Finance

Justifications for Future Predictions

__Document Control__

Editor	Date	Update
Penny Nicole	24/05/2015	Document created.
Lewis Thresh	24/05/2015	Skeleton + bulk of content. Referencing.
Penny Nicole	25/05/2015	Editing.

Table of Contents

1.0 Introduction

This document details how we came to the conclusions in the Future Predictions and Profit and Loss Account.

2.0 Overview

2.1 Competitors and interest in our product

There are several similar products to ours that are comparable, which is a good starting point to determining pricing. We are going to follow a licencing model, where an individual can buy a licence for our product on an annual basis, or a school can buy a different licence for 20 people (at a lower price per head). We assume that 65% of new customers renew their licences; this is a **pessimistic** projection to highlight the robustness of our financial projection.

Our main competitors are MyMaths, Doddle, and WizIQ. MyMaths focuses only on maths related content and our product is open ended, so our price is going to undercut Doddle – the open ended possibilities of LearnEasy and TeachEasy is worth more than fixed maths content aimed at primary school aged pupils.

Nearly three quarters of people surveyed said that they would be interested in our product, and that has influenced how many people we think are potential customers.

2.2 Labour Cost

We are assuming that as we are only maintaining the product, employees will only be working for half as long per week as they currently do.

2.3 Tax and the Loan

20% Tax on our company is defined at 20% for positive profit[a]. Our financial year is defined as starting on the 1st of July every year. The date that we will start selling our product is on the 1st of July. Year 0 refers from the 1st July 2014 to 30th June 2015, which includes the six months that most of our product has been made in. Year 1 starts from when the product goes live, and so on.

According to our financial projections, we plan to pay back the loan within the first five years of our product going live. We are planning to do this as soon as possible, to reduce the amount we are spending on interest.

2.4 Advertising and Server Cost

Our main advertising strategy is to use google adverts, adverts in TES magazine, and online social media such as Facebook and YouTube. Google and magazine adverts cost money (accounted for in Advertising) and online social media cost money through creating content (accounted for in Labour).

We are planning to allow our product to be downloaded online; the server cost is calculated later on in this document.

2.5 Sales Projections

?????

2.6 Weekly Finance to Monthly and Annual

So far we have recorded our financial information on a weekly basis. P&L for the duration of the project uses the months January to June inclusive for 2015, and was translated to monthly as shown below:

January
12/01/15: SPRING Week 2
19/01/15: SPRING Week 3
26/01/15: SPRING Week 4

April
06/04/15: EASTER Week 4
13/04/15: SUMMER Week 1
20/04/15: SUMMER Week 2
27/04/15: SUMMER Week 3

February
02/02/15: SPRING Week 5
09/02/15: SPRING Week 6
16/02/15: SPRING Week 7
23/02/15: SPRING Week 8

May
04/05/15: SUMMER Week 4
11/05/15: SUMMER Week 5
18/05/15: SUMMER Week 6
25/05/15: SUMMER Week 7

March
02/03/15: SPRING Week 9
09/03/15: SPRING Week 10
16/03/15: EASTER Week 1
23/03/15: EASTER Week 2
30/03/15: EASTER Week 3

June
01/06/15: SUMMER Week 8
08/06/15: SUMMER Week 9
15/06/15: SUMMER Week 10
22/06/15: ...
29/06/15: ...

The future projections up to year 5 are done on a yearly basis.

3.0 Main Competitors

3.1 Main Competitor Prices

Product	Yearly cost
MyMaths - Primary	£265
MyMaths - Secondary	£565 <- undercut this
Doddle - Suit	£6'900 <- undercut this
PowerPoint	£109.99
MangaHigh (Maths games)	£150 for 5 students
WizIQ (Skype whiteboard Idea)	$470 - £300 for 50 heads per teacher*

* Based on a conversation

3.2 Undercutting Our Competitors

Number of schools:	23,948 [b: table 1d]
Primary Schools:	16,818
Secondary Schools:	3,268
Number of teachers:	451,100 [b: table 2d]
Number of students	7,546,450 [b: table 1d]
Average number of teachers per school:	19 teachers (451,100 teachers / 23,948 schools)
Number of private tutors:	42,260 (70% of total tutors)
If Price of product (First prediction):	£550 / year (Undercut Doddle)
Price per teacher (individual):	£29.99 (£550 / 19 teachers)
Price per teacher (group of 20):	10% discount: £26.99
Market size:	315,770 (70% of teachers)
Total Market Size:	358,030

Number of schools include: State-funded primary, secondary and special schools and independent school

3.3 Competitors Market

MyMaths: in **60%** of secondary schools
Doddle: 1000 secondary schools: 1000/3268 [c] = **31%** of secondary schools use doddle.

Total schools: 23,948

31% = **7424** schools total

141054 teachers buying the product -> £4,090,558

4.0 Our Target Audience

4.1 Survey Results

73% surveyed are interest in our product.

4.2 Private Tutors

24% of students have tutors. [d]

7,546,450 * 0.24 = 1,811,148 pupils
Assume tutor has 9 - 5 day -> 30 hour week
1 tutor = 30 student
1,811,148 / 30 = 603,712 Tutors*
if 70% are interested -> 42,260 would buy

*If [d] is right, then ~600k of private tutors is a conservative estimate (source claims 1-1.5 million is likely)

5.0 Additional Costs

5.1 Server Costs

Data per user: **64** bytes (20 characters maximum for username and password + padding for AES encryption)

Potential number of users: (Teachers + Students) * 0.7 = 5,838,212

    1TB   = 1,000,000,000 / 64
           = 15,625,000 Users

Amazon Web Service:

    Standard Storage:$0.03 per GB = $30 / TB /Month
                = $360 / TB / Year
                = **£232.60/ TB / Year**

    Glacier Storage: $0.011 / GB = $11 / TB / Month
                = $132 / Year
                = £85.26 / Year

5.2 Advertising

???????????????????? NUMBERS!! TES + google adds only

6.0 References

[a] GOV.UK. *"Corporation Tax rates and reliefs,"* gov.uk. [Online]. Available: https://www.gov.uk/corporation-tax-rates/rates [Accessed: May. 24, 2015].

[b] GOV.UK. *"Number of schools, teachers and students in England ,"* gov.uk. [Online]. Available: https://www.gov.uk/government/publications/number-of-schools-teachers-and-students-in-england/number-of-schools-teachers-and-students-in-england [Accessed: May. 24, 2015].

[c] tes. *"Recruit the best,"* tes.co.uk. [Online]. Available: https://www.tes.co.uk/tesassets/images/advertise/TES_BROCHURE_AW_GLOBAL_v4.pdf [Accessed: May. 24, 2015].

[d] Harry Wallop (2013, Oct. 8). *"I've called in a private tutor to give my child a chance in the academic arms race"*. The Telegraph [Online]. Available: http://www.telegraph.co.uk/education/secondaryeducation/10364395/Ive-called-in-a-private-tutor-to-give-my-child-a-chance-in-the-academic-arms-race.html [Accessed: May. 24, 2015].