	472,049	726,543
Total Months per period	6	12	12	30
V2 Burn Rate	£-1,930	£-8,659	£-33,620	£-17,298
V1 Burn Rate	£-1,964	£-20,226	£-39,337	£-24,218

-Therefore, at our current spending rate and over a 3 year period, Sweng 3 will spend:

V2: £-17,928 a month.

V1:£ -24,218 a month.

-This means that without gaining sufficient App Subscription Income in Year 2, further Loan Capital may be required. (This may or may not be available on the same terms provided during the Forecast and Development Periods. Forecast numbers are those per the Financial Plan).

	Forecast Period £	Development Period £ 24 Weeks	Year 2- Launch Phase £ 52 Weeks	Year 3 - Growth Phase £ 52 Weeks
			CPI 2.5% (see note 5 above)	CPI 2.5% (see note 5 above)
Interest	2,215	2,025	8,430	8,430
Terms	16.86% APR Compound Interest	16.86% APR Compound Interest BUT beginning 1 week later than originally forecast (therefore lower number).	Taken as 16.86% APR BUT as terms may not be the same, then simple interest used.	Taken as 16.86% APR BUT as terms may not be the same, then simple interest used.

8. Interest, Loan Capital, and Burn Rates (ctd):

- Alternative financing could therefore be needed and this is available from the following alternative sources:

- Small Business Administration (SBA-USA) sets rates as maximum 9%. [15]
- Santander provides rates between 4.8% and 24.9%. [16]
- A comparison site providing rates as low as 3%. [17]

9. Return on Capital Employed:

- This has only been calculated where gains are envisaged in years 2 and 3 (the Development Period makes a loss).

- Such gains are only feasible if app subscription levels of 30,000 post cancellations can be attained.

- It is envisaged that profits will be retained in the business and not immediately used to repay the £50,000 Loan Capital.

Return On Capital Employed (ROCE)	Year 2- Launch Period £ 52 Weeks	Year 3 – Growth Period £ 52 Weeks
V1 -2019 and 2020 Profit	230,926	229,339
V2 -2019 and 2020 Profit	92,326	299,539
Divided by Loan Capital	50,000	50,000
V1 -2019 and 2020 ROCE	4.62	4.59
V2 -2019 and 2020 ROCE	1.85	5.99

[Version 2-V2- Updated results: submitted with final deliverables on 7 June 2018]
Balance Sheets for Financial Plan (Forecast), Development (Year 1),
Launch (Year 2), and Growth (Year 3) Periods:

Notes	V2 Balance Sheet Statements	Forecast Year 1 24 Weeks as at 18 June 2018 £	Development Year 1 24 Weeks as at 18 June 2018 £	Launch Year 2 52 Weeks as at 18 June 2019 £	Growth Year 3 52 Weeks as at 18 June 2020 £
	Current Assets:				
1.	Cash	4,950	19,850	103,906	403,445
	Current Liabilities:				
2.	Creditors and Accruals	-	8,270	-	-
	Current Assets less Current Liabilities - Net Assets:	4,950	11,580	103,906	403,445
	Capital and Reserves:				
Profit and Loss Note 8	Loan Capital	50,000	50,000	50,000	50,000
	Retained Profits or Losses:				
	Yr 1 Net Loss	-45,050	-38,420	-38,420	-38,420
	Yr 2 Net Profit			92,326	92,326
	Yr 3 Net Profit				299,539
	Total Reserves:	-45,050	-38,420	53,906	353,445
	Total Capital and Reserves:	4,950	11,784	103,906	403,445

[Version 1-V1-Preliminary Results: 25 May 2018 Financial Performance Review]
Balance Sheets for Financial Plan (Forecast), Development (Year 1),
Launch (Year 2), and Growth (Year 3) Periods:

Notes	V1 Balance Sheet Statements	Forecast Year 1 24 Weeks as at 18 June 2018	Development Year 1 24 Weeks as at 18 June 2018	Launch Year 2 52 Weeks as at 18 June 2019	Growth Year 3 52 Weeks as at 18 June 2020
	Current Assets:		£	£	£
1.	Cash	4,950	22,253	242,710	472,049
	Current Liabilities:				
2.	Creditors and Accruals	-	10,469	-	-
	Current Assets less Current Liabilities - Net Assets:	4,950	11,784	242,710	472,049
	Capital and Reserves:				
Profit and Loss Note 8	Loan Capital	50,000	50,000	50,000	50,000
	Retained Profits or Losses:				
	Yr 1 Net Loss	-45,050	-38,216	-38,216	-38,216
	Yr 2 Net Profit			230,926	230,926
	Yr 3 Net Profit				229,339
	Total Reserves:	-45,050	-38,216	192,710	422,049
	Total Capital and Reserves:	4,950	11,784	242,710	472,049

Notes to Balance Sheet Statements: (covering V1 and V2):

1. Cash:

- The Forecast cash balance is that submitted in the Financial Plan cash flow.
- The V1 Development Year cash balance is that as at 7 May 2018 (pre Creditors and Accruals) as submitted in the 25 May 2018 cash flow for the Financial Performance Review.
- The V2 Development Year cash balance is that as at 21 May 2018 (pre Creditors and Accruals), as submitted in the current cash flow for this report.

1. Cash (ctd):

-The final post Creditors and Accruals cash balance (V1 £11,784 and V2 ££11,580) will be needed to cover:

-Creditors and Accruals to 18 June 2018. (Increased labour hours to 18 June 2018 could affect these).

-Some of the £58,026 Advertising Costs to begin the second and third Launch and Growth years.

-The potential purchase of a server, other assets, and fixed assets longer term (Appendix A- section 5).

- V1 and V2 cash flows for years 2 and 3 can be summarised as:

V2 Cash Flow Summary	Launch Year 2 52 Weeks as at 18 June 2019	Growth Year 3 52 Weeks as at 18 June 2020
	£	£
Brought forward from Development Phase and from Year 2 (adjusted for Creditors and Accruals outstanding):	11,580	103,906
Income during 2019 and during 2020	222,250	431,050
less costs during 2019	129,924	
less costs during 2020		131,511
Cash left at the end of 2019 and 2020	103,906	403,445

V1 Cash Flow Summary	Launch Year 2 52 Weeks as at 18 June 2019	Growth Year 3 52 Weeks as at 18 June 2020
	£	£
Brought forward from Development Phase and from Year 2: (adjusted for Creditors and Accruals outstanding):	11,784	242,710
Income during 2019 and during 2020	360,850	360,850
less costs during 2019	129,924	
less costs during 2020		131,511
Cash left at the end of 2019 and 2020	242,710	472,049

2.Creditors and Accruals:

- V1 Creditors and Accruals applying to the Development Period cover from 7 May 2018 to 18 June 2018 (ie: remaining unpaid costs).

- V2 Creditors and Accruals applying to the Development Period cover from 21 May 2018 to 18 June 2018 (ie: remaining unpaid costs).

<u>Version 1 and Version 2:</u>		
<u>Development Period Only: Creditors and Accruals:</u>	<u>Version 1</u>	<u>Version 2</u>
	<u>£ 24 Weeks</u>	<u>£ 24 Weeks</u>
<u>Wages:</u>		
Project Management	722	503
Quality Assurance and Documents Management	556	475
Software Management	341	581
Design Management	300	243
Finance Management	547	434
Multimedia and Content Management	490	242
GUI Development / Management	90	275
Marketing Management	597	500
Total Outstanding Wages:	3,643	3,253
<u>Overheads:</u>		
Rent	3,796	3,796
Utilities	700	200
IT Infrastructure	1,400	400
Total Outstanding Overheads:	5,896	4,396
<u>Other:</u>		
Interest	<u>930</u>	<u>621</u>
Total Creditors and Accruals:	<u>£10,469</u>	<u>£8,270</u>

Other Key Financial Information:

1.Net Present Value of Cash flows covering Development (Yr 1), Launch (Yr 2) and Growth (Yr 3) Periods:

V1 and V2 Net Cash Flows	Year 1- 24 weeks £	Year 2- 52 weeks £	Year 3- 52 weeks £	Sum of net cash flows £	Less Initial Investment £	Net Values and NPVs £
V1 Net Cash Flows -Income less expenses post Creditors and Accruals	-38,216	230,926	229,339	422,049	50,000	372,049
V2 Net Cash Flows -Income less expenses post Creditors and Accruals	-38,420	92,326	299,539	353,445	50,000	303,445
Libor Rate = 0.47371 (23 May Overnight Rate used for Present Value Factors)	1.47371 = r	2.17182 = r	3.20063 = r			
V1 – Net Cash Flows divided by Present Value Factors	$\frac{-38,216}{(1+r)}$	$\frac{230,926}{(1+r)^2}$	$\frac{229,339}{(1+r)^3}$			
V2 – Net Cash Flows divided by Present Value Factors	$\frac{-38,420}{(1+r)}$	$\frac{92,326}{(1+r)^2}$	$\frac{299,539}{(1+r)^3}$			
V1 – Net Present Value Net Cash Flows	-25,932	106,328	71,654	152,050	50,000	102,050
V2 – Net Present Value Net Cash Flows	-26,070	42,511	93,588	110,029	50,000	60,029

Therefore, Net Present Values are positive for both V1 and V2 net cash flows.

2. How Costs, including Advertising Costs, can be fully absorbed by App Subscription

Income Alone:

(Version 1 - V1 - Preliminary results submitted for Financial Performance Review on 25 May 2018;
Version 2 - V2 - Updated results submitted with final deliverables on 7 June 2018).

The app market is volatile and heavily dependant on uptake traction and market share. As a result, such income needs to adopt a conservative, prudent view.

	Period 1 (24wks)	Year 2 (52wks)	Year 3 (52wks)
<u>Costs Recovery:</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>(Full Absorption Basis):</u>			
V1 -Per Profit and Loss : Gain/Loss	-38,216	230,926	229,339
V2 -Per Profit and Loss : Gain/Loss	-38,420	92,326	299,539
V1 Total Costs for Recovery up to Year -£39,216		-39,216	-39,216
		<u>-129,924</u>	<u>-129,924</u>
		<u>-£169,140</u>	<u>-131,511</u>
			<u>-£300,651</u>
V2 Total Costs for Recovery up to Year -£39,420		-39,420	-39,420
		<u>-129,924</u>	<u>-129,924</u>
		<u>-£169,344</u>	<u>-131,511</u>
			<u>-£300,855</u>

These costs contain:

	<u>V2</u> <u>Period 1</u>	<u>V1</u> <u>Period 1</u>		
Advertising Costs	-	-	58,026	58,026
Wages	17,610	17,406	21,750	22,294
Contracts Out	1,000	1,000	-	-
Overheads	18,785	18,785	41,718	42,761
Interest	<u>2,025</u>	<u>2,025</u>	<u>8,430</u>	<u>8,430</u>
	<u>-£39,420</u>	<u>£39,216</u>	<u>-£129,924</u>	<u>-£131,511</u>

A. The costs of Years 1, 2, and 3 can be recovered and fully absorbed by App Subscription

Income in Years 2 and 3 (Appendix A: page 2 = V1 and page 3 = V2) as follows:

Yr 2

V1 – Yr 2 : 30,000 subscribers at £12 a year each: **£360,000**

V2 – Yr 2 : 30,000 subscribers at £24 a year each post cancellation rates: **£221,400**

-Therefore, Period 1 and Year 2 cumulative costs are fully absorbed and recovered by Year 2 app subscription in year income whether or not cancellation rates are applied.

Yr 3

V1 – Yr 3 : 30,000 subscribers at £12 a year each: **£360,000**

V2 – Yr 3 : 30,000 subscribers at £24 a year each post cancellation rates:: **£430,200**

-Therefore, Period 1, Year 2, and Year 3 cumulative costs are fully absorbed and recovered by Year 3 app subscription in year income whether or not cancellation rates are applied, provided subscriptions gathered in Yr 2 are continued and retained in Yr 3.

-Although it is envisaged that profits will be retained within the business to combat uncertainty over subscription income retention, the £50k initial Loan Capital could be repaid in Year 2 or Year 3 as follows:

.Costs to end of Year 2:V1: 169,140 + 50,000 Loan Capital to be repaid = £219,140 covered by app subscription income of £360,000 (margin = £140,860).

.Costs to end of Year 2:V2: 169,344 + 50,000 Loan Capital to be repaid = £219,344 covered by app subscription income of £221,400 (margin = £2,056).

.Costs to end of Year 3:V1: 300,651 + 50,000 Loan Capital to be repaid = £350,651 covered by app subscription in year 3 only income of £360,000 (margin = £9,349).

.Costs to end of Year 3:V2: 300,855 + 50,000 Loan Capital to be repaid = £350,855 covered by app subscription in year 3 only income of £430,200 (margin = £79,345).

B. App Subscription Income Levels that allow full absorption of Years 1 and 2 costs are:

- V1 Year 1 and 2 expected costs **£169,140**

- V2 Year 1 and 2 expected costs **£169,344**

-a volume of **7,050** subscribers post cancellations at **£24** a year gives income of: **£169,200**
(This covers V1 costs)

-a volume of **7,056** subscribers post cancellations at **£24** a year each gives income of: **£169,344**
(This covers V2 costs)

Or at the lower price of £12 per subscription:

-a volume of **14,095** subscribers post cancellations at **£12** a year each gives income of: **£169,140**
(This covers V1 costs)

-a volume of **14,112** subscribers post cancellations at **£12** a year each gives income of: **£169,344**
(This covers V2 costs)

C. App Subscription Income Levels that allow full absorption of Years 1, 2, and 3 costs are:

- V1 Year 1, 2, and 3 expected costs **£300,651**

- V2 Year 1, 2 and 3 expected costs **£300,855**

-a volume of **12,528** subscribers post cancellations at **£24** a year gives income of: **£300,672**
(This covers V1 costs)

-a volume of **12,536** subscribers post cancellations at **£24** a year each gives income of: **£300,864**
(This covers V2 costs)

Or at the lower price of £12 per subscription:

-a volume of **25,055** subscribers post cancellations at **£12** a year each gives income of: **£300,660**
(This covers V1 costs)

-a volume of **25,072** subscribers post cancellations at **£12** a year each gives income of: **£300,864**
(This covers V2 costs)

Conclusion:

1. A provisional 3 year timeframe only has been examined during our market and financial research and all initial assumptions (for example: CPI rates) may need to change when considering results beyond this time span.
2. The app market is volatile and results are crucially dependant on gaining, sustaining, and keeping market share and annual subscription uptake traction. (If anticipated subscription volumes post cancellations are not finally achieved for our planned advertising costs, additional loan financing may be required).
3. Using full absorption costing plus a margin to price our cooking app is not a feasible pricing strategy in view of what the app market will bear. Our current pricing strategy involves a sustainable, low 17p charge to attract low value app advertising income whilst “hooking in” harder to attain, more expensive, but more lucrative app subscription income priced at £24 per annual subscription. This is in line with current freemium pricing models.
4. Whilst our 3 year financial statements aim for annual subscription levels of 30,000 in both years 2 and 3, cancellation rates could hinder full absorption costs recovery in years 2 and 3. (Minimum subscription post cancellation subscription levels needed for costs to be fully absorbed have been calculated).
5. Annual subscription uptake volumes are therefore critical to our financial success. Our 3 year financial statements have also kept advertising and marketing costs of £58,026 the same in Years 2 and 3. At present, these advertising and marketing costs risk being understated and the return on these costs in terms of retained annual subscription income risks being overstated.
6. Attracting sufficient un-cancelled annual subscription income to cover costs and produce a profit is therefore crucially dependant on the “stickiness” and quality of our cooking app product, our “hands off” customer value proposition, and the volume of annual subscriptions we can retain from our advertising spending.

Appendix A: Research Covering App Income, Advertising Costs, Pricing Strategy, Marketing, Wages, and Other Asset Research: (Per Marketing, Finance, and Project Managers):

Contents:

1.Total Product Income covering App Subscription Income and App Advertising Income: Version 1 -V1 - Preliminary results submitted for Financial Performance Review on 25 May 2018; Version 2 -V2 - Updated results submitted with final deliverables on 7 June 2018	35
2.Other Direct Costs – Advertising and Marketing Costs: (Unchanged between preliminary and updated results)	37
3.Pricing Strategies, Volumes, Prices, and Market Research, including Marketing Manager`s Product Marketing Report: -This produces: A: Total App Subscription and App Advertising Income (pre applying retention rates to derive Total Product Income in 1 above). B: Advertising Costs (ie: 2 above). C: A Derived Marketing Mix (via market research)	38
4.Retention and Churn Rates for Mobile Apps applied to Subscription Income to derive Total Product Income in 1 above and further App Development/Marketing Points.....	52
5. Approach Taken on Salaries, Fixed, and Other Assets.....	60

1.Total Product Income:

(Version 1 - V1 - Preliminary results submitted for Financial Performance Review on 25 May 2018;
Version 2 - V2 - Updated results submitted with final deliverables on 7 June 2018).

<u>Version 1: Total Product Income:</u>	Year 2 (52wks) <u>£</u>	Year 3 (52wks) <u>£</u>
<u>A. App Subscription Income:</u>		
<u>V1 – Yr 2 and Yr 3 :</u>		
Sweng 3 aimed at a target market of 30,000 annual subscriptions at £12 a year each : (Appendix A: page 42)	360,000	360,000
(V1 results did not apply retention and churn rates and did not accumulate subscription income from year 2 into year 3. But V1 results did use a lower-end £1 price rather than the subsequently confirmed £2 price for annual subscriptions).		
<u>B. App Advertising Income:</u>		
<u>V1 – Yr 2 and Yr 3 :</u>		
Sweng 3 researched a market with a range of 1k to 10k volume available for one-off hits. Adopting a “median” approach and recognising the 17p mode price would need to remain the same once set, a volume of 5,000 was assumed to be attainable. (Lowest price = 13p, Highest price = 22p, Mode price = 17p) (V1 did not apply retention and churn rates to one-off hits, but did use a lowe- end 17p price). (Appendix A: page 46)	Assume 5,000 £850	Assume 5,000 £850
5,000 x 17p =		
<u>V1 - Total Product Income:</u>	<u>£360,850</u>	<u>£360, 850</u>

<u>Version 2: Total Product Income:</u>	Year 2 (52wks) £	Year 3 (52wks) £
<u>A. App Subscription Income:</u>		
<u>V2 – Yr 2 and Yr 3 :</u>		
Applying travel and lifestyle Appendix A page 52 app retention rates to Appendix A page 42 income numbers:		
<u>Yr 2:</u>		
Annual target market = 30,000 subscriptions at £24 a year each =	<u>£720,000</u>	<u>£720,000</u>
Only part of this is likely to be retained as follows:		
-month 1: 44% retention x 30,000 = 13,200 x £2 a month =	26,400	
-month 2: 35% retention x 30,000 = 10,500 at £2 for a month =	21,000	
-month 3: 29% retention x 30,000 = 8,700 at £2 a month =	17,400	
-Assuming retention rates then stay at 29% for the rest of year 2:		
-months 4 to 12 = 9 months		
-9 months: 29% retention x 30,000 = 8,700 at £2 for 9 months =	<u>156,600</u>	
<u>Total Year 2 App Subscription Income:</u>	<u>£221,400</u>	
<u>Yr 3:</u>		
-Assuming 29% of our first 30,000 subscribers are retained from year 2 for the whole 12 months in year 3:		
-Year 2 (whole year 3): 29% retention x 30,000 = 8,700 at £2 for 12 months =		208,800
-Assuming a fresh 30,000 subscription volume and £720,000 income is available for year 3 with similar retention rates to year 2:		
-month 1: 44% retention x 30,000 = 13,200 x £2 a month =		26,400
-month 2: 35% retention x 30,000 = 10,500 at £2 for a month =		21,000
-month 3: 29% retention x 30,000 = 8,700 at £2 a month =		17,400
-Assuming retention rates then stay at 29% for the rest of year 3:		
-months 4 to 12 = 9 months		
-9 months: 29% retention x 30,000 = 8,700 at £2 for 9 months =		<u>156,600</u>
<u>Total Year 3 App Subscription Income:</u>		<u>£430,200</u>
<u>B. App Advertising Income:</u>		
<u>V2 – Yr 2 and Yr 3 :</u>		
Sweng 3 researched a market with a range of 1k to 10k volume available for one-off hits.		
Adopting a “median” approach and recognising the 17p mode price would need to remain the same once set, a volume of 5,000 was assumed to be attainable.		
(Lowest price = 13p,		
Highest price = 22p,		
Mode price = 17p)		
(V2 does not apply retention and churn rates to one-off hits, but does use a lower-end 17p price).		
(Appendix A: Page 46)		
5,000 x 17p =	Assume 5,000 £850	Assume 5,000 £850
<u>V2 - Total Product Income:</u>	<u>£222,250</u>	<u>£431,050</u>

2. Advertising and Marketing Costs:

(Unchanged between preliminary and updated results)

	Period 1 (24wks) <u>£</u>	Year 2 (52wks) <u>£</u>	Year 3 (52wks) <u>£</u>
<u>Advertising Costs :</u>			
<u>Domain Costs:</u>			
(Same for V1 and V2)			
(Same for YR 2 and YR 3)			
(Appendix A: page 46)			
Domain Costs: £264.96 divided by 10 yrs			
= £26.50 per year			
	-	26.50	26.50
<u>Other Non Domain Advertising Costs:</u>			
(Same for V1 and V2)			
<u>A. AdWord</u> - £1,200 for 12 Months:	-	14,400	14,400
(Appendix A: page 47)			
<u>B.Social Media</u> -£80 a day:	-	29,200	29,200
((Appendix A: page 47)			
<u>C. Other Advertising Costs:</u>			
-This provision has been set not to exceed the opportunity cost represented by further advertising using platforms such as Adword).			
(-Freshers Fairs costs = £8,000 of this opportunity cost provision.	-	14,400	14,400
-£6,400 is therefore available for stalls, flyers, leaflets, brand tie-ups, and any other media advertising or marketing costs).			
(Appendix A: page 47)			
<u>Total Non Domain Advertising Costs:</u>	-	<u>£58,000</u>	<u>£58,000</u>
<u>Total Advertising/Marketing Costs:</u>	-	<u>£58,026.50</u>	<u>£58,026.50</u>

3.Pricing Strategies, Volumes, Prices, and Market Research, including Marketing Manager`s Product Marketing Report:

-This produces:

A: Total App Subscription and App Advertising Income (ie:1 above)

B: Advertising Costs (ie:2 above):

C: A Derived Marketing Mix (via market research- below)

Income comes from App Subscriptions and App Advertising Income and is based on what the market will take and can provide rather than on full absorption costing plus a profit margin.

Pricing/Strategy Model Adopted:

We've already decided on the freemium model where subscription will give the user access to an ad free platform which offers an O2 priority like 'members club' where the users can get discounts for products, entry to events and freebies.

Freebies, Events and Partnership Strategies: Perks and Publicity Approach:

These could include:

Product Freebies : Spices and Sauces:

Herbs and spice samples – we could think about partnering with a brand such as Schwartz or Knorr

Bottles of sample sauces from new or existing companies looking to promote their products – Lea and Perrins/ Heinz/ Nandos/ Encona etc we can maybe have a similar partnership with such companies. There are fairly new brands such as Bandar Sauces which isn't available in the UK but have sachets and Naan chips in their product range.

Event Freebies : Classes, Food Shows etc:

BBC Good Food subscribers can apply for tickets to events put on by BBC Good Food, at first it's probably not going to be feasible to put on events ourselves so we should maybe pursue looking into tickets to farmers markets and maybe negotiating a discounted entry fee or a free meal at a stall at an event like this.

Events BBC GoodFood put on include cocktail masterclasses and food shows. Cocktail masterclasses on a first come first serve basis to members could be offered. Entry to cooking classes at universities could be offered where the member actually goes to a cooking class with a chef but the recipe is on the app and they cook along with the chef.

Exploring Partnerships:

A partnership with a supermarket would be a good avenue to explore, not high end like M&S or Waitrose or even Sainsbury's and Morrison's maybe ASDA, Tesco, LIDL, ALDI or Iceland. The cheaper supermarkets will be more appealing to our target audience. BBC GoodFood already had ties with ALDI when they were promoting healthy eating in the New Year.

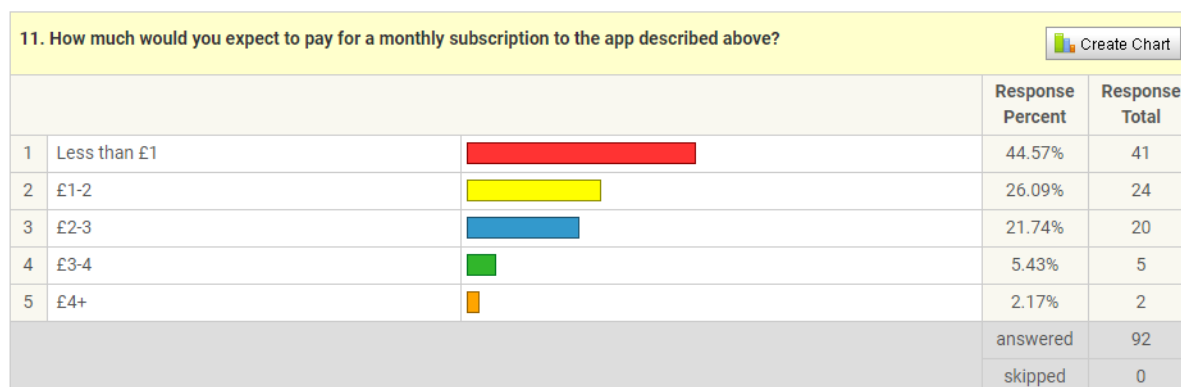
Market Research into Pricing and Volumes for the Freemium Model:

Typical App Subscription Prices:

Most apps are free and offer some sort of in app purchase system.

[27] https://drive.google.com/drive/folders/1uqRCgPDMYEOPG94sdWLuQ9_hqsnJMMaN.

So far these are the results of the pricing question in the survey (21/2/18)



BBC GoodFood charges £43 for 12 issues which is roughly £3.58 each. I don't feel as though we can compete just yet with them nor are we targeting the same audience, BBC GoodFood demographic is mostly middle class, middle aged people –

[18] https://www.bbcgoodfoodshow.com/images/uploads/docs/GFS_Sponsorship_Deck_Aug_17.pdf

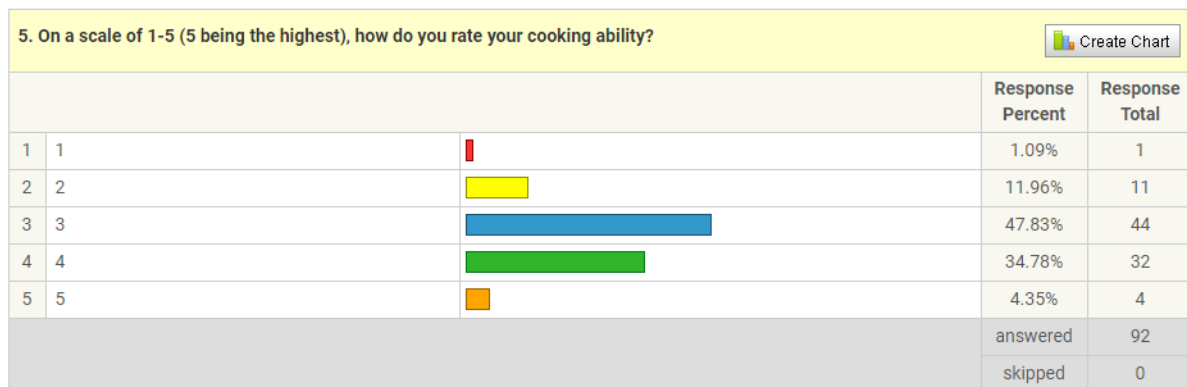
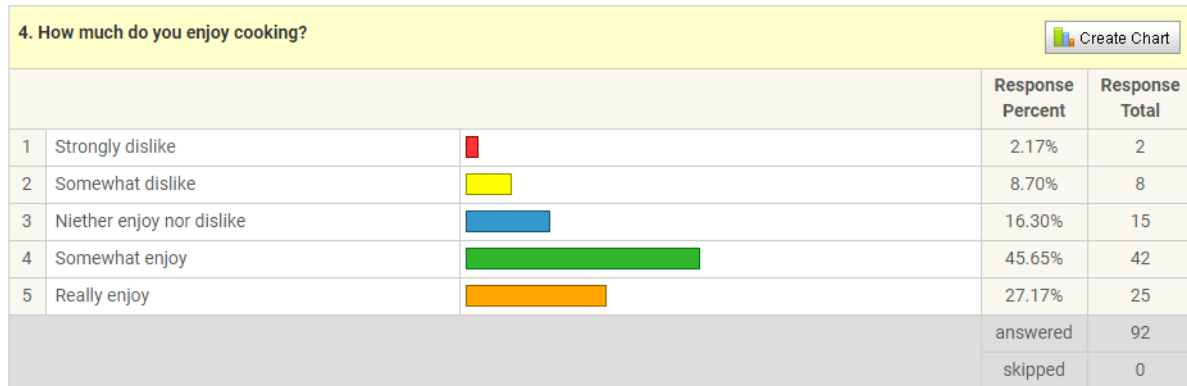
These people have more disposable income than our audience so we shouldn't be charging as much as them. From the survey most people would pay less than £1 however without having a product we can show them showcasing the benefits of our app it's difficult to 100% trust this information.

KitchenStories don't charge and rely on their shop and ads, M&S app is free but encourages shopping in their stores. All student apps/websites are free but are littered with ads. Jamie Oliver charges £6.99 for a one off purchase of his ultimate recipes, 600 recipes – free version doesn't have as many recipes, limited to 15 a week.

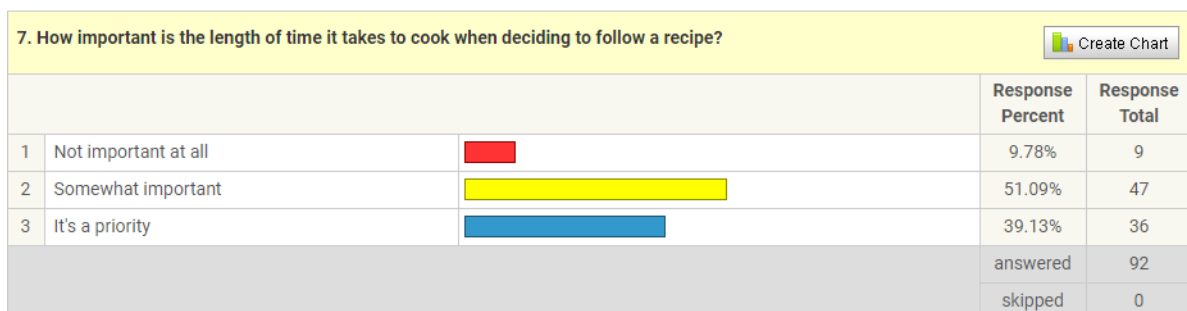
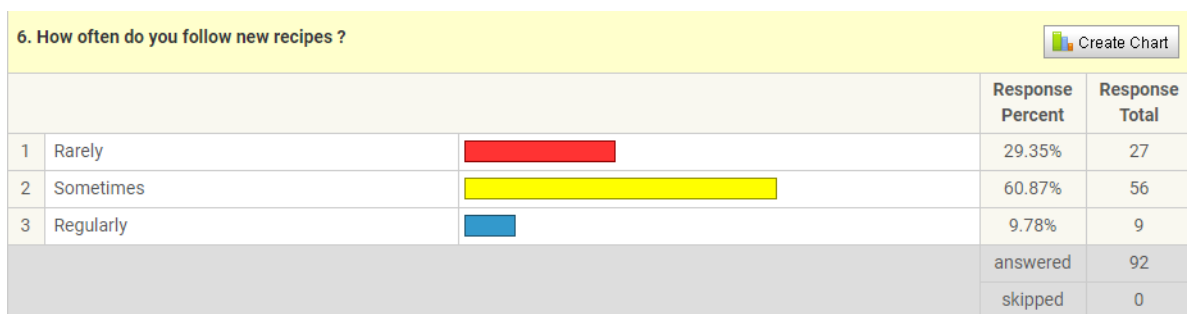
34% of 16-24 year olds have Spotify premium, which is £10 full price or £5 for students and around 58% of the same ages group have a Netflix account, ranges from £5.99 to £9.99 depending on package. **This shows our target audience are willing to pay for desirable subscriptions.**

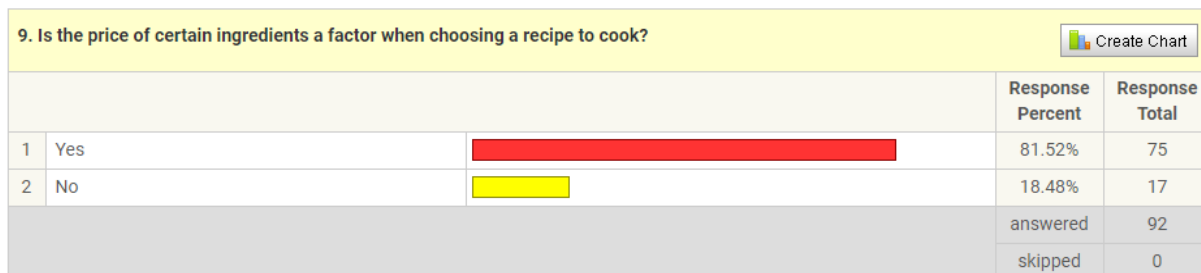
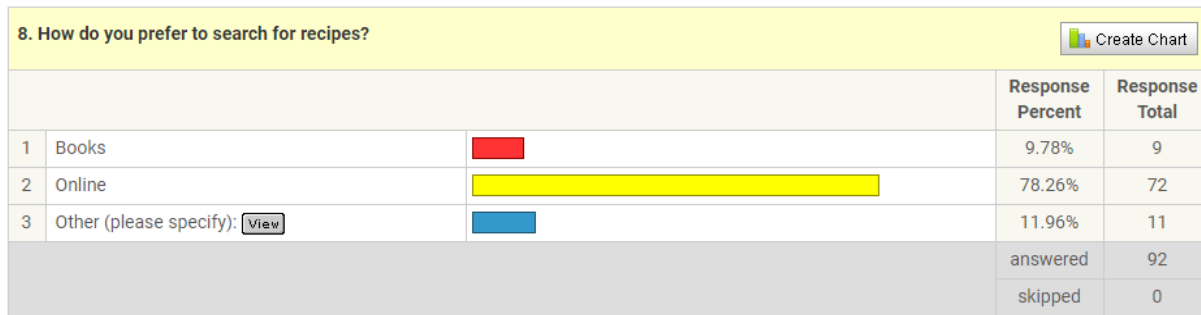
Market Research into Popularity and Demand for our App:

How desirable is our product?



Our audience seem to enjoy cooking, most people cook 6-8 meals a week, and the vast majority said they cooked themselves. There's a definite need for cooking apps:





These results show that our audience are searching for new recipes online and looking to cook new things. I would conclude there's a need for our product and it solves the problem of scrolling through recipes with dirty fingers. The other benefits include the social media integration as well as the subscription benefits already mentioned. **I would suggest somewhere between £1.49-£1.99 a month fee as an initial stab in the dark estimate (for App Income).**

A. App Subscription Income; Volumes, Prices and Related Advertising Costs:

I'm struggling to find data on downloads directly from Facebook adverts etc. Millennials spend 34 hrs a month on facebook on average and roughly 88% of our target audience use facebook so that's approximately 8.2 million facebook users. By advertising on this platform we can hope to reach millions of users. If we target 20,000 views of our advert per day on facebook then 400 (2%) of these views will become click throughs resulting in 80 downloads per day (20%). Out of these 80 downloads per day we aim to have a 60 subscribers resulting in 60 subscribers per day. **Per year we aim to achieve 21900 subscribers.**

If we get around 300 downloads per month from advertising on keyword searches and aim for 75% subscription rate as before then we can achieve 225 subscribers per month. Over the year this become 2700 subscribers. If we include other social media platforms such as twitter and pinterest then we can aim to achieve **30000 subscribers a year.**

This sort of advertising costs and it is up to us to decide on what we'll spend on this. Considering **AdWord advertising**, we can spend anywhere between £0.17-1.96 per click depending on how high on the list we want to reside. **Let's say we spend £0.2 per click we would spend £1,200 per month on advertising. On social media** if we spend the same per click then we would spend £80 per day on advertising. **Over the year the total cost of this advertising would be £43,600.**

This could therefore result in A1. App Subscription Income pre retention rates as follows:

	Year 2 (52wks) <u>£</u>	Year 3 (52wks) <u>£</u>
<u>A1. App Subscription Income:</u>		
V1 – Yr 2 and Yr 3 :		
30,000 SUBS at £12 a year each	360,000	360,000
V2 – Yr 2 and Yr 3 :		
30,000 SUBS at £24 a year each	720,000	720,000

NB:V2 : These income numbers are before the application of retention and churn rates in section 4.

NB:V2 = VERSION 2: The Updated App Subscription Income Results for the submission of deliverables on 7 June 2018:

-If we aim to achieve 30,000 subscribers a year all paying £2 per month (**£24 per year**) then we can expect to achieve **£720,000 per annum**. This is based off only achieving 30,000 subscribers per year. I would suggest this is a good aim for year one.

NB: V1 = VERSION 1: The Preliminary App Subscription Income Results submitted in 25 May 2018 Financial Performance Review :

-If we aim to achieve 30,000 subscribers a year all paying [£1 to £2] per month (**£12 per year**) then we can expect to achieve **£360,000 per annum**. This is based off only achieving 30,000 subscribers per year. I would suggest this is a good aim for year one.

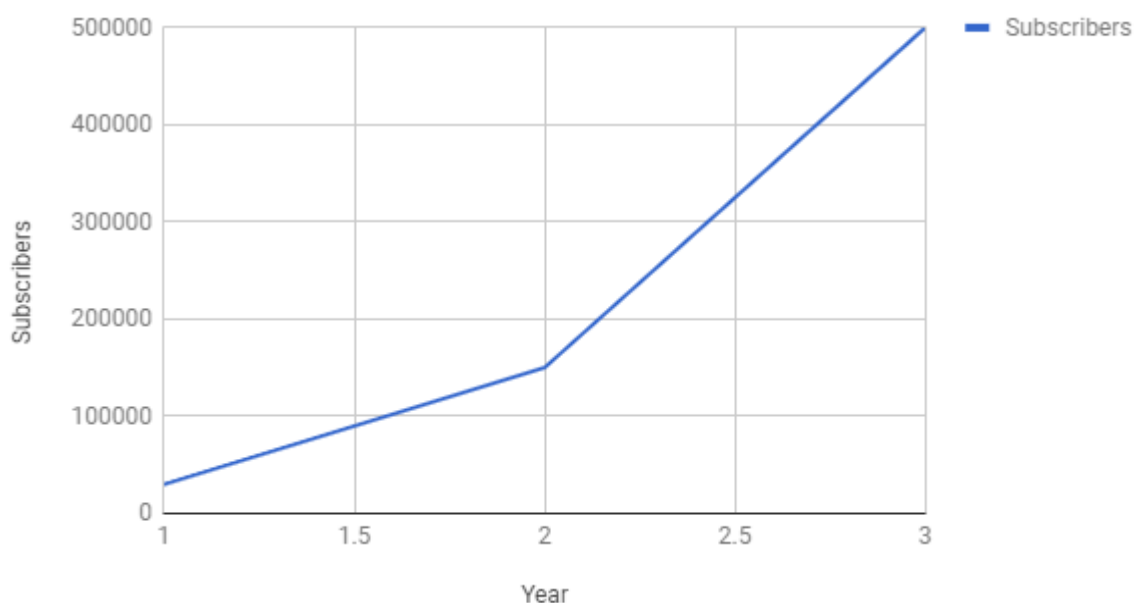
[32]<https://sproutsocial.com/insights/new-social-media-demographics/>

[33]<https://www.facebook.com/help/community/question/?id=4903375074247>

Performance over the Next 3 Years:

Below is an estimate of how we can progress in terms of subscribers over the next three years based on popularity of similar apps since they we released and their marketing budget.

Subscribers vs Year



This is based off research into advertising online and on social media.

There will be other ways of reaching people described in the marketing plan.

In order to increase growth we would need to spend more on advertising per year until we have such a large customer base that we can reducing spending on our own advertising and start to charge larger companies more money to advertise with us. This is similar to what tasty have achieved with their success and product placement advertising in their videos. At first we start off small as we won't have the budget to achieve the level of subscribers we desire but hopefully by the second year we can spend what we need to on marketing to achieve this level of growth.

App Advertising Income: Pricing of Typical Sales Volumes and Related Advertising Costs:

App downloads over time information is not freely available. Developers don't tend to publish this information. However the table below shows some information obtained from the google play store on number of install since release.

Name	Release Date	Current Number of Downloads	Avg Review /5
BBC Good Food	1/9/12	50,000+	3.4 (151 reviews)
Kitchen Stories	Early 2014	1,000,000+	4.6 (21579 reviews)
Tasty	27/7/17	1,000,000+	4.7 (25197 reviews)

The Tasty app is part of the buzzfeed group so it's rapid uptake is due to huge backing and investment from the parent company. The closest rival i would suggest we have is kitchen stories in terms of starting out small and growing steadily. In four years they have over 1 million installs from google play store, lets estimate that they have 2 million downloads including other app stores.

Therefore, relevant apps with big brand advantage resulting in backing, followings, and market uptake traction are: BBC Good Food, and Tasty

More comparable start up apps are: Kitchen Stories, Budget Bytes, Panna, and Paprika:

	<u>Current Downloads</u>	<u>Rating out of 5</u>	<u>Review Number</u>
1.Kitchen Stories: app released early 2014	21,582	4.6	21,579

[7]<https://www.crunchbase.com/organization/kitchen-stories>

https://play.google.com/store/apps/details?id=com.ajnsnewmedia.kitchenstories&hl=en_GB

2.Budget Bytes: earliest review 2017 343

[8]https://play.google.com/store/apps/details?id=com.sidechef.sidechef.partner.budgetbytes&hl=en_GB

3.Panna:2011 71

[9]<https://play.google.com/store/apps/details?id=com.pannacooking.panna&hl=en>

4.Paprika:4.10.2014 1,230

[10]:<https://www.crunchbase.com/organization/paprika>

https://play.google.com/store/apps/details?id=com.hindsightlabs.paprika&hl=en_GB

Kitchen Stories appears a comparable competitor because it has achieved:

-1 million google installs in 4 years.

-2 million downloads including other apps.

If we look at keyword searches from **Google's AdWord Tool** then we can gauge a picture of the number of people searching for phrases that are closely linked to our product. The table below shows data from the previous year for searches relating to our product.

Keyword	Min search volume	Max search volume	Competition	Top of page bid (low range) /£	Top of page bid (high range) /£
recipe app	1,000	10,000	Low	0.17	0.61
cooking app	100	1,000	Medium	0.22	1.45
recipe book	1,000	10,000	High	0.15	0.32
dinner ideas	10,000	100,000	Low	0.17	1.45
easy dinner recipes	1,000	10,000	Low	0.13	1.96
cookbook	1,000	10,000	Medium	0.22	0.9
free recipe apps	10	100	Medium	0.18	0.46
Total	14,110	141,100		1	7

This table shows the search volume per month and the bidding price for having an advert on these keyword searches. Based on these seven phrases then potentially we can have 141,100 adverts being seen per month on google. If we take into account other search engines plus all of the other thousands of keywords that we can advertise with then i estimate that we can have 300,000 adverts seen per month. Google estimate that 2% of all ads seen result in a click through so per month we can hope for 6000 clicks. Of these 6000 clicks we can assume that around 1500 are of our target audience. This assumption is based on the fact there are approximately 9.3 million people in the uk aged 18-30 out of about 65 million, and that this generation spend more time online than older generations. Conversion rate is unlikely to be above 20% so let's say that monthly from this sort of advertising alone 300 new customers download the app.

This is on one advertising platform and we are far more likely to get customers from social media advertising.

[30]<https://www.wordstream.com/average-ctr>

[31]<https://www.linkedin.com/pulse/20141102220536-50610275-how-to-forecast-sales-for-an-smart-phone-app>

Typical AdSense Advertising Revenue:

Again this very much depends on how big we are as a company and what we can dictate to people wanting to advertise on our platform. Average cost per click varies depending on time of year i.e greater at christmas etc, 'Throughout 2015-2016 period CPC varied from roughly \$0.35 in Q2, 2015 to \$0.27 in Q2, 2016. During this time the peak value CPC reached was in Q4, 2015, a quarter that covers the Christmas season when all advertisers are doing their best to reach more of their target audience and hence CPC should go up.'

[28]<http://www.mobyaffiliates.com/guides/mobile-app-advertising-cpm-rates/>

Advertising Income Strategy:

We are having an advert at the start of the recipe slideshow on the free version, but this should be varied. Therefore we should follow a similar model to google whereby the highest bidder gets more share of the adverts displayed on customers phones. Maybe advertisers pay a certain amount per month for % share.

Another method is to do pay per view so for every 5000 times an ad is displayed they pay a certain amount. This company charges \$50AUS for every 5000 views of an ad on their platform.

[29]<https://teamappadvertising.com/business/pricing>

This could therefore result in A2. App Advertising Income as follows:

	Year 2 (52wks) £	Year 3 (52wks) £
Volumes between 1k and 10k: At Prices ranging from 13p to 22p Range 1k to 10k volume Price 17p - will stay same once set (Lowest 13p, highest 22p, mode 17p) (Appendix A: page 45)	Assume 5,000 £850	Assume 5,000 £850

B. Advertising Costs:

1. Domain Advertising Costs:

To advertise our App, a domain name is required.

B1. Domain name:

handsoffcooking.co.uk for ten years : £264.96

.UK (.CO.UK) Domain Registration handsoffcooking.co.uk

£90.90 1st year £0.99 then 2+ years £9.99 (9% off 10 Years)

Privacy & Business Protection handsoffcooking.co.uk @ £129.90 72% off 10 years (Renews at £25.97/yr), keeps private information from public database so we can only publish names addresses etc if we want to.

£220.80+£44.16 (Taxes & Fees)

Totalling £264.96

[19]<https://uk.godaddy.com/dpp/find?checkAvail=1&tmskey=&domainToCheck=handsoff.com>

B2. Other Advertising Costs: Social Media: Google, Facebook, Twitter and Pinterest:

This sort of advertising costs and it is up to us to decide on what we'll spend on this. Considering **AdWord advertising**, we can spend anywhere between £0.17-1.96 per click depending on how high on the list we want to reside. **Let's say we spend £0.2 per click we would spend £1,200 per month on advertising. On social media** if we spend the same per click then we would spend £80 per day on advertising. **Over the year the total cost of this advertising would be £43,600.**

Facebook Costs and Advertising Pages:

There is no minimum charge for advertising on facebook, we tell facebook how much we want to spend and they try to get as much publicity as possible for that amount. It is free to create and run a page, we would only have to pay for advertising that page.

Social Media Campaign: from Posts to Quizzes:

The advertising campaign should include short videos, of our recipes as well as videos of the screen as people use it. There should be a link to our product page on facebook which will have all the relevant information on it about the product plus some free bonus items such as videos from the premium version. Lots of these pages regularly post videos, share articles and engaging content such as quizzes etc - a possibility for us?

Video Impact Potential linked to Product Placement:

It is estimated that tasty make between \$20,000 and \$50,000 per video they make through product placement and adverts. Example tasty case stud: 45-second guide to making a cheese-stuffed pizza pretzel had 37 million views, 650,000 likes, and 750,000 shares within 24 hours.

Social Media Pricing Strategy resulting in Other Advertising Costs:

To set a budget we have two options, pay X amount and see how it goes, carefully monitoring page views and click throughs from facebook to app store. The other option is to set a target revenue from these adverts alone, how many premium subscriptions do we need to cover advertising cost and generate revenue. Must be patient, it will not be an overnight success, it can take months to achieve desired revenue.

Using Google experience to quantify Other Advertising Costs:

AdWord, on google adverts are ordered based on quality score, based on click through rate and relevance of keywords etc, and ad rank, set by google. We pay per click given by the ad rank of the ad below/ quality score + 1p. Advertisers bid on keywords and we would bid as much as we can depending on our budget. Once we set a budget we can estimate revenue from it.

[20]<https://www.facebook.com/business/help/201828586525529>

[21]<https://www.facebook.com/business/help/201828586525529>

[22]<https://www.quora.com/How-much-money-do-the-Tasty-videos-on-Facebook-make#>

[23]<http://fortune.com/2016/01/19/buzzfeed-tasty-proper-tasty/>

[24]<https://www.socialmediaexaminer.com/facebook-ad-budget-how-to-set/>

[25]<https://www.wordstream.com/blog/ws/2015/05/21/how-much-does-adwords-cost>

[26]https://adwords.google.com/intl/en_uk/home/how-it-works/search-ads/

B3. Other Marketing Plan and Advertising Costs:

These costs could cover:

- Freshers Fairs (**10 fairs at £800 = £8,000**)
- Advertising on Facebook (also in B above)
- Advertising on search engines(also in B above)
- Pop up stalls at universities, supermarkets and in town centres
- Advertising with brands

The above points are all avenues we can explore in order to push our product into the mainstream.

Freshers Fair:

As our target audience is young people aged 18-30, setting up a stall at freshers fairs are a great way to tap into a mass of young people living in one area. The beauty of this is that there will be different freshers every year to visit, the downside is that there is a limited window of opportunity as freshers weeks are usually only in one six week window, mid august to october.

If we were to have a stall at freshers fairs we could have live demonstrations of the app as well as tasters of the food you can cook with the app, this will appeal to students. Costs can vary and there's not a lot of information out there however from University of greenwich, who have 9000+ students visiting, prices vary depending on location : £480 - £800 (see link).

York Freshers Fair: The 2016/17 price for a Freshers Fair stall for a private business was £525 for a standard stall and £825 for a premium stand (Email from YUSU).

	2009/0	2010/1	2011/2	2012/3	2013/4	2014/5	2015/6	2016/7	2017/8
UG	10,365	11,220	11,770	11,890	12,165	12,300	12,520	12,925	13,415
PGT	2,410	2,675	2,785	2,760	2,775	2,665	2,480	3,145	3,360
PGR	1,125	1,170	1,190	1,250	1,280	1,370	1,390	1,410	1,335
Grand Total	13,900	15,065	15,745	15,900	16,220	16,335	16,390	17,480	18,110

Leaflets are a must to give to students to encourage downloads. With vistaprint 20000 budget, glossy, a6 sized flyers would cost £86.61 excl VAT. If there are around 9000 students attending then we could aim to hand out at least 1000 flyers and free food samples.

So a typical cost of campaigning at a freshers fair would be around £500 for a standard stall, around £4.33 for cost of 1000 leaflets and maybe £300 on tasters (around 30p per sample). **Per event : £804.33.**

Of the thousand leaflets handed out we should aim for around 400 downloads of which we should aim for 300 subscribers. If these subscribe for a year at £2 per month then **we can achieve £3600 revenue from this initial £800 outlay. If we aim to do ten freshers events a year with the same figures we can achieve 3000 subscribers in this one month window resulting in £36,000 yearly revenue.**

As students begin to use the app, they will share it with their friends, colleagues, housemates and family and hopefully the app will begin to circulate.

[34][https://www.vistaprint.co.uk/marketing-materials/flyers?txi=16907&xnid=TopNav_Flyers++\(linked+item\)_Marketing+Materials&xnav=TopNav](https://www.vistaprint.co.uk/marketing-materials/flyers?txi=16907&xnid=TopNav_Flyers++(linked+item)_Marketing+Materials&xnav=TopNav)

[35]<https://www.suug.co.uk/aboutus/advertise/freshersbookings/>

[36]<https://www.york.ac.uk/about/student-statistics/>

Pop Up Stalls, Flying/Leaflets, and Big Brand Tie-Ups:

These have not been separately priced, as costs are both volume and calendar dependant and remain currently unplanned in full detail.

(Basically, a provision approach has been adopted to cover the following costs and this total provision has been set at a maximum relating to the opportunity cost of further Adword advertising where higher returns can be obtained for money spent).

Pop Up Stalls:

Pop up stalls would be similar to those described for freshers fairs but be on a much smaller scale. For example we could return to the universities throughout the year but with a smaller setup which would lead to lower cost but also few new subscribers. Another way to promote our app is to hand out leaflets in town centres and at shopping centres to passers by. This would result in less yield as most people will take a leaflet and throw it away **however leaflets are very cheap to produce, £86.61 for 20000.**

Flying/Leaflets:

2% of all adverts online result in click throughs to the actual product, if we apply this rate of uptake to leaflets then per 20000 leaflets handed out in the street to our target audience then we can aim for 400 downloads per 20000 leaflets of which 300 become subscribers. We would have to employ someone to hand out leaflets etc in town centres and supermarkets, if they are paid £10/hr, work six hours a day and hand out around 720 leaflets (2 per minute) then total cost of this exercise would cost, £60 in wages and £3.18 in leaflet cost totalling £63.18 a day. Again assuming 2% download rate then we can achieve 14 downloads and 10 new subscribers. Paying £2 a month for the subscription for a year yields £120 a year from these subscribers. This isn't a great return but it does however get the brand name amongst supermarket products and the high street. These estimates rely on a pessimistic 2% yield but it shows how this sort of marketing can still make a profit with a pessimistic approach.

Big Brand Tie-Ups:

Another avenue to explore would be getting ties with big brands. By having QR codes on the packaging of products such as Pringles, Cadbury's and Robinsons. These brands have a big impact on younger generation and as they are food companies so we could include some advertising on the app for them as part of any deal. This idea might have to be something that we cannot explore immediately as we do not have the market share or brand power that most of these companies would look to promote. I have sent emails to Heinz, Mondelez (Cadbury), and Kellogg's (Pringles) asking about the likelihood of a deal like this happening but all responded saying it wouldn't be possible. I also tried to ask ASDA and ALDI about having ties with a supermarket but neither got back to me.

[37]<https://www.slideshare.net/Voxburner/youth-100-2017-the-top-brands-according-to-uk-1624s>

This could therefore result in B. Advertising and Marketing Costs as follows:

(Unchanged between preliminary and updated results)

	Period 1 (24wks) <u>£</u>	Year 2 (52wks) <u>£</u>	Year 3 (52wks) <u>£</u>
<u>Advertising Costs :</u>			
<u>Domain Costs:</u>			
(Same for V1 and V2)			
(Same for YR 2 and YR 3)			
(Appendix A: page 46 above)			
Domain Costs: £264.96 divided by 10 yrs			
= £26.50 per year	-	26.50	26.50
<u>Other Non Domain Advertising Costs:</u>			
(Same for V1 and V2)			
<u>B1. AdWord</u> - £1,200 for 12 Months:	-	14,400	14,400
(Appendix A: page 47)			
<u>B2.Social Media</u> -£80 a day:	-	29,200	29,200
(Appendix A: page 47)			
<u>B3. Other Advertising and Marketing Costs:</u>			
-This provision has been set not to exceed the opportunity cost represented by further advertising using platforms such as Adword).	-	14,400	14,400
(-Freshers Fairs costs = £8,000 of this opportunity cost provision.			
-£6,400 is therefore available for stalls, flyers, leaflets, brand tie-ups, and any other media advertising or marketing costs).			
(Appendix A: page 47 above)			
<u>Total Non Domain Advertising Costs:</u>	-	<u>£58,000</u>	<u>£58,000</u>
<u>Total Advertising/Marketing Costs:</u>	-	<u>£58,026.50</u>	<u>£58,026.50</u>

C. To Summarise this Market Research :

Our Preliminary Marketing Mix [66] as a result of our Market and Pricing Strategy Research above is therefore as follows:

Product:

- Our product is a cooking app whose unique feature is its hands-off approach (the USP is in the name).
- Our target market is 18-30 year olds interested in cooking apps.

Price:

-Our price depends on what type of app service the customer wants:

A. If this a one-off app usage, then the price is 17p.

B. With the aim being to secure a more lucrative, reliable annual subscription from the user, the annual subscription rate is £2 per annum for which the subscriber receives freebies and/or events access.

Place:

-Our product will be sold, accessed, and available through the well-established current app market on the internet (via mobile, computer, and Ipad app usage).

Promotion:

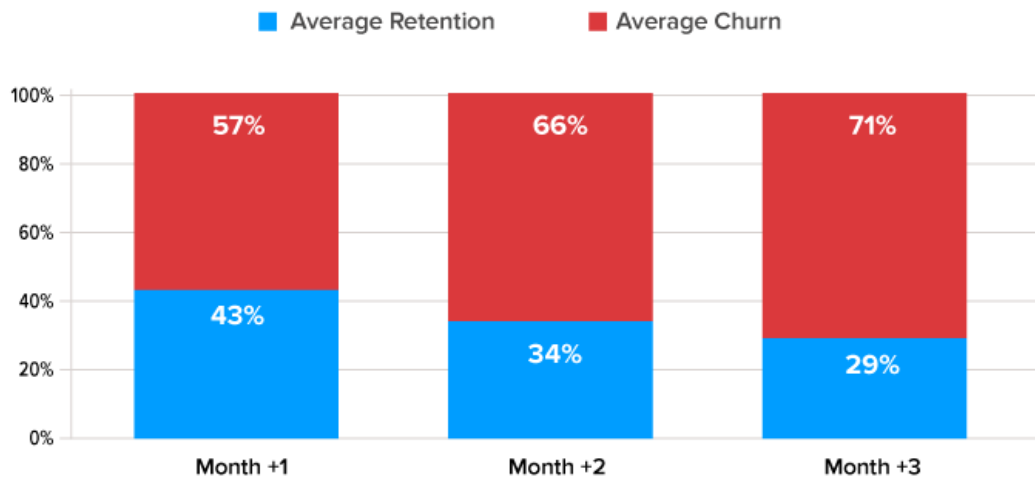
-Our product will be promoted, advertised, and marketed through:

- A. Internet searches for cooking apps.
- B. Advertising on social media platforms.
- C. Freshers Fairs promotions.
- D. Pop up stalls, flyering/leaflets, tie-ups with big brands.

4. Retention and Churn Rates for Mobile Apps applied to Subscription Income to derive Total Product Income in 1 above and further App

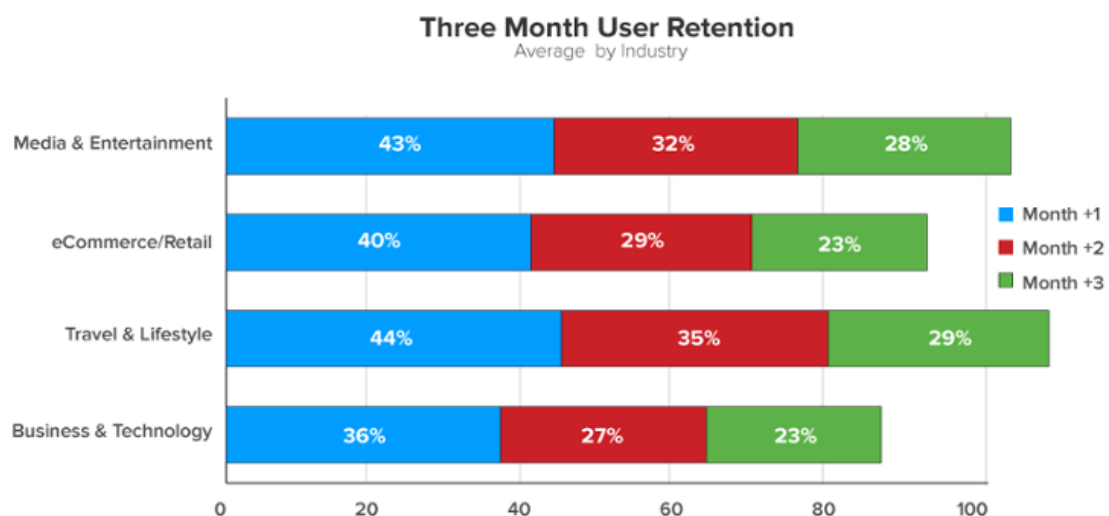
Development/Marketing Points:

- App income cannot be guaranteed on an annual basis (Localytics [68] and Statista [67] provide similar information supporting this).
- There appears to be a churn rate average of 71% after 3 months resulting in a 29% retention rate after 3 months for mobile app income [67 and 68].
- This will severely dent our expected app subscription income, as media and entertainment apps appear to retain only 28% of users after 3 months, and travel and lifestyle apps (our cooking app market) appear to retain only 29% of users after 3 months.
- Using 2017 data, Localytics [68] agrees with Statista [67] that 71% of all app users churn within 90 days, ie 3 months. This is shown as follows:



Localytics

Source: Localytics 2017



Localytics

Source: Localytics 2017

Localytics also propose the following 8 ways to improve mobile app retention:

“1.) **[App Onboarding](#)**: If users don't clearly understand the value of your app and how to use it, their odds of churning drastically increase. We've seen app user retention rates increase by 50% after implementing a solid onboarding.

2.) **[In-App Messaging](#)**: In-app messages are received while a user is within your app, and is usually based off of some action taken. Because of this, they're highly relevant to the end user and also make it easier for them to move through your app experience. Plus, they've been known to drive retention up over [3x](#). 2.) **[Push Notifications](#)** - **[Rich Push](#)** & **[Geopush](#)**: Push notifications are crucial to engaging with users outside of your app. But because they're sent right to a user's homescreen, the stakes are high to do it right. That means having [compelling messaging](#) that is personalized to the user, and combining that with the latest and greatest in push notification technology.

3.) **[Individualization](#)**: App users crave individualization. They want their interactions to be tailored to their preferences, location, and in-app behavior. In fact, a recent study our data team did found that [individualized push](#) & [in-app messages](#) performed much better than broadcast.

4.) **[Predictive Insights](#)**: Understanding which users are at risk of churning gives you the opportunity to save them. Using [predictive app marketing](#), you can design highly personalized messaging campaigns to re-engage these users before it's too late.

5.) **[Remarketing](#)**: [50% of all app users opt-out of push messaging](#), making it increasingly hard to draw users back into your app. The solution? Remarketing. Sending a compelling reminder about your app to lapsed users outside of the app is an effective way to re-engage them. You can do this through email, social, and search advertisements. Be sure to tap into data insights about your lapsed app users' behaviors, interests, and preferences to ensure your remarketing ad is relevant and thus, effective.

6.) **[A/B Testing](#)**: The only true way to know which marketing strategies are working and which are falling flat is through [A/B testing](#). A/B testing makes you smarter and more efficient when it comes to your campaigns, and helps you to pinpoint the messaging and features driving engagement and conversion. For example, you should A/B test CTAs to see which entice users to move through your key app funnels as well as different push and in-app offers to see which drive higher conversion rates. The more in-app activity and conversion actions a user has, the more sticky your app becomes to them.

7.) **[Omni-channel Experience](#)**: One of the biggest mistakes marketers make is not integrating their app into their overall marketing channels. Too often, apps are siloed from the rest of the marketing strategy, resulting in a disconnected brand experience for the user. Instead, promote and infuse your app across all other channels to create a seamless experience for users. This seamless experience will translate into having a very sticky app, boosting your retention.

8.) **[Use Data to Guide You](#)**: As with any channel, in order to truly win at mobile you need to lead with data. That means having a [mobile engagement platform](#) that

grants you the insights you need to understand how well you are retaining users, and how impactful your app marketing campaigns are in moving that needle. Having the right data insights will allow you to strengthen your interactions with users, ultimately resulting in a positive uptick in retention.”

-Applying Localytics and Statista retention rates to our App Subscription Income only produces the following:

(Version 1 - V1 - Preliminary results submitted for Financial Performance Review on 25 May 2018;
Version 2 - V2 - Updated results submitted with final deliverables on 7 June 2018).

	Year 2 (52wks) £	Year 3 (52wks) £
<u>Version 1: Total Product Income:</u>		
<u>A. App Subscription Income:</u>		
<u>V1 – Yr 2 and Yr 3 :</u>		
Sweng 3 aimed at a target market of 30,000 annual subscriptions at £12 a year each : (Appendix A: page 42) (V1 did not apply retention and churn rates and did not accumulate subscription income from year 2 into year 3. But V1 results did use a lower end £1 price rather than the subsequently confirmed £2 price for annual subscriptions).	360,000	360,000
<u>B. App Advertising Income:</u>		
<u>V1 – Yr 2 and Yr 3 :</u>		
Sweng 3 researched a market with a range of 1k to 10k volume available for one-off hits. Adopting a “median” approach and recognising the 17p mode price would need to remain the same once set, a volume of 5,000 was assumed to be attainable. (Lowest price = 13p, Highest price = 22p, Mode price = 17p) (V1 did not apply retention and churn rates to one-off hits, but did use a lower end 17p price). (Appendix A: page 46) 5,000 x 17p =	Assume 5,000 £850	Assume 5,000 £850
<u>V1 - Total Product Income:</u>	<u>£360,850</u>	<u>£360, 850</u>

Version 2: Total Product Income:**A. App Subscription Income:**

Year 2 (52wks) <u>£</u>	Year 3 (52wks) <u>£</u>
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V2 – Yr 2 and Yr 3 :

Applying Appendix A travel and lifestyle page 52 app retention rates to Appendix A page 42 income numbers:

Yr 2:

Annual target market = 30,000 subscriptions at £24 a year each = £720,000 £720,000

Only part of this is likely to be retained as follows:

-month 1: 44% retention x 30,000 = 13,200 x £2 a month = 26,400
 -month 2: 35% retention x 30,000 = 10,500 at £2 for a month = 21,000
 -month 3: 29% retention x 30,000 = 8,700 at £2 a month = 17,400
 -Assuming retention rates then stay at 29% for the rest of each year:
 -months 4 to 12 = 9 months
 -9 months: 29% retention x 30,000 = 8,700 at £2 for 9 months = 156,600

Total Year 2 App Subscription Income: **£221,400**

Yr 3:

-Assuming 29% of our first 30,000 subscribers are retained from year 2 for the whole 12 months in year 3:

-Year 2 (whole year 3): 29% retention x 30,000 = 8,700 at £2 for 12 months = 208,800

-Assuming a fresh 30,000 subscription volume and £720,000 income is available for year 3 with similar retention rates to year 2:

-month 1: 44% retention x 30,000 = 13,200 x £2 a month = 26,400
 -month 2: 35% retention x 30,000 = 10,500 at £2 for a month = 21,000
 -month 3: 29% retention x 30,000 = 8,700 at £2 a month = 17,400
 -Assuming retention rates then stay at 29% for the rest of each year:
 -months 4 to 12 = 9 months
 -9 months: 29% retention x 30,000 = 8,700 at £2 for 9 months = 156,600

Total Year 3 App Subscription Income: **£430,200**

B. App Advertising Income:**V2 – Yr 2 and Yr 3 :**

Sweng 3 researched a market with a range of 1k to 10k volume available for one-off hits.

Adopting a “median” approach and recognising the 17p mode price would need to remain the same once set, a volume of 5,000 was assumed to be attainable.

(Lowest price = 13p,

Highest price = 22p,

Mode price = 17p)

(V2 does not apply retention and churn rates to one-off hits, but does use a lower end 17p price).

(Appendix A: page 46)

5,000 x 17p =

Assume 5,000
£850

Assume 5,000
£850

V2 - Total Product Income:

£222,250

£431,050

5. Approach Taken on Salaries, Fixed, and Other Assets:

A. Launch and Growth Phase Salaries:

-Longer term, a formal enterprise reporting structure and incorporation of the enterprise as a private company could be required, although currently our project focuses on a 3 year time frame only covering Development (Yr 1), Launch (Yr 2), and Growth (Yr 3) phases.

-As a result, overlap between roles within the enterprise is initially expected, along with lower salary costs. (Wages have been restricted to a maximum of three staff working for part of a year only during our next Launch and Growth phases).

- Therefore, our conservative approach results in the following **wage costs for the Development, Launch, and Growth phases:**

	Period 1 (24wks) <u>£</u>	Year 2 (52wks) <u>£</u>	Year 3 (52wks) <u>£</u>
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(Unchanged between preliminary and updated results)

Direct Wage Costs:

Development Phase: Year 1:

Per Work Breakdown Schedule and Cash Flow updates: 17,406

Launch Phase: Year 2:

3 staff performing overlapping roles, using top-end £29k salary estimates from Target Recruitment [53], for 3 months/13 weeks

= 3 x 29k x 3 months = £21,750

(Target [12] = 26-29K,

Telegraph [11] = 27K,

Reed [13]= 39K)

21,750

Growth Phase: Year 3:

£21,750 x CPI 2.5% [14] = £22,294

(CPI: Consumer Price Index Rationale:

Per Office of National Statistics:

-to March 2018 = 2.3%

-to February 2018 = 2.5%

-Annual Average Rate March 2017

to March 2018 = 3.2%

-Therefore, median 2.5 % rate

used for inflationary price increases).

22,294

Longer term: Potential Future Hiring Positions and Hours that could need to be Worked:

CEO: £50,000 p/A (Full time)

The CEO will fill Project managing and HR roles, as well as supporting staff wherever necessary.

Accounting, Finance: £50,000 p/A (Full time)

Throughout this project, the accounting and finance team has been working around the clock. This role is essential in maintaining investment, and so a full time position is absolutely necessary.

Programming Manager: £120k - £150k p/A (Full Time)

Software Engineer: £70k - £100k p/A (Full Time)

Thus far (up until the week of 21st May 2018) the team has spent 489 hours (net) programming. With an estimated* 350 hrs of work remaining until prototype completion, this will result in about 840 hours programming work throughout this project. Programming started from 29th January, and is expected to be finished by 4th June, which in total spans 17 weeks. This points to an estimated average work time of 50 hours per week.

Future roles of the software team will include:

- Server maintenance
- Designing & developing App / features
- Bug fixing

And so a minimum of 2 full time employees (each working 48 hours per week) will be employed.

Marketing Manager: £50,000 p/A (Full Time)

The success of the project hangs on popularity, resulting in a large and growing number of consumers. Marketing will boost brand awareness, and draw users to our platform.

Longer Term: Potential Typical Future Salaries:

According to the below site the avg salary for someone in a startup is £36k. This varies with software manager earning £44k, a developer earning £32k etc.

[40]<https://www.payscale.com/research/UK/Employer=Startup/Salary>

Salaries will depend on growth of company, are we going to be regularly publish vast updates or will a lot of the work be just maintenance with occasional updates? Good start ups need to attract people so we should aim to pay at least 10% higher for staff that established companies. A graduate software engineer can expect about £32k starting salary, so we should be offering around £35k for graduates with no experience. This is probably a minimum for these sorts of roles. We should also include bonuses based on performance as well as shares in our company. Marketing graduates probably expect £27k starting salary for a good marketing role.

[41]https://www.payscale.com/research/UK/Job=Software_Developer/Salary

[42]<https://medium.com/swlh/why-great-startups-pay-higher-salaries-60255c75aa1e>

[43]<https://jobs.theguardian.com/jobs/marketing-and-pr/graduate/>

B. Longer term Fixed Asset Purchases, such as Premises and Cars:

-Consideration will need to be given to obtaining and furnishing business premises longer term, although this will remain dependant on achieving app subscription volume. (Currently, all premises expenses are covered through rent and utilities and it is envisaged that this will continue throughout the Launch (Yr 2), and Growth (Yr 3) phases of app development).

-Longer term other fixed assets are also likely to be required, such as company cars.

C. Longer Term: Other Asset Purchases- Server Research:

-IT costs will also need to adjust from using a service to in-house development longer term, although what the enterprise can afford will remain dependant on what market share is gained and uptake traction for our cooking app product.

- Therefore, at present, the cost of a server has not been taken into account within the 3 year time window, as it is assumed IT will continue to be provided by a service until certainty over app income volume can emerge.

-A cautious view has therefore been adopted for IT, and the actual purchase of a server has not finally been included until reliable app subscription volumes are known, likely, and realisable.

-Preliminary research has, however, been undertaken into a server only, as this is likely to be the most urgent asset needing to be bought.

Server Expenses

Our app relies on a server to communicate with. For this, there are two options:

- Server Hire
- Purchasing a server

Server Hire

Pros:

- No up-front costs
- No hardware maintenance costs

Cons:

- Storage space can be somewhat limited
- High long-term costs (£3-4k p/A)

Server Purchasing

Pros:

- Flexibility & control
- Can easily upgrade system

Cons:

- Large up-front cost

The application of our servers will primarily be the storage and transfer of large and growing amounts of data, largely images. Our financial plan is looking to start making profit within the 5 year mark, and so we feel that the up-front purchasing of a server best suits our needs.

Server Up-front Budget Estimate

Server Computing Unit ^[1]	£3000
Storage Upgrade ^[2] - 3TB SAS Hot-swap HDD (Can add more as necessary)	£360
Rackmount Server Cupboard ^[4]	£450
TOTAL	£3810

Ongoing costs

Maintenance	£500 p/A
Upgrades	£3000 once every 5 years

[61] - <http://www.dell.com/en-uk/work/shop/servers-storage-and-networking/smart-value-flexi-r640-8x25-4114-1x16gb-1x300gb-15k-sas-h740p-idrac9-enterprise/spd/poweredge-r640/per6401>

[62] - <https://www.ebay.co.uk/itm/NEW-Dell-Equallogic-3TB-3000GB-7-2k-7200-RPM-SAS-6Gbps-3-5-HDD-4CMD9/401496720655?epid=1190017491&hash=item5d7b11c50f:g:h4QAAOSwmLIX8Tyf>

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[64] - https://www.racksolutions.co.uk/portable-server-rack.html?gclid=CjwKCAjwopTYBRAzEiwAnU4kbxTHu_zLsVVXsJqciWEGT-jymTWIGtCxZHG97Kx74HyH8_yaOW8XAhoCk-wQAvD_BwE

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- [8] https://play.google.com/store/apps/details?id=com.ajnsnewmedia.kitchenstories&hl=en_GB
- [9] <https://play.google.com/store/apps/details?id=com.pannacooking.panna&hl=en>
- [10] https://play.google.com/store/apps/details?id=com.hindsightlabs.paprika&hl=en_GB

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- [12] <https://targetjobs.co.uk/.../engineering/.../284465-engineering-salary-round-up-from-...> (Says £26k to £29K)
- [13] <https://www.reed.co.uk/average-salary/engineering> (Says £39k)

-Inflation Rates: (CPI = 2.5%)(per the Office of National Statistics).

- [14] <https://www.ons.gov.uk/.../inflationandpriceindices>

-Small Business Rates:

Small Business rates are lower than 16.86%

- [15] <https://fitsmallbusiness.com/sba-loan-rates> (rates set at maximum 9%)
- [16] <https://www.santander.co.uk/uk/business/borrowing-finance/business-loans> (offers between 4.9% and 24.9%)
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[31] <https://www.linkedin.com/pulse/20141102220536-50610275-how-to-forecast-sales-for-an-smart-phone-app>

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[33] <https://www.facebook.com/help/community/question/?id=4903375074247>

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