

Adventure X 2019 South Tyrol

Rosa-Maria Kufner

Filippo del Grosso

Cristian Roner

Michael Pfeiffer

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# Executive Summary

## Pitch

We offer a platform for designers, manufacturers and customers in South Tyrol, where the three can get in touch directly with each other and create unique products together.

## Problem

Smart customers have in general no comfortable way of asking for individual and sustainable products to express their personality and feel pure happiness when using them.

## Solution

Stiland can pave this way for its customers by matching them with unique, emotional product designers and South Tyrolean artisans. From 3d-printed furniture to personalised toothbrushes, pens and jewellery we can offer a diverse range with our network of various virtuose specialists who apply traditional and up-to-date skills for amazing outcomes.

## Business model

Through a platform of this previously unknown network in the area, both the previously limited reach of freelancing Designers and Manufacturers as well as the opportunities for Customers to access individual products can be extended immensely with a few clicks.

We create new communication channels and allow for the exchange of project specifications in a uniquely-fashioned way, to tackle the needs and tastes of a medium-upper segment of Customers.

## Structure

Our platform is structured according to a triangular B2B and B2C framework

Manufacturers

(Category B)

B2C

Customers

(Category C)

B2C

Designers /

Project Proposers

(Category A)

B2B

On top of the figure, we have our key Partners, the subsidized side in our platforms: we could distinguish between **Designers / Vendors (Category A)** and **Manufacturers (Category B)**. On the bottom side, we have our **Customers (C)**, who pursue the typical purchasing behavior / experience described in

**Category A.** Artists, designers, students, architects, professional practices, university faculties, associations, museums, temporary exhibitions, theaters, hotels, resorts. It’s a very vast audience that can potentially upload on a platform a Request of Interest plus all the underlying information (brochure, video, blueprints, hyperlinks, social media channels) of a specific object (or batch size object, so several items in a single sale), with peculiar design, craft, or artistic features (we select as administrators on the basis of exclusivity or quality perceived, so we do not dig into the same business of IKEA or so). A Request of Interest may be directed towards a direct sale to the public or towards an outsourced manufacturer (Category B) to create / print / manufacture a specific item.

Why should those people come to our platform instead of selling directly via a proprietary internet site, or Amazon, or other e-commerce? Because

1. we create a new market exposure to Customers, adding potential to sail the Blue Ocean
2. we connect them with 3D manufacturers or artisans that can potentially implement their ideas
3. we vehiculate and aggregate high-quality content via our platform, that is difficult to find elsewhere
4. At least at the beginning, adding contents or proposing project is completely free of charge

**Category B**. Workshops, artisans, craftmen, but also companies and 3D printer owners, willing to offer their capacity to craft / create / print a specific item, abiding to the quality standards proposed by Category A. The can also sell goods directly to our Customers, via our Bidding mechanism,

**Category C**. Our Customers, whose features are defined in previous paragraphs. We assist our Customers across all their experience / journey, and therefore we provide:

1. All possible information regarding the items Customers are purchasing, to be implemented via digital contents (rendering, information sheets, video, social media
2. The opportunity to have a direct dialogue and ask for further specifications (to Category A) and to submit an offer (to Category B)
3. A user-friendly interface to submit their Bids for items proposed on the platform, with the following bidding options

* Price
* Quantity
* Delivery time
* Packaging and special contents to give a sense of unicity (e.g. signatures, dedications

We will periodically upload informative contents to update and retain our Customers, via Newsletter, email and event notifications.

## Accounts and Transactions

Transactions happen through the platform, among registered Users, who previously created an Account, similarly to what happens on the main e-commerce platforms.

Accounts for Categories A, B and C, will unlock different options, and will share the feature of being completely free of charge.

The possibility to create Premium Accounts for specific Categories, via a monthly / yearly fee, will be taken into consideration after the platform is rolled-out and gains traction. Accounts for Categories A and B, whom are offered a free market place with enhanced technology, are the most likely to the modified according to a Freemium model in the future.

As depicted in the structure below, we can have three different macro-categories of relations:

1. *B2B between Category A (Designers) and Category B (Manufacturers)*
2. *B2C between Category A (Designers) and Category C (Customers)*
3. *B2C between Category B (Manufacturers) and Category C (Customers)*

Here below, we provide some cases (to be fine-tuned) of transactions for each specific relation, with a short description.

*B2B between Category A (Designers) and Category B (Manufacturers)*

* A Designer requests some specifications form a Manufacturer, as requested by a Customer, the service is incorporated in final price to Customer. (transaction via platform)
* A Designer uploads and makes some project blueprints available to a Manufacturer, who can potentially engineer and implement them at higher scale (transaction via platform)
* A Designer shares his portfolio of projects with a Manufacturer or with another Designer, to plan and share the costs of a stand at an upcoming fair (transaction via platform)
* A Manufacturer offers a Designer a stall in his exhibition room, and updates his online catalogue on our platform (transaction via platform)

*B2C between Category A (Designers) and Category C (Customers)*

* A Customer submits a bid offer for a unique item, adding some specification requests from a Designer (transaction via platform)
* A Customer purchases online (via Paypal) a specific item. Price incorporates all design specifications previously agreed between a Designer and a Manufacturer (transaction via platform)
* An online invoice is requested by Customer (transaction via platform)
* A Designer, who owns a small workshop, delivers a set of goods via courier to a Customer (physical transaction outside the platform)

*B2C between Category B (Manufacturers) and Category C (Customers)*

* A Customer submits a bid offer for a set of goods, adding some material preferences (resin) from a Manufacturer. The service also includes a customization that the Manufacturer has previously shared with a Designer (transaction via platform)
* A Customer purchases online (via credit card) a set of furniture (transaction via platform)
* An online invoice is requested by Customer (transaction via platform)
* A Manufacturer delivers a set of goods via courier to a Customer (physical transaction outside the platform)
* A Customer submits on the platform a request for returned goods, because of a small defect (transaction via platform), and sends the goods back to the Manufacturer via courier. Manufacturer withholds courier expenses (physical transaction outside the platform)

## Revenue Streams

Revenues streams are represented by the following:

* **Transaction / Intermediation Fees** placed on every item purchased by Customers (percentage to be adjusted according to bidding price). All specifications are included in this final price. An example breakdown is given by the following
  + 15% for orders up to €500
  + 12% for orders up to €1000
  + 10% for orders up to €2000
  + 8% for orders above €2000
* **Advertising** via the platform of companies, events, exhibitions and fairs – to be included once the platform gains traction. These can be designed as banners or pop-up windows specifically tailored to the categories of searched items
* **Google or Data Traffic Ads** for multi-media content, such as Instagram, Facebook or Youtube material – limited potential, to be engineered
* **Premium Accounts** subscriptions, monthly and/or yearly, to be implemented once the platform gains tractions and increases the number of Users

For a detailed break-down of these economic figures, we revert to the Financials section of this document.

## Risk Management

Our business is structured according to a lean philosophy: we provide intermediation services, market spaces for established and emerging designers, as well as cutting-edge visual contents and purchasing options to our Customers.

Given the nature of our business, we deal with tangible items, but we do not physically manufacture, store or deliver goods. On our platform, users can agree on payment terms and conditions, make payments through several electronic options, track the delivery status of their order, and initiate the procedure for returning goods.

Manufacturing and inventory are professionally managed by our Partners, Category A (Designers) or Category B (Manufacturers), who own or manage their production / manufacturing facilities or workshops. Deliveries are similarly taken care by our Partners, or, in case of returned goods, directly by our Customers.

We believe our business model to be robust, but we still need to address several business risks and consistently find the related mitigation measures. Here below, we list the most relevant risks we identified so far, by providing a qualitative evaluation of the risk factor and suggesting potential mitigation measures.

**Market risk.** Relates to the probability of incurring a loss due to market events that happen at macro level, such hikes in interest rates or raw material costs, fluctuation in foreign currency values. In this same category there are market volatility, fluctuations in demand or supply, as well as relevant industry changes that might affect our business.

*Interest and Currency*. LOW RISK. We expect our turnover to come mainly from Europe, where currency risks are negligible. In case we opted for an international expansion, at a later stage, this risk may be addressed by fixing prices in Euro or USD currency.

*Market Volatility and Demand / Supply Fluctuations.* LOW RISK. For the time being, there is no clear concept such an organized market (with commoditized prices) for design items. Demand and Supply are adjusted according to trends and preferences, but there is no clear way to address this specific issue. However, we agree that consumers´ behavior is strictly linked to available income and the ingoing trends in local economies, as it happens for all upper niche and luxury goods.

*Technology Changes.* MODERATE RISK. This represents a potentially harmful risk, as the manufacturing technology constantly changes, and we need to include up to date Manufacturers as Partners on our platform. Similarly, also the approaches chosen by Designers are likely to be adapted to new needs and preferences, so an effort is required also on this side. As mitigation measure, we aim to monitor regularly the upcoming trends, by checking specialized press and attending events, to offer a varied range of services and to put our Customers in touch with the most hyped designs on the market.

*Business Relationship with Partners and Customers*. HIGH RISK. This represents the “fatigue” of a constant business relationship, and the key element of customer retention. It is extremely important that we manage to keep B2B and B2C transactions among our users within the perimeter of our platform. We will work towards the fidelization via specific contents, special offers and tailored discounts.

[**Compliance and Regulatory risk**](https://www.nibusinessinfo.co.uk/content/compliance-and-regulatory-risk)**.** Related to the probability of incurring losses because of sudden or unexpected changes in the compliance, legal or regularity framework in which our platform operates.

*Changes in E-commerce Legal Framework*. MODERATE RISK. E-commerce business is modelled according to EU and Italian provisions, such as the discipline for returned goods and the safety of transactions, that are likely to change and be updated by the legislator. We recognize the need to put an extra effort in addressing this issue, by benchmarking our platform to the best practices available on the market and constantly monitor available technology.

*Compliance inadequacy*. LOW RISK. This is related to compliance failure in processing orders and data, not due to operational misbehavior, but rather to wrong or outdated procedures. We believe that this risk can be addressed by a correct system design and by modelling in advance also possible scenarios.

**Financial risk.** Related to the probability of incurring losses because of failure or delays in payment terms, with fines and subsequent potential legal follow-ups.

*Counterpart.* LOW RISK.The probability that a Customer fails to comply with the payment terms for a specific order. This is partially offset by the implementation of modern electronic payment systems, via Paypal and credit card, which superseded the invoicing system.

*Credit.* LOW RISK. The probability of failing to pay to a creditor (such as a bank or a lender) or another party (e.g. a supplier). Given the nature of our business, our suppliers are very limited in number (technology, hardware and software providers, suppliers of printed advertising material, ecc) and we do not envisage to incur this specific risk frequently.

*Liquidity.* LOW RISK. Itaffects our ability to meet short-term financial demands to execute business transactions. Key sources of risk are [potential cashflow problems](https://www.nibusinessinfo.co.uk/content/identify-potential-cashflow-problems), because of things like seasonal downturn in revenue, lack of buyers for items or inefficient market. This is also low, as we do not directly purchase, sell or re-sell any goods.

**Operational risk**. Related to the likelihood of incurring a loss due to the negative effects of operations and procedures in our business. Common sources include technical failures, fraud activity and employee errors.

*Lack of Due Diligence and Human Error.* LOW RISK. The likelihood of committing errors during data and order processing, due to lack of competence or skills, or negligence. Here are included events such as accounting errors, data entry errors, non-reporting. Our business is not work-intensive, and we will rely on automated processes; nevertheless, we put safety measures in place to assure all operations run smoothly. A goal would be to start working steadily towards the achievement of the ISO 9001 certification, immediately after incorporation.

*IT Malfunctioning and Equipment Failure*. MODERATE RISK. The likelihood of facing income losses and process disruption due to failure in our IT systems and technology. This a pivotal issue for a technology-focused business like ours, as an important IT failure can potentially disrupt our revenue stream and alter the trust relationship with our Partners and Customers. We will put in place all measures to assure that our IT systems are safe and up to date.

*IT Fraud or Other Criminal Activity.* MODERATE RISK. Examples are data theft, hacking and phishing activities, by using our online platform. Similarly to the abovementioned point of IT malfunctioning, we will work towards a safe and reliable system by constantly monitoring our operations. All users, Partners and Customers alike, will be asked to register on our platform, and no other will be allowed to operate transactions on it.

*Workplace Policies and Safety, Human Resources Issues*. LOW RISK. As stressed above, we are not a work-intensive business, so we plan to set up a lean organization, with few key hirings within the next months, and no redundancy.

*Products and Business Practice*. MODERATE RISK. This refers to our operational effectiveness when dealing with unexpected situations, such as product defects or market manipulation (such as collusive practices in our bidding system). We will set up a direct line of communication, managed by hired personnel, to deal effectively with any arising issues, and we will include several options to viably resolve contingencies in an automated way.

## Market

Our market is both B2B and B2C, i.e. the High Achiever individuals and Movers and Shakers companies such as hotels who want to keep their guests' memories in mind with unique products. These clients find suitable partners for individual design and production through Stiland.

## Competition

So far there is no competition from the design sector and even suppliers of hotel articles cannot offer the degree of individualisation that we offer, because we can respond to small quantities through our network just as much as we can to large ones.

## Advantages over the (emerging) competition

Customers appreciate our holistic approach from the idea to the individual product. Our key resource are the designers and manufacturers themselves, who will only work for us and constantly develop their products further. From developing competition we can form "Coopetition", i.e. partnerships.

## Marketing and sales strategy

We will occasionally exhibit products in South Tyrolean shops, restaurants and hotels, so that customers will become aware of us through mouth-to-mouth and PR. Our products are only sold via our platform in auctions for limited designs or custom-made products in large quantities.

## What we have achieved so far

Our investor will be Antonio delle Nogare, who is also a manufacturer.

So far, we have been able to attract South Tyrolean designers and manufacturers such as Harry Thaler and Michael Plank. So we offer a closed circle of a proven system, extended by a convenient platform. The website is under construction.

## Financial Projections

We modelled our financial projections for years 2020-2022 according to a conservative approach, trying to incorporate the most exhaustive set of risk factors highlighted in the previous chapter.

## Our Assumptions

Our overall growth strategy is focused on developing a lean platform, to smooth our operations and decrease costs. We therefore modelled our figures according to the following features:

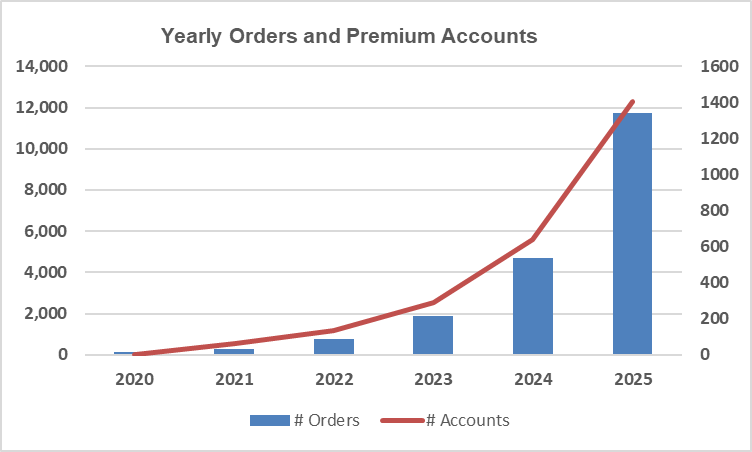
* No direct hiring for the 3-year period considered. We will rely on the key skills of the founders and take advantage of the available talent pool on project basis. This will be particularly effective to decrease costs for ICT, accounting and other consultative projects. In the mid-term, we plan to give our company a more traditional structure, with departments and hired professionals
* No dividend policy. Our main effort will be focused on debt repayment for the entire 3-year timeframe
* Involvement of entrepreneurial finance. We will try have already-established manufacturers onboard, willing to help funding our venture in the start-up phase. We believe that our business proposition will be appealing to them: we will provide them a valuable advertising space and a functional e-commerce platform to merchandise their products. Moreover, as we plan to establish our company in South Tyrol, we will ideally have access to the Province provision that integrates (and effectively) doubles funded amount from external entrepreneurs. For the scope of this business plan, this financial grant is not here included
* First focus on expanding our Partners base, Category A (Designers) and Category B (Manufacturers). We plan to introduce pay-for Premium Accounts, but only later in 2021, as we will first target the achievement of a critical mass of subsidized users, in order to expand our offer of items to our Clients

## Revenues Projections

As previously stated, we will have three streams of Revenues:

* Fees on Order. We modelled for the base year (2020) a conservative average of 120 Orders, with size of €350 each. We considered a proportion of returned items at 5%. The Compound Annual Growth Rate (CAGR) across the 3-year timeframe is 150%, consistently with a steady path of scale-up
* Subscriptions to Premium Accounts. Premium Accounts will start in year 2021, we envisage a total number of 60 subscriptions in that year, with a CAGR of 120%
* Revenues from Online Advertising. These are based on Revenues per Click and Revenues per Action over our digital contents, plus online activities on mainstream platforms such as Facebook and Instagram. A conversion rate of 2% is modelled, CAGR is set at 80%

Table below reports our forecast growth up to business maturity in 2025.



Breakdown of Revenues in timeframe 2020-2022

|  |  |  |  |
| --- | --- | --- | --- |
| ***Stiland*** | ***2020*** | ***2021*** | ***2022*** |
| Revenues from Operations |  |  |  |
| Fees on Order | 5,985 | 14,963 | 37,406 |
| Premium Accounts | 0 | 10,800 | 23,760 |
| Other Revenues |  |  |  |
| Online Advertising | 210 | 378 | 680 |
| ***Totale ricavi*** | ***6,195*** | ***26,141*** | ***61,847*** |

## Capital Expenditure

For our Capital Expenditres (Capex), we modelled a base depreciation rate of 20%. We are aware of the possibility to benefit of the so-called Super Depreciation (Superammortamento) envisaged in the Italian legislation for innovative businesses.

Our most important Capex are the Internet Platform and the future Mobile Apple, the latter to be implemented later in 2021.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Stiland*** | ***2020*** | ***2021*** | ***2022*** |
| Furniture | 500 |  |  |
| Devices and Equipment | 1,500 |  |  |
| ***Total Tangible Assets*** | ***2,000*** | ***0*** | ***0*** |
|  |  |  |  |
| Software | 6,250 |  |  |
| Mobile App |  | 12,000 |  |
| ***Total Intangible Assets*** | ***6,250*** | ***12,000*** | ***0*** |
|  |  |  |  |
| **Total Capex** | **8,250** | **12,000** | **0** |

## Costs Projections

For Cost projections, we considered an average inflation rate of 2% for the timeframe considered. Given the nature of our business, consisting of sole matching and intermediation, no values for Cost of Goods Sold (COGS) are included. Consistently, no Personnel costs are included in our 3-year scenario.

We tried to our best to keep our costs low. Important items are summarized here below:

* Search Engine Optimization. Absolutely relevant for any platform business, we tried ti stick to best practice to appear in the first pages of search engines
* Data Management and Site Maintenance. We will rely on cloud, outsourced service providers to keep our platform and services up to date and to manage all arising security issues
* Advertising and Business Trips. These costs are strictly related to the promotion and sales activities, from the printing of commercial materials to the participation to fairs and events

Breakdown of Costs in timeframe 2020-2022

|  |  |  |  |
| --- | --- | --- | --- |
| ***Stiland*** | ***2020*** | ***2021*** | ***2022*** |
| Consulting and Accounting | 5,000 | 5,100 | 5,202 |
| Business Trips | 5,000 | 5,100 | 5,202 |
| Search Engine Optimization | 12,000 | 12,240 | 12,485 |
| Data Management and Site Maintenance | 10,000 | 10,200 | 10,404 |
| Phone | 400 | 408 | 416 |
| Advertising | 6,000 | 6,120 | 6,242 |
| Utility Bills | 1,300 | 1,326 | 1,353 |
| Legal Expenses and Insurance | 3,800 | 3,876 | 3,954 |
| Bank Costs | 200 | 204 | 208 |
| Office Consumables | 200 | 204 | 208 |
| Rent | 3,400 | 3,468 | 3,537 |
| IRAP (Italian Tax on Production) |  |  | 173 |
| ***Total Costs*** | ***47,300*** | ***48,246*** | ***49,384*** |

## Cash Flows and Equity

The founding shareholders will provide a total of €10,000 in Equity, and we expect to achieve up to €25,000 from external investors, as contribution to the advertising space we will set up for them (minority or non-voting shares will also be considered at this stage.

We expect to start servicing our Debt from the third year (2022), when the Net Cash Flow from Operations will turn positive thanks to the steady increase of Revenues.

|  |  |  |  |
| --- | --- | --- | --- |
| ***Stiland*** | ***2020*** | ***2021*** | ***2022*** |
| Operations Cash Flows | 6,195.00 | 26,140.50 | 61,846.65 |
| Expenses | 47,300.00 | 48,246.00 | 49,383.79 |
| **Net Cash Flow from Operations** | **-41,105.00** | **-22,105.50** | **12,462.86** |
| Capex | 8,250.00 | 12,000.00 | 0.00 |
| **Net Cash Flow from Investments** | **-8,250.00** | **-12,000.00** | **0.00** |
| Equity and External Funds | 35,000.00 | 0.00 | 0.00 |
| Debt | 14,355.00 | 34,105.50 | 0.00 |
| **Net Cash Flow from Financing** | **49,355.00** | **34,105.50** | **0.00** |
|  |  |  |  |
| **Net Available Cash Flow** | **0.00** | **0.00** | **12,462.86** |
| Debt Service | 0.00 | 0.00 | 5,000.00 |
| Dividends | 0.00 | 0.00 | 0.00 |
| **CASH-FLOW** | **0.00** | **0.00** | **7,462.86** |