JÖNKÖPING UNIVERSITY
School of Engineering

Business Plan
Qfree AB

Date: 2020-05-21
Name: Conerlious Z. Sagandira
Program name and code: New Media Design - TGNM6
Course name and code: Business Planning and Entrepreneurship - TBPG17
Teacher: Mats Thilen, Ulf Linnman and Anette Johansson

Csagandira

QFree

Concept and business plan
Qfree application by Qfree AB

Executive Summary

Qfree is a smartphone application that simplifies grocery shopping. Today there is much development in the way we do shopping. Many store chains have their own scanning equipment and apps for the customer to keep some track of their purchases. Systems are in development to enable mobile payment and other self-service features.

What makes Qfree unique is that it combines intelligent solutions for all the needs of the grocery store customer. Among these are finding shelves and items, creating and checking off lists, getting stock numbers, scanning items, checking out and paying. Qfree is focused on the end user – the application's goal is to offer one platform to handle all the customer's purchases. To achieve this, Qfree aims to partner with all the bigger grocery store chains in Sweden. The target groups are divided in two: our customers, which are grocery store chains, and the end users, which are the stores' customers. Among the end users, the primary target group is young adults, ages 18 to 30. The secondary target group is adults of ages 30 to 60.

Qfree AB will start off with four executive officers and owners, and three employees, which will construct and design the app. During the first year of the start-up, the application, branding and marketing will be developed. After this year Qfree is ready for launch and will start collaborating with grocery store chains.

Qfree's core values are to be trustworthy, convenient, fast, easy and forward-thinking. The aim of the application is to revolutionize the standard ways of going shopping. Qfree is meant to be your friend in the grocery store, something that is always there to help without judging or pushing the user to buy more.

The profit for the grocery store chains in this is the convenience for the end user. A store connected to Qfree is much more likely to be chosen by any customer who dislikes shopping obstacles. These can be standing in line or going to the store to find that their item is out of stock. The return for Qfree is a percentage of every transaction that is made through the app. There are some risks of the business, which have been calculated and prepared for. All in all, there is a market prepared for Qfree and it is likely to be received well among the end users from the first year of launch, and profit is expected to come after only two years.

QFree contents

1. Business idea

Many people dislike going grocery shopping. They see it as a chore, where they have to come up with dishes to cook, have a hard time finding what they need in the store, and sometimes they forget things they need. Standing in long lines waiting to be able to pay is also something that bothers many. To add to that, customers have to use a variety of different mediums to reach their goals when shopping. They might for example use a combination of the following; a physical shopping list, a hand scanner to scan their products and help from employees in the store to find items. They also need their wallet with a customer club card and a paying card when checking out.

The goal of Qfree is to improve the way customers do grocery shopping. All of the needs mentioned above can be satisfied with one single application. It will guide customers through the store to quickly find what they need and remind them if there's something they might have missed. By making it easier to scan items directly in your phone, the checkout is integrated within the application as well. Customers don't have to stand in line, they can just pay and go. Their lists, information about previous purchases, customer club memberships, everything will be included in the application. It's a unique solution in that it focuses entirely on the end customer's experience.
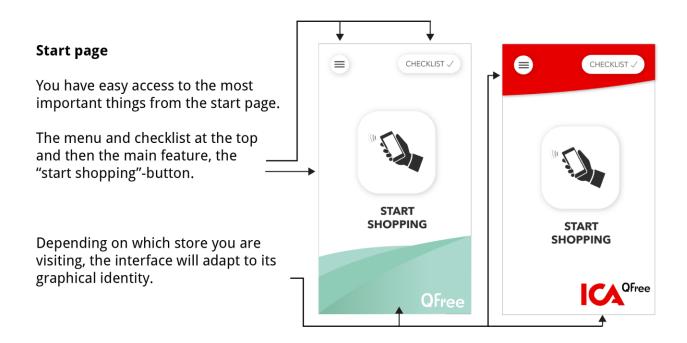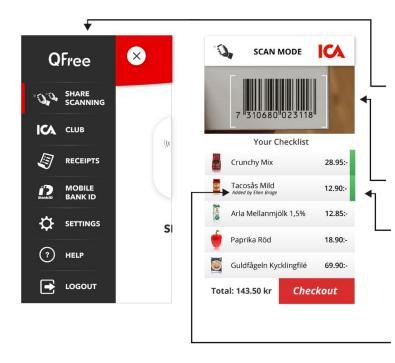
2. Product/Service

The product used to reach this goal is an application called Qfree. Qfree AB also provides service by getting the system to work optimally for the grocery stores they cooperate with.

2.1 Key features:
- Scanning products using your mobile device and an application. The application is connected to your credit card and bank account through BankID for easy direct payment when you exit the store. No cashier needed. You can either pay directly when you leave the store, or through monthly invoices. Just swipe your device as you exit.
- Mapping and location system for the shelves using existing stock-taking numbers and procedures already in place. This is complemented by a search bar so that you can find product categories. You'll also be able to find the exact position of a certain product when searching for it.
- Shopping lists for easy access. Regardless in what order you added your items to the shopping list, they will appear in the same order in your list as they're located in the current store where you are.
- Suggestions of ingredients that are often bought together with a previously scanned ingredient. Many people find it hard to come up with what they want to buy when they're in the store and not everyone prepares at home before visiting.
- Stock updates directly in the application for each individual store.
- Scanning an item gives information that might be hard to find on the package, since all groceries have different designs. For example if something's vegetarian, organic, allergy friendly, sugar-free and so on.
- Multiple devices can be connected to the same checklist. If you are two users shopping together you can be connected to the same checklist, where one serves as the host of the checklist. This enables users to scan products faster.
- When payment is done the user will receive a QR-code that can be used to let them exit. This technology already exists in many stores, except then you scan your receipt instead of a QR-code.

2.2 Mock-ups and explanation

Start page

You have easy access to the most important things from the start page.

The menu and checklist at the top and then the main feature, the "start shopping"-button.

Depending on which store you are visiting, the interface will adapt to its graphical identity.

Menu and scan mode

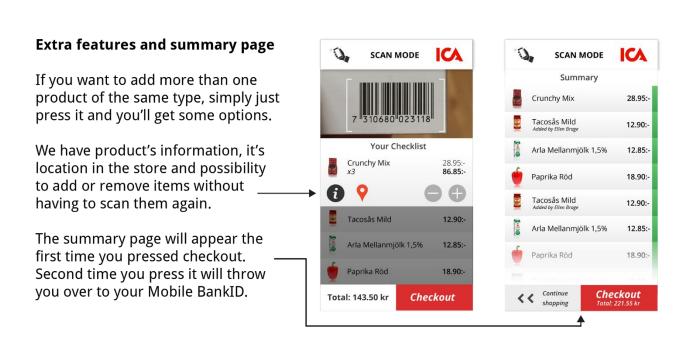The side menu covers share scanning mode, club memberships, receipts, connection to BankID, settings, support and logout to change account.

Scan window where you scan bar codes.

The green tag to the right tells you when a product is scanned. The items below the green tags are the ones you've added to the checklist before you went shopping.

You can also see who added which item when you are in the "share scanning mode".

Smart sharing checklist

One device works as a host and can invite more devices through a code that appears on the screen.

As soon as the other devices enters the code, they have access to the same cart as the host device.

Extra features and summary page

If you want to add more than one product of the same type, simply just press it and you'll get some options.

We have product's information, it's location in the store and possibility to add or remove items without having to scan them again.

The summary page will appear the first time you pressed checkout. Second time you press it will throw you over to your Mobile BankID.

BankID and QR-code

BankID is a convenient way of identifying yourself against services or stores.

When signed you will get a unique QR-code that you have to scan before you exit the store. This extra step provides security to the stores.

●●●●○ Carrier 📶   8:08 AM   100% 🔋

Cancel   **Signature**

👤 Emil Vallin

I sign at:

Swedbank

Text to be signed:
Sum: 221.55 SEK
Receiver: ICA MAXI JÖNKÖPING

ICA SVERIGE AB

Security Code

1	2 ABC	3 DEF
4 GHI	5 JKL	6 MNO
7 PQRS	8 TUV	9 WXYZ
⌫	0	Sign

QFree

THANK YOU
FOR SHOPPING
QFREE!

ICA QFree

3. Marketing audit

3.1 Target groups - the customers

Primary customer target group

Qfree is primarily targeting big grocery chains and especially their biggest store formats. Ranging from the size of ICA Kvantum, Coop Extra, City Gross and up. These stores are big enough that there is a need for guidance around the shelves, and both small and big purchases are common. No matter how many checkout counters these stores have, queues get long during peak hours. Shortage of staff is common, and being one employee short can make a really stressful Friday for example.

Secondary customer target group

As Qfree grows and gains popularity and trust, there is great potential to expand the range of stores to cooperate with. Especially the checkout method feature is something that all grocery stores would benefit from. Therefore, the secondary target group is the smaller store formats.

3.2 Target groups - the end users

The Qfree application is potentially suitable for everyone. That is anyone who ever buys groceries and owns a device on which applications can be installed. Even so, there are groups who will be more interested than others in the product because of their likeliness to seek out the solution rather than traditional customer service.

Primary end user target group

Young adults, ages 18 to 30. They are involved in food decisions and grocery shopping, many of them being in charge of it in their household. They are frequent users of technological devices and applications. They are also relatively updated on news in the technology area. Users in this target group can have very different and often changing occupations. They are often busy in their daily lives, and are likely to appreciate easy accessed help when doing chores.

Persona:

EMIL VALLIN

23 years old

Stockholm

Global management student

Emil is a hard working student. He seldom has time to plan his dinner, since it falls out from his priority list. He usually ends up going to the store and buys the same ingredients for a pasta carbonara or some tacos.

INTERESTS

Tech & gadgets

Reading

Travelling

Friends

SCENARIO

Emil is busy studying for tomorrow's exam. He goes to the nearest supermarket to buy some quick lunch food. In the queue, he ends up behind an older couple who are doing their weekly shopping – a full cart of groceries. As the couple realise they forgot to get cereal and have to run back, stopping the whole line, Emil gets more and more stressed over the interruption of this studies.

Secondary end user target group

Adults of middle age and older, ages 30 to 60. This target group is also highly involved in grocery shopping and have been for many years. Most of them have jobs and steady incomes, and many of them are used to technological devices. When it comes to the upper part of the age span, some may be more reluctant to use an application for what has been considered the job of an employee in the grocery store (like finding the shelf for a certain product). The attitude and trust towards technology in this group is mixed, but there is great potential either way.

Persona:

MIA VIKSTRÖM

31 years old

Lidköping

Security guard

Mia is a security guard working night shifts. She is also a mother of two children, aged 4 and 7. She and her family seldom have time to do grocery shopping, which is why they often do bigger weekly shopping.

INTERESTS

Photography

Hiking

Cooking

Family

SCENARIO

Mia, her husband and their children haven't done grocery shopping for a week, and are forced to do it during the busiest shopping hours, friday afternoon. Mia has signed up for self-scanning and uses it frequently, but staff is scarce this friday and even the fast checkout has a long line. The kids are cranky and Mia and her husband really just want their weekend shopping overwith.

Users from these target groups are often on the go and don't want to spend that much time shopping, even less learning new ways on *how* to shop. That is why Qfree is very easy to understand. The goal is to get as many big store chains to sign up, so that users can keep it all in one place and don't have to learn new systems or sign up to different solutions depending on what store you are visiting.

3.3 Competition

There are already solutions, both existing and under development, for some of the problems that Qfree are addressing. Faster, more convenient ways to shop is currently a hot topic.
For example, there are some applications who will help you plan meals and make lists, like Out of Milk, Big Oven, Buy Me a Pie! and Epicurious.
There are self-scanning systems in several of the grocery stores in every town in Sweden. The store interior company ITAB is currently developing systems for even more convenient shopping. One of these systems is built on items being scanned as soon as you put them in your shopping cart, and when checking out you pay with your card or smartphone.
Different methods of payment, often with your phone, is developing and gaining interest.

What Qfree is looking to improve to set them apart from the competition, is to combine several needs of the end user to create a complete and hassle-free experience. What is often seen with list and recipe applications are a lot of advertisements, making the application both visually confusing and less trustworthy. There's also irrelevance for the Swedish users since most applications are based in another country and are very targeted on other selections than what the user can access. To create relevance and trustworthiness, the Qfree application is designed to be tied to existing stores so that everything is based on the physical store experience.

What Qfree is doing differently from ITAB and other store interior developers, is seeing to the whole experience and keeping everything in the user's own device. This demands less investment on the stores' part. Signing up to Qfree as an end user is also meant to be an easier step to take than to learn how to use new equipment. The target groups spend a lot of time using their smartphones so they know and trust how they work. They are likely to try out new systems in their own device, where there is information and support to be found.

Another big problem with ITAB's new "grab and go-system" is that it requires the user to use a certain bag/cart to get the system to work properly. What if you just want to buy a couple of items? You don't want to grab a bag for one single item. In that situation it's way more convenient to just pick up your phone, scan your item and go.

Another fact that sets Qfree apart from existing self-scanning systems is that all store chains will be covered in the app instead of every one of them having an own solution. Many people find it difficult to keep track of all the customer clubs that they're in. Also, very few people from the target groups do their shopping at one grocery store chain all the time. If the customer has learnt how to use Qfree once they won't have to sign up for something new and learn a whole new system just because they start going to another store. To sum it up, there is definitely competition and emerging trends in this business category, and Qfree is the solution that will satisfy all the needs of the end user.

4. Organization

4.1 Owners

During the up-start the four founders serve as co-owners of the company, splitting the shares in four parts where each founder owns 25% each. The company model will be a public stock company. Later on when the venture capitalists enter the company the structure will be remade. The four initial owners will give up some of their ownership to the venture capitalists in exchange for their funding. The new ownership model is then 20% shares for each of the four initial owners and a 20% share for the venture capitalists. The four initial owners will also serve as the board of directors for Qfree AB.

Qfree AB will have its four owners hired as employees as well to take advantage of their various skills for the company's long-term plan and in the day to day work process. Each of the owners will have a supervising position with full responsibility over key parts of the company. The planned structure is:

CEO - Chief executive officer
Conerlious Sagandira will hold this position. The chief executive officer is primarily responsible for managing the overall operations of the company. This officer acts as the main point of communication communication between the board of directors and corporate operations and being the public face of the company. Moreover, he will be dealing with high-level strategic decisions for the company.

CMO - Chief marketing officer
Viktor Andersson will hold this position. The chief marketing officer is primarily responsible for managing all marketing aspects and activities of the company. The CMO handles brand management, marketing communications, market research, sales management and more. Typical day to day tasks involve market research, taking sales meetings and designing advertising and promotions.

CTO - Chief technical officer

Ellen Brage will hold this position. The chief technical officer is primarily responsible for the technical development and issues within the company. This officer develops policies and procedures and uses technology to enhance products and services that focus on external customers. The CTO also handles all technical support and solutions for the other parts of the company. Typical day to day task involve leading the developer employees in their work with the application and solving technical issues that might occur in other parts of the company.

COO - Chief operating officer

Albin Johansson will hold this position. The chief operating officer is primarily responsible for the daily operation of the company, making sure that all parts do their tasks and that the work process of them flows as smoothly as possible. The COO is responsible of proper management of resources, maintaining and monitoring staffing and motivation to fulfil organizational requirements. Typical day to day tasks involve driving performance measures for the operation and assisting the other parts of the company in their various tasks.
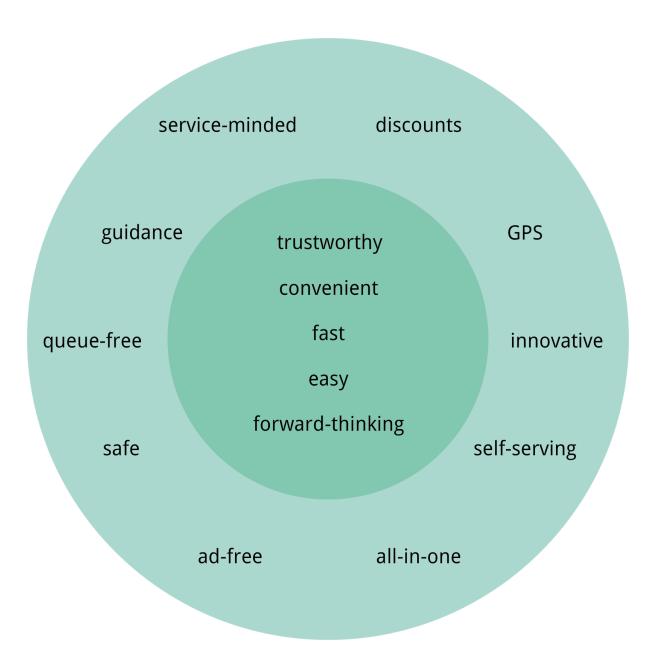
4.2 Remuneration

Employees earn 30 000 SEK per month before taxes. On top of this there is a 31% social fee and a 15% pension fee per employee for the company. The four owners are also hired as employees by the company as mentioned previously.
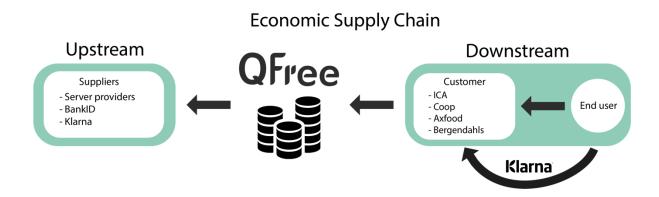
4.3 Personnel

Except the four owners, Qfree AB will hire three additional employees. These three employees are educated within computer engineering and development as well as digital design. They work full time under the supervision of the chief technical officer. After two years, Qfree AB will employ two more employees to handle the customer support. It's estimated that the company grows fast so it is by all means needed.

4.4 Company values

service-minded   discounts

guidance   **trustworthy**   GPS

convenient

fast   innovative

queue-free   **easy**

forward-thinking

safe   self-serving

ad-free   all-in-one

5. Supply chain

Information Supply Chain

Economic Supply Chain

Qfree AB has its suppliers which is the upstream. The suppliers consist of server providers which are providing them with all networks to make the application remain secured and reliable. BankID through the bank and Klarna are also suppliers for the transactions between the customer and also between the end user and the customer.

From Qfree AB the application is supplied to desired customers like ICA, Coop, Axfood and Bergendahls. There is also a way where all these customers can directly communicate with Qfree for transactions and general feedback. The end user is also given the service by the customers and they can also communicate directly with them and even direct to Qfree.

Qfree is collaborating with BankID and Klarna which is also working as the main suppliers.

6. Marketing

The name Qfree is supposed to reflect the main reason for end users to use the application – not having to stand in queue. More broadly, not having to spend time doing the boring parts of grocery shopping, which also includes navigating the shelves and remembering every ingredient they need when they might be stressed.

Qfree will have its own base graphic language, but will also be customized to fit different grocery store chains. The product marketing will not be focused towards end users, but to the store chains. When the end user hears about Qfree it is through the store chain. The goal is for the end user to feel like they are using an application from the grocery store they normally shop in, with the added cooperation with Qfree. The whole project will be search engine optimized and easy to find.

6.1 - Customer relationships

What do Qfree want their users to learn, feel and do?
Qfree is primarily supposed to be there for the end user to simplify their everyday life. Secondarily, it is supposed to increase sales for the grocery stores. Users should feel empowered, assisted and inspired. Meal planning should be easier and more fun for them. Qfree wants to be the grocery stores' customers' main way of planning and shopping. When they've used the application regularly for some months or a year, Qfree wants them to feel something like "What did we even do before Qfree? Shopping was so slow back then".
Qfree also want customers to feel that they're trustable and easy to contact. It is supposed to be like a friend when doing grocery shopping, and that includes being able to exchange communication easily.

What do we <u>not</u> want our users to learn, feel, do?
Qfree is not meant to make end users buy things they don't need, or fool them in any way. Neither is it meant to get people to make better food choices through judging or suggesting. Hence, there won't be ads in the app and all suggestions are based on what the user usually buys or what other users have bought. There will be no "inspirational articles" like the ones

sent out from customer clubs. Qfree don't want the users to feel stressed into using the application. Therefore, there will still be traditional alternatives (at least in the first years when Qfree is still new) and the application will not send any push notifications. Instead the users are supposed to seek out Qfree when they need it, with some possible reminders in the grocery store and through offers embedded into what they already get from customer clubs.

6.2 The 4 Ps

6.2.1 The product - Qfree Application
The product is described in detail with all features and mock-ups in section 2.
What makes the product unique? Simplicity!

6.2.2 The price - How many percent of the transactions will be charged from the customers?
The business is special in the way that Qfree charge a certain percent per transaction every time someone buys something from a store. This creates an enormous volume of transactions and Qfree can therefore be satisfied with only a 0,05% charge per transaction. The end user shall never have to think about the cost. The amount charged is from the grocery stores. More details about financials and profit can be found in section 8.

6.2.3 The place - Where will Qfree be visible for the customers?
There are two different target groups when it comes to this part. Qfree has to be visible to the customers but also to the end user. If Qfree is only visible to one of the target groups they will not serve each other in a good way.
The visibility to the customer has more to do with the promotion explained below. The public visibility is more important to attract the end users. Qfree will use Facebook and Instagram to promote the product for the end users. When a deal has been made with a grocery store chain, educational material and demonstrations will be provided for them as well as the end users.

6.2.4 The promotion - How will Qfree reach their customers?

As a part of the marketing plan, Qfree wants to do a one-year-tour where they have booked meetings with different grocery stores in Sweden. Since ICA has a significant share of market the focus will be at them in the beginning. First presenting the idea for ICA as a corporate group and later on visit store by store and present the idea to the CEOs for every store since all ICA stores work in a franchise-like model. Coop and Axfood will be the following target.

It's important to present Qfree in the best way possible and make a serious and professional impression. Therefore, staff clothing, a branded car and a lot of preparations are used to make the best possible pitch to the customers. There will also be a demonstration setup where customers can try the product.

When a specific grocery store has signed up with Qfree, an adaptation phase starts. Qfree will map the store to be able to customize the application for it. For example, the location system will need mapping of the shelves and groceries.

To make sure the grocery store staff is on board with what Qfree is they will provide education for them. Qfree employees will visit the grocery store, or alternatively the grocery store staff comes to the Qfree office, where they are informed and trained in how to work with the service. This includes the staff passing on the information to the end user. Brief information will also be presented in the grocery store for the end user, so that they can get started at any time without getting help from the store staff.

7. Legal matters

There are several legal matters that Qfree AB needs to take in consideration and there's several criteria that needs to be met in order for the business to function properly:

The Qfree application is connected to the end user's credit card and bank account through BankID for easy direct payment when they exit the physical store. They will offer both direct payments as well as a monthly invoice option. To be able to have this kind of feature, Qfree AB needs to register with their bank and sign a special contract for the right to provide the BankID solution for the users of the application. There are certain requirements for this from the bank that needs to be met. There will be a collaboration with Klarna for the invoice solution and the cut that they take for providing this is handled between them and the customer.

There are many things for Qfree AB to take into consideration when it comes to handling personal data and information. Sweden as well as the EU have laws and regulations that needs to be met to be able to run the business. The Personal Data Act by the law of Sweden, as well as the European Convention on Human Rights, states many important things that needs to be considered when handling this type of data and information. If the company fails to meet these required standards they can commit criminal acts. The main point of the law is that the handling of personal data is only permitted if the registrant has given their full consent. Another important aspect is that the registrant is informed that their personal data is being processed. The Personal Data Act contains detailed rules regarding the requirement for provided information for the registrant by the company or organization that is gathering the data. If the data gathering concerns extra sensitive data such as social security numbers, criminal history or the transferring of personal data to another country then there are further restrictions as well. The law also states that personal data should not be handled for a longer period than is necessary in view of the initial purpose.

These are the main parts for the law which makes up its framework but naturally there's further and much more detailed information to be found at the Swedish Data Protection Authority.

Qfree AB needs to take all of this into full consideration and handle everything correctly, both in their own systems and in the systems shared with the customers such as ICA, Coop and so on. That includes the following types of data:

- The end user's payment data in connection with the BankID payment agreement.
- The end user's personal data such as address and phone number for the history, suggestions and offer features.
- The access to the end user's device for the location, scanning and stock update features.

The direct customers (ICA, Coop and so on) also have sensitive data that needs to be handled correctly by Qfree AB. There needs to be full discretion on each customer's individual data towards each other when it comes to statistics, financials, libraries and more.

Another important legal matter for Qfree AB is to copyright as much as possible for their idea, technology and design. However, since the idea and a lot of the features aren't unique today they are limited in how much they can try to protect. As many actions as possible on this should be taken, in the beginning for the Swedish market and possibly for the European later on in the time plan. It's a good idea to register the trademark as much as possible, mainly for the name of the company, the logo and the application. It isn't really possible to do for the individual features of the application. Qfree AB should not be interested in trying to copyright the design of the application or the media (text, photos and similar) presented in it as it's not really possible. It could be a good idea to look into the possibility to copyright the company's developing and work processes later on after a couple of years as well. All of this is done through The Swedish Patent and Registration Office and they can also assist companies with necessary steps for bigger markets such as Europe and USA later on as well.

Qfree AB should also make sure to protect their interests internally. The business idea as a whole should be kept as a secret within the company for the first eleven months of development. The final month before launch will serve as a month where the application and the business collaborations will be presented and many marketing efforts will take place. Because of this, all of the employees will be required to sign a non-disclosure agreement which ensures professional secrecy. If any of the employees leak valuable information to anyone outside of the company there will be repercussions which could endanger their positions at the company.

8. Finance

This part will go through the estimations about how Qfree AB, and also how the potential customers can make money from the solution. Full information on how all numbers have been calculated will be provided. The income/loss statement, cash flow statement and the balance sheet can be found at the end of this section as well as a critical point graph.

8.1 How will Qfree generate more money for its customers?

The sales increase that the usage of the Qfree application will result in is from the end user being able to easily find and pay for everything that they need. They won't forget things and have to go to the nearby corner store to get something similar. They won't get as stressed in the store since they won't have to stand in line or run back to get something they forgot.
A customer who shops with a limited time frame will be a lot more likely to go to a store that uses Qfree, and be guaranteed that they won't have to stand in line.

8.2 Explanation of the sales revenues

- The average Swede buys food for around 24000 SEK per year.
- Qfree AB has taken into consideration that 77% (2015) of all Swedes uses a smartphone. Source: http://www.soi2015.se/sammanfattning/
- Qfree AB estimates that around 8 000 000 people in Sweden buy their food directly from a grocery store.
- It's estimated that around 2 000 000 people get their food through retirement homes or similar.

This means there are 6 160 000 grocery store customers that use a smartphone. The following numbers are calculated on how many percent of the market each of the grocery store chains own multiplied by how many smartphone users there is in Sweden. The following grocery store chains are the biggest ones that Qfree AB focuses on:

ICA 50,6% = 3 116 960 customers with a smartphone.
Coop 19,8% = 1 219 680 customers with a smartphone.
Axfood 16,1% = 991 760 customers with a smartphone.

Bergendahls (City Gross) 7,3% = 449 680 customers with a smartphone.

It is then multiplied with the following numbers to get numbers for the Qfree AB sales revenue:

* 24 000 (How much one person spends on food every year in average in SEK)

* 0,0005 (0,05% transaction fee)

Results:

Year 1: 3% of ICA's customers that has a smartphone.

- 1 122 105 SEK income

Year 2: 9% of ICA, 9% of Bergendahls.

- ICA = 3 366 317 SEK income
- Bergendahls = 485 654 SEK
- Total = 3 851 971 SEK

Year 3: 35% of ICA, 35% of Bergendahls, 15% of Axfood, 15% of Coop.

- ICA = 13 091 232 SEK income
- Bergendahls = 1 888 656 SEK
- Axfood = 1 785 168 SEK
- Coop = 2 195 424 SEK
- Total = 18 960 480 SEK

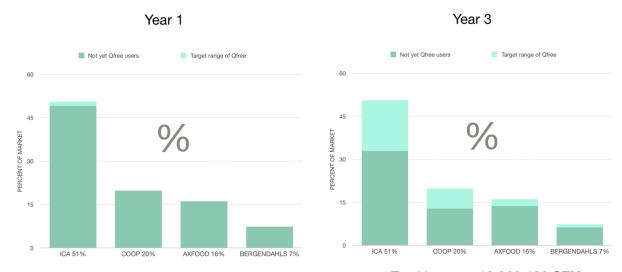Year 4: 50% of ICA, 50% of Bergendahls, 45% of Axfood, 45% of Coop.

- ICA = 18 701 760 income
- Bergendahls = 2 698 080 SEK
- Axfood = 5 355 504 SEK
- Coop = 6 586 272 SEK
- Total = 33 341 616 SEK

Year 5: 55% of ICA, 60% of Bergendahls, 55% of Axfood, 55% of Coop.

- ICA = 20 571 936 SEK
- Bergendahls = 3 237 696 SEK
- Axfood = 6 545 616 SEK
- Coop = 8 049 888 SEK
- Total = 38 405 136 SEK

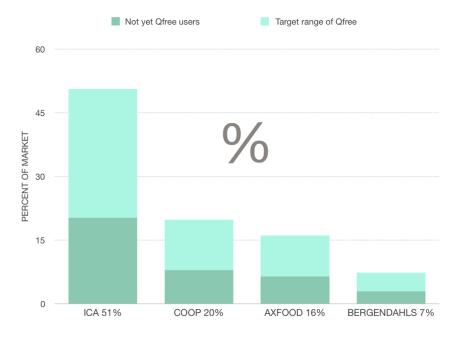Year 6: 60% of ICA, 60% of Bergendahls, 60% of Axfood, 60% of Coop.

- ICA = 22 442 112 SEK

- Bergendahls = 3 237 696 SEK

- Axfood = 7 140 672 SEK

- Coop = 8 781 696 SEK

- Total= 41 602 176 SEK

Year 1

Total income: **1 122 105 SEK**

Year 3

Total income: **18 960 480 SEK**

Year 6

Total income: **41 602 176 SEK**

8.3 ROE - Return on equity

By using the formula net profit/stakeholder equity you get the ROE. Qfree AB are getting the return on equity the fourth year since they start making profit the third year. That results in the following numbers:

Qfree - ROE

Year 4: 2,5
Year 5: 5,6
Year 6: 5,5

ICA - ROE
2014: 9,3
2015: 16,6
2016: 11,9

Source: https://www.icagruppen.se/arsredovisning-2016#!#@det-har-ar-ica-gruppen
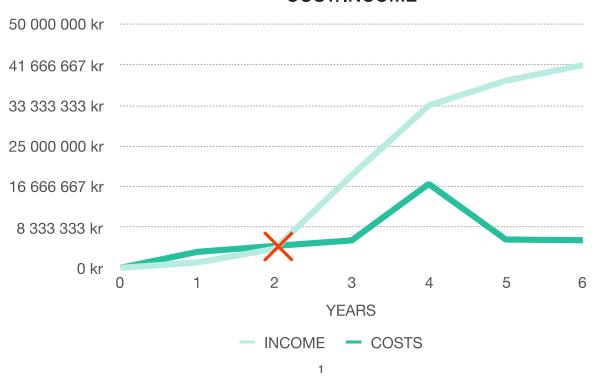
INCOME / LOSS STATEMENT

INCOME / LOSS STATEMENT	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Revenues							
Sales revenues	-	1 100 000	3 900 000	19 000 000	33 300 000	38 400 000	41 600 000
Sum of sales revenues		*1 100 000*	*3 900 000*	*19 000 000*	*33 300 000*	*38 400 000*	*41 600 000*
Expenses							
Expense of goods sold							
Operational expenses		550 000	650 000	750 000	850 000	900 000	900 000
Salaries		3 680 000	3 680 000	4 730 000	4 730 000	4 730 000	4 730 000
Depreciation of assets, non-productive		132 400	132 400	132 400	162 400	162 400	30 000
Depreciation of production equipment		24 000	24 000	24 000	24 000	24 000	
Interest to banks or return on investment to venture capaitalists					6 240 000		
Buy-out of equity from venture capitalists					5 200 000		
Etc. dependant on your structure of expenses							
Sum of expenses		*4 386 400*	*4 486 400*	*5 636 400*	*17 206 400*	*5 816 400*	*5 660 000*
Income/Loss	-	- 3 286 400	- 586 400	13 363 600	16 093 600	32 583 600	35 940 000
Tax on profit of previous year (22%)					2 939 992	3 540 592	7 168 392
Net profit (Income/loss minus taxes)					13 153 608	29 043 008	28 771 608
Net margin (Income or Loss/Sum of sales revenues)		–299 %	–15 %	70 %	48 %	85 %	86 %

CASH FLOW STATEMENT

CASH FLOW STATEMENT	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Cash and cash equivalents at beginning of period		5 200 000	1 196 333	533 000	12 794 667	27 663 000	60 008 000
Receipts							
Stocks, own or from venture capitalist	5 200 000	-	-	-		-	
Loans							
Sales		1 008 333	3 666 667	17 741 667	32 108 333	37 975 000	41 333 333
Sum of receipts	*5 200 000*	*1 008 333*	*3 666 667*	*17 741 667*	*32 108 333*	*37 975 000*	*41 333 333*
Disbursements							
Goods to be stocked or sold		-	-	-	-	-	-
Operational expenses		550 000	650 000	750 000	850 000	900 000	900 000
Salaries		3 680 000	3 680 000	4 730 000	4 730 000	4 730 000	4 730 000
Non-productive assets		662 000			150 000		
Production equipment		120 000			70 000		
Interest to banks or return on investment to venture capaitalists		-	-	-	6 240 000	-	-
Amortise loans							
Buy-out of equity from venture capitalists	-	-	-	-	5 200 000	-	-
Etc. dependant on your structure of expenses							
Sum of disbursements	-	*5 012 000*	*4 330 000*	*5 480 000*	*17 240 000*	*5 630 000*	*5 630 000*
Cash available	5 200 000	1 196 333	533 000	12 794 667	27 663 000	60 008 000	95 711 333
Cash Flow (Cash this year – Cash last year)		- 4 003 667	- 663 333	12 261 667	14 868 333	32 345 000	35 703 333

BALANCE SHEET

BALANCE SHEET	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Assets							
Cash on accounts	5 200 000	1 196 333	533 000	12 794 667	27 663 000	60 008 000	95 711 333
Assets, non-productive, value after depreciation	-	529 600	397 200	264 800	252 400	90 000	60 000
Assets, production equipment (also soft-ware), value after depreciation	-	96 000	72 000	48 000	94 000	70 000	70 000
Stock value (purchased goods to be sold but not yet sold)	-						
Non-paid customer invoives	-	91 667	325 000	1 583 333	2 775 000	3 200 000	3 466 667
Sum of assets	*5 200 000*	*1 913 600*	*1 327 200*	*14 690 800*	*30 784 400*	*63 368 000*	*99 308 000*
Equity and liabilities							
Equity	5 200 000	5 200 000	5 200 000	5 200 000	5 200 000	5 200 000	5 200 000
Loans, long term	-	-	-	-	-	-	-
Accumulated Income/Loss from previous years	-	-	- 3 286 400	- 3 872 800	9 490 800	25 584 400	58 168 000
Income /Loss	-	- 3 286 400	- 586 400	13 363 600	16 093 600	32 583 600	35 940 000
Current liabilities (not yet paid invoices to suppliers)	-	-	-	-		-	-
Sum of Equity and Liablities	*5 200 000*	*1 913 600*	*1 327 200*	*14 690 800*	*30 784 400*	*63 368 000*	*99 308 000*

Critical point

These calculations are showing when the company starts to make profit. The critical point is marked with a red cross, that's where we go break even.

YEARS	INCOME	COSTS	PROFIT/LOSS
0	0 kr	0 kr	0 kr
1	1 100 000 kr	3 286 400 kr	−2 186 400 kr
2	3 900 000 kr	4 486 400 kr	−586 400 kr
3	19 000 000 kr	5 636 400 kr	13 363 600 kr
4	33 300 000 kr	17 206 400 kr	16 093 600 kr
5	38 400 000 kr	5 816 400 kr	32 583 600 kr
6	41 600 000 kr	5 660 000 kr	35 940 000 kr

COST/INCOME

1

28

9. Action plan if "go"

If the finance for Qfree is acquired, the game plan is as follows:

1. Registering the company at the Swedish Companies Registration Office; for sales tax and to register the company name.
2. Developing the application.
3. User research activities such as interviews, product tests and focus groups.
4. Contact grocery store chains for sales meetings to pitch the system.
5. Adjust the interface to suit the grocery store chain partners.
6. Beta version launch for selected users during visits to the grocery store.
7. Possible improvements after beta tests.
8. Application launch.
9. Ongoing dialogue with the grocery store chains.

Timeline:

Year 0: During the initial year Qfree will be under development with economic support from a venture capitalist. The company will be registered for sales tax and the name will be registered. The company will be working with coding and designing to make the application come to life. Marketing towards potential customers will be developed as well to make sure the word of Qfree is spread. The system will be pitched to grocery store chains. User research activities will be conducted in form of focus groups and beta testing.

Year 1: After the first year of developing the application and testing it, Qfree is ready for launch. There will be a cooperation in place with at least one major grocery store chain, and sales will start. The system will be adjusted to fit each individual grocery store chain partner. The end users, the store customers, will be informed and instructed so that there is no doubt what Qfree is and how to use it.

Year 2: By this year Qfree will have been up and running for a year.

Year 3: By this year Qfree will have been up and running for two years. There will be a need for hiring additional customer service staff, since the amount of grocery stores subscribed has increased. Qfree AB count on being able to extract proper salaries for all owners and employees.

Year 4: The venture capitalist loan will be paid off, the 5 000 000 SEK borrowed plus the 6 240 000 SEK in interest over the years. New investments will be made in non-productive assets, such as more company cars and technology.

Year 5 and 6: Qfree AB are making a steady profit each following year.

10. Risk analysis

The business plan of Qfree AB is overall very carefully planned and leaves little possibility of any major issues arising from any certain risks. The idea and each necessary step of the plan are all very safe. The demand is by all means there and the market is very ready for a solution like this.

One possible risk, although not very realistic, is that the percentage on each sale asked for from ICA, Coop, Axfood and so on is too high for their liking. This is not very likely to occur since a lot of time and effort has been put into assuring that the percentage asked for fair and profitable for everyone involved. However, if this issue would arise then it's no issue for Qfree AB to lower the percentage and still meet their goals in the long run. The results and profits will be there even though the percentage would be slightly lower.

Another thing that could possibly happen, which isn't really a risk per definition but more of a positive possibility is that one of the bigger potential customers, such as ICA, want to be alone in offering Qfree to their shoppers and wants exclusive rights or even end up offering to buy out Qfree AB. It could be looked at as a risk in relation to the original plan. If that would be the case then Qfree AB is prepared to enter negotiations to get a really profitable deal.

As previously mentioned, there isn't a lot of risk to calculate for when it comes to a product like this. The business climate for applications today are pretty much all in or nothing. Many great ideas and solutions pop up each and every day and start-up companies invest funds and time like never before. These companies exist solely because of their ideas and wouldn't be a thing otherwise. So, taking that into consideration you can say that there's only really success or nothing on the agenda. Start-up businesses doesn't do several things at once and doesn't have a second set of products or services to fall back on if the original one doesn't work out. This goes for Qfree AB as well.

THANK YOU
FOR READING!

Csagandira