

# **Sociavi Business Plan**

**Prepared by:** Paula Muller

**Version:** 1.0  
June 19, 2017

**Table of Content**

**Executive Summary.....3**

**Company Description.....4**

**Market Analysis.....4**

**Organization and Management.....8**

**Service and Product Line.....9**

**Marketing and Sales.....11**

**Financial Projections.....14**

## Executive Summary

**SOCIABI** is a Latin word that means **SHARE** and **UNITE**, and that is what Sociavi Company is set up to do. At Sociavi Company, we want to build tools that help people share experiences and bring them closer together, eliminating any obstacle that hinders the pursue of that goal. Ease of use, simplicity and accessibility are the main guiding principles for any decision around the design and implementation. Finally, Sociavi focuses on serving the segments of the population for which communication is the hardest: seniors who feel intimidated by technology and their children and grandchildren who juggle personal and professional lives and caregiving.

Sociavi Company has developed an innovative communication tool for seniors and their families to stay connected and engaged, which is called Sociavi. Sociavi is communication simplified for everyone involved. On one hand, the seniors receive a dedicated device that is always on, and there is no need to learn yet another app or how to use a new computer. On the other hand, the family members and caregivers use what they carry alongside all the time – their smartphones, they only need to install the free companion app. Through the companion app they can send pictures and videos from anywhere and at any time. They will be immediately updated on the dedicated device that the senior receives. Moreover, the adult children can send personal reminders and alerts for the seniors to remember and structure their day. The video chat capability allows the adult children and caregiver see face-to-face live their elderly loved ones. And that is not the end, Sociavi continues evolving as the customers requests new features.

Even though the goal of Sociavi Company is to build an organization with the purpose of serving the communication needs of the elderly and their families with an ambitious scope, the current business plan addresses the initial phase of business viability. Reaching the modest goals in the time frame defined in this business plan will cement the potentiality of the business and set the path to define the business plan for the next phase of growth.

The following sections will describe the company structure, the revenue model, the financial projections and operations details to be carried out over a period of 35 months, when the break-even point is achieved. Financing for this period will be covered with personal savings and grants.

## Company Description

Sociavi aims to eliminate the isolation and loneliness that many of our seniors experience. There are many factors that can trigger this situation: seniors living longer, families distributed across geographical locations and increasingly challenging management of personal and professional life for the adult population. Thus, the family tradition of siblings and parents living closer together within the confinements of the town where everyone was born and grew up is very often a thing of past. With this, our seniors live alone, sometimes with just their spouses, and sometimes not even in the homes where they spent most of their adult lives. Moreover, as time goes by, the circle of friends becomes smaller and they turn more introvert.

Sociavi has built a communication tool that helps everyone stay in touch addressing the needs and capabilities of each one involved. Characterized by simplicity and ease of use, Sociavi helps seniors and their children and grandchildren connect and come closer together even across long distances and in spite of the time management challenges of daily lives that the adult children experience.

It is true that technology has come a long way in terms of connecting people and places, but still, there is a segment of the senior population that is underserved. Seniors for whom an iPhone, an iPad, a tablet or a laptop are too cumbersome to use. Sociavi addresses the need of this segment of the senior population and their respective families, because, as much as the seniors feel the need to communicate so do their children and grandchildren.

Sociavi is an internet based picture frame with integrated calendar and personal alerts (the Sociavi Pad). The functions of the Sociavi Pad are controlled by a free app that everyone can install on their smartphones. Seniors do not need to do anything, the Sociavi Pad operates with the touch of a finger. Adult children and grandchildren can send pictures and videos to the Sociavi Pad. They can also add reminders like doctor's appointments, medications and more. The video chat feature allows them to have live face-to-face interactions with their elderly loved one. Thus, the Sociavi Pad is for the senior the window into their family lives, from where they can not only observe, but also interact.

## Market Analysis

### *Industry Description and Outlook*

The senior care industry is under transformation and economists have identified potentially large payoffs. They call it the "longevity economy" which serves the needs of Americans over 50 years old. According to Oxford Economics, it composes 46% of the US economy and a \$7.1 trillion market. The same analysts forecast it will grow to more than \$13.5 trillion by 2032<sup>1</sup>.

While Sociavi is not meant to serve the whole segment of 50 years old and older, but rather the 75 years and older, an analysis of the population in this segment reveals that about 22% of the 50+ are 75+, which would translate to a \$1.5 trillion, expanding to \$3 trillion by 2032.

Even though it is difficult to predict, how much of the \$1.5 trillion market could be counted by services like Sociavi, even a very small percent such as .001 percent account for \$15 million {Appendix A1}

From another perspective, Sociavi not only helps seniors but their caregivers and family members, by

---

<sup>1</sup> <http://www.cnbc.com/2015/10/12/top-vcs-target-7-trillion-senior-care-market.html>

providing a tool that assists them to look after their loved ones. Besides the emotional issues associated with caring for an elderly parent, there are real financial implications. A MetLife study of "Working Caregivers and Employer Health Care Costs"<sup>2</sup> found \$17.1 billion to \$33.6 billion annually estimated costs for employers linked to caregiving. Among these costs, absenteeism accounted for \$5.1 billion, employees shifting from full-time to part-time roles accounted for \$4.8 billion, \$6.6 billion to replace employees who left and \$6.3 billion for workday interruptions. In addition, health care costs for employees caring for an elderly relative showed an 8 percent differential increase in direct health care costs to those who are not, because of manifestations of health conditions such as diabetes, depression, hypertension and others.

It is clear there is a need to support seniors and their families cope with the changing dynamics of caregiving for a growing elderly population.

### ***Target Market***

Sociavi aims to address the communication needs of older seniors who feel intimidated by technology and/or feel challenged by learning it. This may happen because they were not exposed to technology in their forming and working years, or because of the presence of an overwhelming medical condition or early onset of dementia.

Under these circumstances, adult children feel frustrated trying to teach their parents how to use a smart phone, a tablet, or an iPad.

Moreover, family members may not be able to visit their elderly loved ones as often as they would like and/or the family member who is the caregiver juggles between caring for their own children and for their parents, needing a tool that helps them be present even at a distance for shorter that this could be. They are so-called "sandwich generation" and count for tens of millions of Americans.

Sociavi aims to facilitate the opportunities of communication between the elderly and their family members, thus smoothing the changes in family dynamics arising from caring for an elderly relative.

### ***Distinguishing Characteristics***

**Simplicity and ease of use are the key distinguishing characteristics of Sociavi.**

On one hand, the senior receives a dedicated device that does NOT look like a computer, a tablet or an iPad, but rather a non-threatening digital picture frame. The frame is always on. There is no need for logging in, remembering a password, recalling which app to use or how to use it, or even what icon is associated with the app. If at all, only one finger is required to interact with the frame, and in the future, voice activation will be added.

On the other hand, family members and friends use what they carry with them all the time and are familiar with, their smartphones. A wieldy app is downloaded and installed, which allow them to interact with the senior's frame.

Sociavi is effortless and painless for everyone.

---

<sup>2</sup> <https://www.metlife.com/assets/cao/mmi/publications/studies/2010/mmi-working-caregivers-employers-health-care-costs.pdf>

## ***Size of Primary Target Market***

Sociavi's primary market are seniors needing some sort of long-term care service, and their families. They are seniors who are not fully independent and cannot get out and about on their own. Thus, they are limited in the extent in which they can visit friends and family, and need assistance for their care.

According to a 2013 report from the Center for Disease Control and Prevention<sup>3</sup>, annually there are 8.3 million people receiving support from the 5 main long-term care services; 4.7 million receiving home health, 1.4 million in nursing homes, 1.2 million in hospice, 0.7 million in residential care and 0.3 million in adult day centers. However, a 2007 study from the Center for American Progress, identified 12 million Americans in need<sup>4</sup>.

In summary, there are over 8 million potential Sociavi customers with their respective families across the US. Moreover, Sociavi can expand internationally. The populations in Europe, rest of America and Asia are experiencing the same trends.

## ***Sociavi Market Share***

Currently, Sociavi is not covered by any type of insurance, therefore it can only be adopted by private funds. Moreover, as it has become clear to the founder, Sociavi is a service most likely to be purchased by a family member for the senior they care.

Considering that people with a household income of \$80,000 or more would consider this purchase, the 2015 data from the US census bureau showed that these potential buyers would reside mostly on the northeast and parts of California.

Similarly, by looking at the 2015 data from the US census bureau, the seniors who would potentially benefit from Sociavi, who are seniors 75 and older, reside mainly in the Northeast, Florida, and California where over 5% of the county population is 75 years old and older, accounting for 7.3 million Americans.

## ***Pricing and Gross Margin Targets***

Sociavi has two types of pricing schema: i) Buy equipment and monthly subscription and ii) Bundle rental and monthly subscription, which are described next.

### **Buy equipment and monthly subscription**

In this scenario, family buys the Sociavi frame for the senior, and then it pays a monthly subscription fee, as shown below.

Item	Sale Price	Monthly Subscription	Gross Profit
14" Sociavi frame	\$350	\$25	%54.78

*Gross Profit calculated over 35 months.*

<sup>3</sup> [https://www.cdc.gov/nchs/data/nsitcp/long\\_term\\_care\\_services\\_2013.pdf](https://www.cdc.gov/nchs/data/nsitcp/long_term_care_services_2013.pdf)

<sup>4</sup> <https://www.americanprogress.org/issues/healthcare/news/2008/02/11/3901/long-term-care-by-the-numbers/>

## Bundle rental and monthly subscription

In this scenario, family rents the Sociavi frame for the senior, and pays the rent price and monthly subscription bundled in one monthly fee, as shown below.

Item	Monthly Rental Bundle	Gross Profit
14" Sociavi frame	\$65	%57.96

*Gross Profit calculated over 35 months.*

## Competitive Analysis

There are few products in the market that aim to address the communication needs of seniors. The next paragraphs describe how Sociavi is different in its characteristics and in the segment of the population that aims to serve.

### Tablets with specialized user interfaces for seniors

In this category there are two main products: GrandPad<sup>5</sup> and Breezie<sup>6</sup>. Both companies have developed user interfaces that overwrite the default android tablet user interface to make it easier for seniors to navigate and be able to use email, video calls and so on. In both cases, seniors have to be educated or be familiar with these concepts and be willing to navigate and manage these devices. There is a high level of independence, health and cognitive ability from the part of the seniors who use them.

Sociavi is simpler than these offerings, seniors do not need to navigate to any application or understand the concepts of email or other applications. They just respond if and when is needed to the queues from Sociavi, and get the benefit of the connections with their loved ones.

### Non-personal dedicated systems

In this category the main example is iN2L<sup>7</sup>. It is a workstation where seniors supervised by a staff member at the facility can play, receive emails and gather other information.

Sociavi on the contrary is a personalized device that does not require supervision or coordination for its use.

### Tablets and iPads

In this category there are several models and vendors, however, as it has been described before, it requires that either the adult child instructs the senior on how to use it, or the senior is tech savvy enough to use them.

## Regulatory Restrictions

Sociavi is not a medical device or a mobile medical application, therefore it does not require FDA approval. In addition, no personally identifiable information is transmitted or stored in the Sociavi

<sup>5</sup> <https://www.grandpad.net/>

<sup>6</sup> <https://www.breezie.com/>

<sup>7</sup> <http://in2l.com/>

servers, and all the data exchanges to the Sociavi servers are encrypted.

## Organization and Management

### *Organizational Structure*

The future organizational structure of Sociavi Company will include the following positions and responsibilities:

The **Chief Executive Officer**, Paula Muller, will oversee all the activities of the organization.

The **Chief Financial Officer**, not only will be responsible for the accounting, finances, and financial projections of the business, but also for the internal controls of the business.

The **Chief Product Officer** is responsible for the product maintenance and product development. With the **VP of Product**, this officer is in charge of inventory, customer support and device provisioning. They monitor the day-to-day operations of the Sociavi product and service. With the **VP of Product Development**, this officer is in charge of developing new features. In this role, these individuals work closely with the Chief Technology Officer and the User Experience and User Engagement teams.

The **Chief Technology Officer** is in charge of the system infrastructure including hardware platform of the Sociavi frame. This individual makes sure that the servers supporting the Sociavi services operate and are brought on board as the demand grows, maintaining the high availability and security requirements of the business. This individual is also responsible for the architecture and design of the system and services, and actively collaborate with the Product, User Experience and User Engagement teams.

The **Vice President of Data, Insights and Design** and the User Experience Research and User Engagement teams have a significant role in the organization to direct new features and capabilities.

The **Chief Human Resources Officer** is responsible for acquisition of the talent that supports every aspect of the business. It's critical that this individual sets the tone with the Chief Executive Officer of a culture of service, support, and enhancement of the quality of life for the seniors, their families and caregivers.

The **Chief Marketing Officer** is responsible for the Sociavi Brand, the social engagement of the company in the community, the social marketing, the consumer marketing, new creative solutions of positioning the company, and extensive support of our business partners and corporate clients. This individual will work closely with associates, partners and business clients to build a successful referral eco-system that will benefit everyone with a relationship to Sociavi. This individual will work closely with the Head of Business Development.

The **Head of Business Development** is in charge of developing new businesses and strategic partnerships. Strong business relationships are key to the growth of Sociavi.

However, in order to keep the costs under control, this initial phase of the business is managed by the CEO, Paula Muller and most of the activities are being outsourced to contractors, such as accounting, legal, marketing and sales, App and software development, testing, server monitoring and device



provisioning. Two additional staff members will be added in the next months: a technician and a customer support person.

### ***Ownership Information***

Company Name: Sociavi Company  
State of Incorporation: New Jersey  
Date Incorporated: June 1, 2015  
Company Structure: C-Corporation  
Business Address: 250 Beers Street, Keyport, NJ 07735  
Phone: 732-822-2785  
Email: [pmuller@sociavi.com](mailto:pmuller@sociavi.com)  
Website: [www.sociavi.com](http://www.sociavi.com)

Paula Muller (100% ownership)

### ***CEO Bio***

Paula Muller has a life long passion for technology applied to health care, starting with her M.S. in Biomedical Engineering in Chile working with blind people, then her work in Switzerland analyzing EEGs to prevent epileptic attacks, followed by her Ph.D. and Post-doc work at Rutgers with Parkinson patients, and most recently at Authentidate with Telehealth products and services.

Paula has vast experience in technology and software development through her engineering positions at several companies like Sirius/XM satellite radio, Net-Scale Technologies and Authentidate, among others.

Paula has extensive management experience through the senior positions she held at Net-Scale Technologies and Authentidate, building the teams and organizing the efforts to obtain results.

## **Service and Product Line**

### ***Product and Service Description***

Sociavi is a communication tool that utilizes proprietary software, a dynamic application, and an innovative hardware platform that enables the elderly and other users to communicate seamlessly with relatives and friends, specially those who are located far away and cannot visit as often as they would like. Sociavi is "Communication Simplified".

Through Sociavi, seniors and their families can easily communicate and stay in touch. Sociavi addresses the needs of a large percentage of seniors who feel intimidated by technology and do not use the internet or have a smart phone. At the same time, Sociavi makes the link with the younger generations that have access to technology, use it on regular basis with their peers and do not have the time or are geographically dispersed from their elderly loved ones. Sociavi's technology is the facilitator to make the connections. It provides the easy of mind to adult children who would like to do more and cannot because of their own challenges managing family and professional career. It's true that there are competitors with similar claims, but Sociavi goes after a segment of the senior population for whom too many options in a tablet or laptop are cumbersome. The main design goal of Sociavi is SIMPLICITY, for the seniors, but also for the busy adult children. Sociavi aims to address the ***loneliness epidemic*** in senior population, and help their children who constantly worry about the

well-being of their parents (and grandparents). Moreover, Sociavi alleviates their frustration to communicate with the elderly and in reality, for many, technology has nothing to offer.

Sociavi consists of a device that looks and operates like a digital picture frame and it's placed in the seniors' home or in their rooms when they live in an assisted living facility. This device which is called the Sociavi Pad only requires power and internet connection, and it is always on. Seniors do not need to turn it on, login and have to memorize user name and password. Seniors do not need to remember what application to use to do one thing or another. The functions of the Sociavi Pad are controlled by a free app that everyone, adult children, grandchildren and caregivers, can install on their smartphones. Seniors do not need to do anything, if at all, the Sociavi Pad operates with the touch of a finger. The users of the free app can send pictures and videos to the Sociavi Pad. With its integrated calendar and personal alerts, the Sociavi Pad can also receive reminders like doctor's appointments, medications and more, sent by the free app users. The video chat feature on the Sociavi Pad allows the free app users to have live face-to-face interactions with their elderly loved one.

Sociavi has been in operation for over three (3) years, expanding in functionality as customers request it, but the core principle of SIMPLICITY guides its evolution.

### ***Product's Life Cycle***

Sociavi as a platform evolves to fulfill customers' needs. The guiding design principles are SIMPLICITY and EASE OF USE for everyone: the users of the Sociavi Pad as well as the users of the free app.

Currently Sociavi it's in its first iterations and few more are foreseeable with the current hardware. As we learn more from user experiences, we can expect a next generation of hardware with specific features fined tuned for the seniors and their environment.

### ***Intellectual Property***

Sociavi does not have any pending patent filing at this moment.

The uniqueness of Sociavi is in the combination of features targeted for the specific purpose described previously, addressing the specific needs of the segment of the senior population described.

Nondisclosure and noncompete agreements have been signed with all associates who have worked or are working with Sociavi.

### ***Research and Development (R&D) Activities***

There are several features in the initial phases of development at the present time. The following activities name a few:

- \* Incorporation of music, selected by family members and caregivers
- \* Measurement and reporting of family member or caregiver engagement
- \* Incorporation of voice activated commands on the Sociavi Pad instead of use of the touch screen.

Any effort on the development of Sociavi is particular to the uniqueness of the Sociavi combination of features, which makes it hard to compare one-to-one to other offerings.

## **Marketing and Sales**

### ***Marketing Strategy***

#### **Market Penetration Strategy**

After two years defining this business, it is clear that directly or indirectly the person making the buying decision is the adult child who acts as their parent caregiver. They are struggling balancing their own family and professional lives with having to take responsibilities for their elderly parents or relatives. These responsibilities often involve financial and medical decisions. Moreover, many times, caregiving is done from a distance, and having to coordinate situations without being there and having to rely on others in order that things get done, can substantially increase the level of stress.

Sociavi can help alleviate that stress by providing the means to stay in touch and alert their elderly parents as if they were present with them.

In addition, the whole family can be involved, bringing into the circle of connections not only the adult children but also the grandchildren no matter where they are.

Finally, these interactions with the elderly can be spontaneous, as they happen, providing to the senior a "window into their family lives".

Family and caregivers are not only family members, but they could be volunteers, friends or employees at the organizations where the seniors reside or that provide services to the senior.

With this in mind the strategies for market penetration would fall into one of the following categories depending on whom make the purchase for Sociavi:

#### **Adult Children**

##### ***Direct advertisement***

Printed material at local magazines and newspapers as well as church publications has been considered as a way to promote Sociavi with a low budget. Local on-line advertisement can be also effective for a frugal budget. A national campaign with the most well-known publications and nationwide online advertisement will be considered for a later period.

Ads in local television or radio stations would be considered for another phase in the business progression of Sociavi.

Interviews for printed publications, television or radio when free are an excellent way to get recognition, and these venues will be pursued.

Online direct advertisement may take the form of

- \* FaceBook advertisement
- \* Yellow pages online and mobile advertisement
- \* Google Ads and others.
- \* Online magazines like "A place for Mom", "AARP" and equivalent.

### ***Co-marketing***

Co-marketing with organizations with similar target audiences like attorneys, estate planners, financial advisors, certified senior advisors, geriatric counselors, and others is considered under this category. These efforts are directed to build a strong referral network that regularly fills in new prospects and customers.

Co-marketing may involve co-hosting events like informational presentations, activities for support groups and co-sponsoring events like fundraising or communities events, health and communities fairs.

Social responsibility and sharing with the community is very important to Sociavi, and as much as the business supports these initiatives, they will be carried out.

Reaching directly the adult children transforms Sociavi into a B2C business, where all the touching points of interactions with the customers and potential customers need to be fine-tuned and aligned, including the Sociavi web-site, a shopping cart experience either out of the website and/or on Amazon or the equivalent like QVC, the warehouse for inventory and provisioning as well as the delivery and customer support of products.

This whole effort will be implemented at a later phase of the business given the investment required to build all that infrastructure.

However, concentrated efforts that help build the brand and awareness in the community through co-marketing efforts are currently underway.

### **Organizations that Provide Services for Seniors**

The organizations considered under this category include home aid agencies and house-call doctors that offer privately paid services. To promote large adoption of Sociavi, organizations with a country-wide presence either as one organization or as a franchise are receiving prime attention. The idea behind this approach is that when headquarters promotes Sociavi, the local agencies will follow.

The scenarios within this approach would include:

- \* The organization promotes Sociavi and the buyer (adult child) has to sign directly with Sociavi
- \* The organization becomes Sociavi's customer and they bundle the costs associated to Sociavi within their own services. This is the desirable scenario.

In either scenario, the challenge is to reach the decision maker within the organization who will sponsor, promote and then oversee that this relationship is established and executed.

Attempts to build these relationships have been carried with SeniorHelpers, HomeWatch Caregivers, and RightAtHome.

### **Organizations Where the Seniors Live**

The organizations considered under this category include assisted living (AL) communities, independent living (IL) communities, and senior housing. While the AL and IL communities targeted in this section provide privately paid services and the costs of Sociavi can be bundled within the costs of

living in these communities, senior housing subsidized by federal or local funding can incorporate the infrastructure for Sociavi and then identify different sources including grants to fund the Sociavi service.

The selection of the targeted organizations was based on the side of their clientèle to promote large adoption of Sociavi, and organizations with a multi-site presence receive prime attention.

AL and IL communities are particularly interesting for several reasons, even if the customer is not directly the community management:

- \* Place where multiple Sociavi customers may reside, where potentially, Sociavi infrastructure can be installed in every resident's premise.
- \* Support and service distribution is geographically concentrated
- \* Opportunity to define and operates programs for the selected group.
- \* These communities become even more attractive when the community management or even the umbrella organization management becomes Sociavi's customers.

Initiatives have been started with several of these conglomerates like Brandywine, Arborterrace, Brightview Living, Chelsea Senior Living, Sunrise Senior Living, the Kaplan Group and others, without notorious traction.

In summary, the market penetration strategy has been defined in term of multiple initiatives with the goal of larger adoption in a concentrated locale with potential to have multi-side or nation-wide adoption. Direct consumers initiatives will be considered for a future stage of Sociavi business maturity. Finally, senior housing is a very preliminary and interesting initiative which may have a great potential.

### ***Growth Strategy***

Initially, the sales efforts will be concentrated on building B2B relationships with a sales team that can deliver on building strategic alliances with businesses that sell to caregivers for their elderly parents.

These strategic alliances will be formed with assisted living facilities and home aid agencies at a corporate level. Ideally, corporations will place a Sociavi device in every person room or elders house.

Another area of growth is senior affordable housing where builders offer bundled services for the seniors living in their communities. In many circumstances, seniors live by themselves and the management at these buildings become their family and caregivers. To support these efforts, Sociavi can become the tool to help management reach out on regular basis their residents.

When the business becomes more mature with recurrent steady revenues, a B2C approach can be adopted, and a different approach to marketing and sale needs to be developed.

### ***Channels of Distribution Strategy***

The objective of building the B2B relationships described before is to create the distribution channels through the organizations where the seniors reside or the organizations that take care of the seniors at home, basically, organizations that already have the relationships with the seniors and their families.

The value for these organizations is that by offering Sociavi they will stand above the competition, provide peace of mind to the adult children and increase the quality of life of their residents bringing them closer to their loved ones and even more active and engaged.

These organizations can become referral entities to their residents for Sociavi, and Sociavi establishes a direct relationship with the payer (adult child).

Another, more attractive option for Sociavi, is that these organizations become Sociavi's paying customers and they pass Sociavi's costs to their customers through the payment to the services they provide.

Efforts of establishing both types of relationships are underway.

### ***Communication Strategy***

The initiatives in this category include printed material like brochures and online initiatives like revamping Sociavi's website and social media presence through Facebook, LinkedIn, and others.

Other initiatives include public speaking, co-sponsoring events and participation in community fairs.

### ***Sales Strategy***

#### **Sales Force Strategy**

One in-house sales person has been considered, and independent representatives will be added with the goal of reaching C-level executives and decision makers.

In both cases, there is a base salary and 5 or more percent commission, which will depend on the volume of sales.

Sales training will be provided in-house, and the individuals should have experience in the senior market or at least a strong passion for caring for seniors.

### **Sales Activities**

As it has been described previously, the main sales effort continues to be identifying and engaging the C-level champion at the target organizations in order to build the relationships that would allow us to establish either the referral or buying model.

### **Financial Projections**

The following is a list of the financial reports and projections which are presented in the appendices P1 through P6. There are two key scenarios presented that examine the financial projections based on certain assumptions.

Scenario - 1: Rental Operating Budget and Cost

Scenario - 2: Operating Budget and Cost

These projections cover a period of 35 months. The two scenarios differ from each other based on the

revenue model projections which is a function of the distribution customers accounts added over time based on the market need. The following paragraphs describe the details of each scenarios and the assumptions that were developed to present the financial projections.

Currently, the business does not have sufficient data on the trends in service adoption, therefore, the numbers provided are estimates to make the business viable within three years (35 month observation period). With respect to the selling prices, they have been well received by the current customers, and therefore they are used for the financial projections in each scenario.

Each scenario is supported by further details in the appendix.

#### Scenario - 1: Rental Operating Budget and Cost - Appendix: P1 to P3

In scenario one (1) the revenue model is based only on a monthly rental or subscription fee of \$65.

#### Scenario - 2: Operating Budget and Cost - Appendix: P4 to P6

In scenario two (2) the revenue model is based on the combination of selling each device based on a product mix and a monthly subscription fee of \$25 to generate recurring rental income.

### ***Scenarios***

The two scenarios differ only on the revenue model and the distribution of added customer accounts over time. The 35 months period was selected since around that time the break even point in the scenarios one and two was reached.

Sociavi is a service offered to clients, and as a service, the viability of the business relays on recurrent revenues. Therefore the two scenarios contain a monthly subscription fee component as part of the revenue model.

For Sociavi to operate, the family members and caregivers use their own device and they only have to install the free app from the App Store or Google Play. The seniors receive a dedicated device provided by the Sociavi company as part of the service they subscribe to. The cost of the device can be passed to the customer as it is done in scenario two or bundled in the monthly subscription as it is done in scenario one.

In all the three scenarios, income is generated by the number of operating accounts, and one account is associated with the device that the senior receives.

Even though, the main purpose of Sociavi is to connect seniors with their families and caregivers, which will be called "for personal use", facilities have adopted the technology for community-wide use, which will be called "for recreational use". Thus scenario two has a distribution of multiple devices.

Currently, four models are offered, two "for personal use" and two "for recreational use".

<u>Personal Use Models</u>	<u>Recreational Use Models</u>
10 inches device	18 inches device
14 inches device	Minix device



Every model has a different cost and selling price. Moreover, the subscription fee is higher for the recreational use since it benefits the community and not a single individual.

The two scenarios are offered for comparison purposes and they have been defined as a conservative estimation of the service adoption within the tri-state area in the USA with limited marketing and sales budget. Most of the operation will be funded with personal funds, and grants are also sought. None of the operating budgets includes estimates for financing debt.

### Scenario - 1: Rental Operating Budget and Cost

The rental-only program was examined in scenario one because potential customers have inquired about a service based on only subscription fees. Market research is needed to validate the selling price in this scenario.

The assumptions are based upon the number of subscription accounts that are being invoiced during each rental period which is indicated in the following table. The rental accounts are based on only 14 inch models for personal use in service and under contract.

The total number of rental accounts is: 37,519

The rental price per account is: \$65.00 per account.

<b>RENTAL [ UNITS ]</b>	<b>35 Months</b>	<b>9 Months</b>	<b>12 Months</b>	<b>12 Months</b>	<b>2 Months</b>
	<b>2017-2020</b>	<b>Apr-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Feb</b>
<b>Rental: Devices and Equipment</b>	<b>Y-T-D</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
14 inches	<b>37,519</b>	<b>279</b>	<b>6,800</b>	<b>23,300</b>	<b>7,140</b>
Total Rental Units	<b>37,519</b>	<b>279</b>	<b>6,800</b>	<b>23,300</b>	<b>7,140</b>
<b>Rental Price per Unit:</b>					
14 inches	\$65.00	\$65.00	\$65.00	\$65.00	\$65.00

### Scenario - 2: Operating Budget and Cost

Scenario two focused mostly on the selling and rental of 14 inches models for personal use. There is a mix of the other devices which is between 1 - 20 units sold.

Between 2019 and 2020 only the 14 inch model is being sold.

The total projected number of units sold over the 35 months is 3,780 units.

<b>Sales: Device and Equipment:</b>	<b>Y-T-D</b>
10 inches	20
14 inches	3,740
18 inches	10
Minix	10
Total Devices Sold	<b>3,780</b>



<b>Sales Price per Device:</b>	
10 inches	\$250.00
14 inches	\$350.00
18 inches	\$450.00
Minix	\$200.00

<b>Cost per Device:</b>	
10 inches	\$110.00
14 inches	\$234.00
18 inches	\$315.00
Minix	\$117.00

## Scenario - 2: Operating Budget and Cost

### Sales assumption for each period

The following table presents the projected sales volumes, selling price, device cost, and the contribution per device over the 35 months period.

<b>SALES OF DEVICES [ UNITS ]</b>	<b>35 Months</b>	<b>9 Months</b>	<b>12 Months</b>	<b>12 Months</b>	<b>2 Months</b>
	<b>2017-2020</b>	<b>Apr-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Feb</b>
<b>Sales: Device and Equipment:</b>	<b>Y-T-D</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
10 inches	20	8	12	0	0
14 inches	3,740	120	920	2,020	680
18 inches	10	6	4	0	0
Minix	10	5	5	0	0
Total Devices Sold	<b>3,780</b>	<b>139</b>	<b>941</b>	<b>2,020</b>	<b>680</b>
<b>Sales Price per Device:</b>					
10 inches	\$250.00	\$250.00	\$250.00		
14 inches	\$350.00	\$350.00	\$350.00	\$350.00	\$350.00
18 inches	\$450.00	\$450.00	\$450.00		
Minix	\$200.00	\$200.00	\$200.00		
<b>Cost per Device:</b>					
10 inches	\$110.00	\$110.00	\$110.00		
14 inches	\$234.00	\$234.00	\$234.00	\$234.00	\$234.00
18 inches	\$315.00	\$315.00	\$315.00		
Minix	\$117.00	\$117.00	\$117.00		
<b>Contribution per Device:</b>					
10 inches	\$140.00	\$140.00	\$140.00		
14 inches	\$116.00	\$116.00	\$116.00	\$116.00	\$116.00
18 inches	\$135.00	\$135.00	\$135.00		
Minix	\$83.00	\$83.00	\$83.00		

## Scenario - 2: Operating Budget and Cost

### Rental assumptions for each period

The following table presents the projected rental accounts being invoiced over the 35 months period.

<b>RENTAL [ UNITS ]</b>	<b>35 Months</b>	<b>9 Months</b>	<b>12 Months</b>	<b>12 Months</b>	<b>2 Months</b>
	<b>2017-2020</b>	<b>Apr-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Feb</b>
<b>Rental: Accounts and Equipment</b>	<b>Y-T-D</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
10 inches	493	39	174	240	40
14 inches	37,519	279	6,800	23,300	7,140
18 inches	297	43	114	120	20
Minix	272	26	106	120	20
Total Rental Units	<b>38,581</b>	<b>387</b>	<b>7,194</b>	<b>23,780</b>	<b>7,220</b>
<b>Rental Price per Unit:</b>					
10 inches	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
14 inches	\$25.00	\$25.00	\$25.00	\$25.00	\$25.00
18 inches	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Minix	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
<b>Rental Cost per Unit:</b>					
10 inches	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
14 inches	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
18 inches	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Minix	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
<b>Rental Contribution per Unit</b>					
10 inches	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
14 inches	\$20.00	\$20.00	\$20.00	\$20.00	\$20.00
18 inches	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00
Minix	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00

Based on the data collected over the last two years, customers using Sociavi for personal use like the larger screen, however, the 18 inches is too large. When reviewing the experience from customers using Sociavi for recreational purposes, it seems that the Minix is more desirable than the 18 inches model since it can be projected on the customer's existing large television screens.

In order to simplify the sales process, the main focus will be placed on selling the 14 inches for personal use, however, depending on the customer, the other options will be offered as well. It is unclear at this point which will be the most optimal distribution of units, that is why all these scenarios have been developed.

## Description Appendices

### Appendix P1

This projection shows the operating budgets and costs for the scenarios, side by side.

**Net Profit Margins**

Scenario (1) one (Subscription Revenue only)	6.71% (~7%)	Most Favorable
Scenario (2) two (Product Sales Mix)	5.36% (~5%)	Least Favorable

These values are achieved based on the following Revenue assumptions:

	Device Sales	Rental Units
Scenario (1) one (Subscription Revenue only)	None	37,519
Scenario (2) two (Product Sales Mix)	3,780	38,581

Scenario (1) one would require that 3,740 devices would have to be acquired and activated across our customer base to generated the accumulated rental cycles of 37,519 units.

These 14 inch devices would be owned by the company requiring a capital outlay of approximately \$1.1 million dollars. This capital outlay would be scheduled over the 35 month period, see below. The average cost per device would be approximately \$295.00 per device. Based on a subscription fee of \$65.00 per month it would take approximately five (5) months to recover the cost of each device deployed in the field.

<b>RENTAL [ UNITS ]</b>	<b>35 Months</b>	<b>9 Months</b>	<b>12 Months</b>	<b>12 Months</b>	<b>2 Months</b>
	<b>2017-2020</b>	<b>Apr-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Dec</b>	<b>Jan-Feb</b>
<b>Rental: Devices and Equipment</b>	<b>Y-T-D</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Total 14 inches Rental Units</b>	<b>37,519</b>	<b>279</b>	<b>6,800</b>	<b>23,300</b>	<b>7,140</b>

**Appendix P2**

Appendix P2 presents the operating revenue, gross profit margin of 58%, contribution margin, and net profit for scenario (1) one.

<b>Gross Income:</b>		<b>% of Revenue</b>
Device Rental and Subscription Fees	\$2,438,735	100%
Cost of Goods Sold	\$1,025,355	42%
Gross Profit	\$1,413,380	58%
Variable Cost	\$252,298	10%
Net Operating Contribution	\$1,161,082	48%
Fixed Operating Expenses	\$997,406	41%
Net Operating Profit	\$163,676	7%

### Appendix P3

Appendix P3 illustrates the income statement for scenario (1) one, distributed across four reporting periods:

1. 9 months of 2017
2. 12 months for 2018
3. 12 months for 2019
4. The first 2 months of 2020

This report indicates that Sociavi will be operating at a loss until the end of 2018. The accumulated loss will be approximately \$326,734.00. This loss will be reduced close to breakeven in 2019 with an estimated profit of \$335,807.00 for that financial year.

The projected profit for the 2 months of 2020 is estimated to be \$154,603.00.

### Appendix P4

Appendix P4 presents the operating revenue, gross profit margin of 55%, contribution margin, and net profit for scenario (2) two, highlighting the contributions added by the monthly subscription or rental fee.

	Device Sales and Subscription Fees		Device Sales	
<b><u>Gross Income:</u></b>	\$2,299,250	<b><u>% of Revenue</u></b> 100%	\$1,320,500	<b><u>% of Revenue</u></b> 100%
Cost of Goods Sold	\$1,039,630	45%	\$843,880	64%
Gross Profit	\$1,259,620	55%	\$476,620	36%
Variable Cost	\$194,929	8%	\$175,350	13%
Net Operating Contribution	\$1,064,691	46%	\$301,270	23%
Fixed Operating Expenses	\$941,511	41%	\$941,511	71%
Net Operating Profit	\$123,180	5%	-\$640,241	-48%

### Appendix P5

Appendix P5 presents the income statement for scenario (2) two over the whole 35 months period.

<b><u>Gross Income:</u></b>		<b><u>% of Revenue</u></b>
Device Sales and Subscription Fees	\$2,299,250	100%
Cost of Goods Sold	\$1,039,630	45%
Gross Profit	\$1,259,620	55%

Variable Cost	\$194,929	8%
Net Operating Contribution	\$1,064,691	46%
Fixed Operating Expenses	\$941,511	41%
Net Operating Profit	\$123,180	5%

### Appendix P6

Appendix P6 illustrates the income statement for scenario (2) two, distributed across the same four reporting periods as in appendix 3.

This report indicates that Sociavi will be operating at a loss until the end of 2019. The accumulated loss will be approximately \$190,068.00. This loss will be reduced close to breakeven in 2019 with an estimated profit of \$188,514.00 for that financial year.

The projected profit for the 2 months of 2020 is estimated to be \$124,734.00.

### Details on Costs

**Cost of Goods Sold:** This value is composed by the cost of buying the devices and a monthly service fee which is associated with the server costs of running and supporting the Sociavi account at \$5 per account.

**Variable Operating Costs:** This value is composed of a device provisioning cost at \$10 per device, system administrator costs, and financing and commission expenses. In the last category, a 5% sales commission is charged and a 2% fee for credit card processing. The NJ sales taxes are passed to the customers, and warehouse costs are included in the \$10 provisioning cost per device.

**Overhead Operating Expenses:** These are the costs to operate the business, which includes marketing, office and facility expenses, research and development and human resources and payroll, among others, with the latter being the higher expense.

It is expected that the business, during this phase, will operate with one CEO, one customer representative, one technician and one sales representative. Research and Development as well as System Administration are outsourced or contracted. All other activities like legal and accounting are contracted. All of this in an effort to minimize expenses.

### Appendix A1

In 1900, 13% of the population was 50 or older, in 2002 this percentage was 27%, by 2020, It is expected to be 35%<sup>8</sup>. The percentage of the population 75 and older in the US was 6.17% in 2010 and it is expected to be 9.16% by 2030 and 11.76 by 2050.

Considering these comparisons, in 2015 the 50+ population was 32.61% and in 2032 would be 41.25%, while 75+ was 6.95% and it will be 9.43%. Thus from the %7.1 trillion in 2015, assuming an equivalent distribution, 75+ would take 1.51 trillion.

<sup>8</sup> <http://plus50.aacc.nche.edu/employers/population/Pages/default.aspx>