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Speak-On: projecting cash budgets for a new venture

Jordan Sills wrote this case under the supervision of Ian Dunn solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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In August 2018, Harsh Amari, a student at Western University, was busy designing new themes for his educational game Speak-On when he received a call from his former high school teacher, Mrs. Potter. She informed Amari that the school thoroughly enjoyed the demonstration he had given at its professional development day the previous week and was interested in buying several Speak-On packs. Amari had not expected such a fast response. He was still in the throes of preparing for future demonstrations at schools throughout September and October. While the government grant he received at the start of the summer helped to fund the prototype of Speak-On, Amari needed to determine how much cash would be required in the first year of business, once he incorporated on September 1. Furthermore, Amari was contemplating what to do once he graduated next year and wondered if Speak-On could grow into a full-time venture or whether he should focus on school instead. He knew the new venture would require a great time commitment.

COMPANY BACKGROUND

Speak-On developed from the idea that students, specifically in high school, were not being adequately prepared in communication and public speaking skills. When Amari was in high school, he was involved with an organization called DECA. DECA’s mission was to develop and help future leaders and provided Amari with an immense amount of practice with public speaking.[[1]](#footnote-1) He had won several competitions at both the provincial and national levels. In preparation for these competitions, he would play games intended to improve his communication skills. DECA had provided Amari an avenue to develop his public speaking skills, but he realized that most students didn’t get this opportunity in high school. Education guidelines in Ontario described public speaking as an important skill to learn; many schools offered an optional public speaking course, but Amari felt students were still unprepared once leaving high school.

Amari had developed the initial business plan for Speak-On ha while enrolled in Business 2257, an accounting and business analysis course at Western University. He applied for and received a Government of Ontario Summer Company Grant that allowed him to develop a prototype of the game.

SPEAK-ON

Speak-On was an educational game designed to be used in high school classrooms to improve communication and public speaking skills in students. It consisted of a paper card deck, a digital rubric, and an online tracking tool (see Exhibit 1). The questions in the card deck were organized by domain of knowledge, relating to courses taught across high schools in Ontario. The main version of the game had students coming to the front of the classroom, picking a card from the deck, and speaking about the topic on the card for up to a minute. The digital rubric allowed teachers to grade and give feedback to students. The online tracking tool to see progression was a future development Amari hoped to have ready next year. Multiple variations on the standard version were provided in the instruction manual with Speak-On. The rubric also integrated with the Ministry of Education’s curriculum.[[2]](#footnote-2) The initial versions Amari was planning to sell in the first year of operations were for grade 10 business and grade 9 and 10 English classes. Biology, chemistry, physics, math, French, geography, and history decks were under development.

CONSUMER ANALYSIS

Private Schools

Amari attended a private high school and decided to focus his sales efforts on these schools due to both his relationships with past teachers and the financial flexibility these institutions had. Private schools generally charged fees for students to attend and therefore had more financial resources available.[[3]](#footnote-3) To help attract students and convince parents to send their children to private schools, rather than free public schools, private schools needed to provide an exceptional learning experience.[[4]](#footnote-4) This led private schools to be early adopters of new and experiential learning tools and games. Ontario had approximately 700 private schools.[[5]](#footnote-5) If teachers wanted to procure a learning tool for their students, a pool of money was available for use. The teachers would approach their department head, who had a budget of up to CA$1,500[[6]](#footnote-6) to spend on learning tools and games throughout the department, as well as an additional $200 for each classroom. New learning tools and games would be used for only two to three years as private schools were constantly innovating. Amari believed that public schools would start implementing these games and tools after they had been widely used in private schools.

Students

Students’ future personal and professional success was increasingly tied to their competence with communication and more specifically oral communication skills.[[7]](#footnote-7) Competent speakers were more successful in conveying their knowledge, ideas, and opinions. This increasing importance had led to several countries, such as Germany, integrating public speaking into education standards.[[8]](#footnote-8) Mastering public speaking was now seen as a core competency for well-educated students. Interestingly, while the question of how to promote public speaking competence in pre-school to grade 12 and higher education had increased, research on higher education had greatly outpaced research for elementary and high school students.[[9]](#footnote-9) When students were developing public speaking skills, research had concluded that authentic learning tasks, opportunities to practice, and self-assessment were best practices leading to positive effects.[[10]](#footnote-10)

INTIAL YEAR OF BUSINESS

Summer Company Grant

After developing the idea for Speak-On earlier in the year, Amari applied for a government grant through the Ontario Summer Company program. The program was set up to encourage students to become more entrepreneurial and gain valuable experience in running a company. Successful applicants received $1,500 to help with upfront costs and a further $1,500 after meeting all the program criteria. After applying in June, Amari received the initial payment in July and completed the program requirements to receive the final payment in September. He planned to incorporate the company in September but had already spent the initial $1,500 grant. Amari had also planned to invest $500 of his own savings alongside the second half of the grant payment in September.

Sales

The first year of operations had two distinct phases. Phase one consisted of prototyping the decks in classrooms, leveraging Amari’s relationships with his previous teachers to better understand the consumer. Once prototyping was done, Amari would start sales meetings in December. The sales process consisted of a one-on-one meeting with teachers at select private schools where Amari demonstrated Speak-On and described the potential benefits to their students. If teachers wanted to make a purchase, they would go through their school procurement process and a sale would be completed one month after the sales meeting. Given his inexperience, Amari expected to convert only 20 per cent of these sales meetings at first before improving in future months. Amari assumed each teacher would buy an average of two decks per purchase (see Exhibit 2).

Logo and Website Development

One of the first things Amari wanted to do was develop a permanent logo for Speak-On. The current logo was a starting point, but Amari wanted to improve it. Logo Joy was a website that gave customers a multitude of basic logos to choose from and then allowed customization. The one-time fee for the website was $87, to be paid in September. After the logo was finished, Amari would then purchase a subscription to Canva, a graphic design tool website, which allowed businesses to upload their logos to the website and design marketing materials. The cost of the Canva subscription was $168 for the year and gave the member access to the website. Payment was made in monthly instalments starting in September. Any marketing materials made through Canva would be at an additional cost, and Amari planned to develop business cards from Canva. The business cards would cost $60 and would be paid for in October.

Initially, Amari had planned to design the website on GoDaddy, a website builder and domain hosting service, but then he discovered Fiber, which was a freelance software and programming website that connected entrepreneurs with website programmers. Amari had connected with a programmer during the summer and had contracted out the design of the Speak-On website for $633. Amari had negotiated for the payment to be due once the website was functional in November. Once the initial build of the website was complete, Amari would spend several months uploading specific content about the business. He had taken several computer sciences courses in school and felt comfortable with the process. Even though Amari did not design the website on GoDaddy, he was still going to purchase the domain name SpeakOn.com through the website and pay for a membership. Claiming the domain name required a one-time fee of $10 to be incurred in September with membership fees of $5 per month also starting in September.

Card Design

Amari had already designed Speak-On decks for English and business classes in high school. He was currently designing a wider range of topics and purchased a membership to Component Studio. Component Studio was essential in card development by helping to format images for cards, and Amari estimated he would use the site more frequently as he developed new decks. The monthly cost was $20, and he had started that subscription in July.

Banking Fees and Insurance

Incorporating the business was an easy process that would take only a few minutes. Amari would register with the Government of Ontario under the name of Confidence Games Canada. The cost of a business registration was $68 to be paid in September. Amari would also need business insurance. Insurance would cost $138 for the first three months due in September and then revert to a monthly payment format. On the same day of incorporation Amari would go to his bank and open a separate bank account for Speak-On. His bank had told him monthly fees would amount to $20 per month and would be charged to his account on the first day of the month following service.

Inventory

Amari had initially purchased prototype inventory in the summer, but he realized he would need to have a supply ready before the sales process started in December. The supplier of Speak-On decks and Amari negotiated 20 decks to be delivered in December. Further purchases of 70 decks in February and 40 decks in May would ensure enough inventory for the busy spring season. All decks would cost $20, and payment was due in the month of delivery.

Line of Credit

Speak-On would initially run based on the government grant and Amari’s investment. However, with future investments required before sales could begin, more financing could be needed. Amari had been approved for a line of credit with a $10,000 limit. The line of credit had an annual interest rate of eight per cent based on the outstanding balance at the end of each month. Payment would be due the next month. If more financing was needed above the line of credit, Amari was unsure where it would come from as his own personal finances were stretched thin with school payments.

Other Options

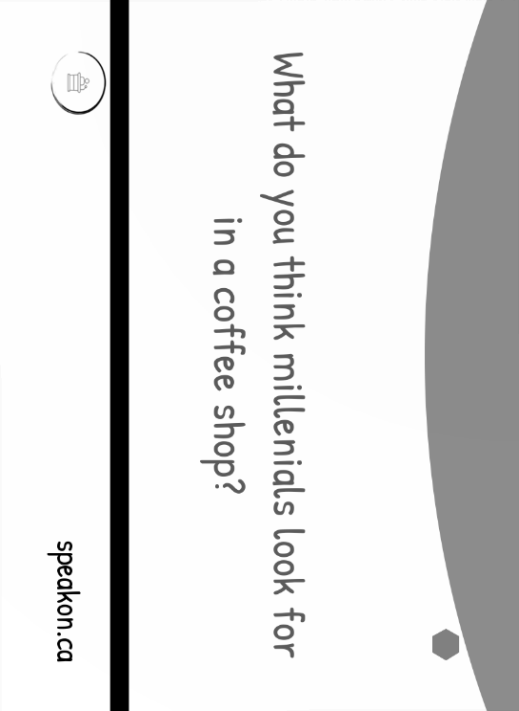
While Amari believed he was conservative with his sales projections, he also wanted to perform sensitivity analysis on his calculations. The quick reaction and sales request from his old high school was unexpected, and Amari wanted to see the effect on his cash balance if he started the sales process earlier than projected. Amari assumed the same sales levels for September, October, and November as was projected for December. For his supplier to deliver Speak-On decks in September, Amari would be charged a rush fee of $5 per deck ordered. Amari estimated an additional purchase of 35 decks in September. Additionally, more business cards would be needed, and the expense would rise to $80.

However, Amari also needed to see the negative effect slower sales would have on the business and the potential need of a credit line. Amari assumed if other teachers were less receptive than his old high school teacher, the number of decks sold would be 50 per cent less than projected. With a decrease in sales, he would not require as much inventory. While the December purchase order could not be changed, Amari would reduce his February and May orders by 35 and 20 decks, respectively.

CONCLUSION

Amari understood the impact Speak-On could have on high school students and their public speaking skills. He needed to determine his financing requirements and project a cash budget for the first year of operations. Upon analysis of the results, Amari needed to decide whether to continue to invest his time and money in his new venture or focus on school and the upcoming employment recruiting experience. If Amari decided to continue, he needed to choose whether to start selling earlier or continue with the original plan. With the school year about to begin, difficult choices needed to be made.

A close up of a sign

Description generated with very high confidenceEXHIBIT 1: SPEAK-ON DECK

A close up of a piece of paper

Description generated with high confidence

Source: Company files.

EXHIBIT 2: SALES ESTIMATE FOR FISCAL 2018

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | Dec | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug |
| Meetings per Month | 20 | 10 | 0 | 10 | 0 | 25 | 45 | 5 | 5 |
| Sales Conversion Rate | 20% | 40% | N/A | 40% | N/A | 40% | 40% | 40% | 40% |

Notes: Speak-On decks were sold for $50 each.

Source: Company files.

1. “Home,” DECA Ontario, accessed September 10, 2018, http://deca.ca/. [↑](#footnote-ref-1)
2. “The Ontario Curriculum: Secondary,” Ontario: Ministry of Education, January 27, 2012, accessed September 10, 2018, www.edu.gov.on.ca/eng/curriculum/secondary/english.html. [↑](#footnote-ref-2)
3. “Private Schools Industry in the US – Market Research Report,” IBIS World: Where Knowledge is Power, February 2018, accessed September 10, 2018, www.ibisworld.com/. [↑](#footnote-ref-3)
4. Ibid. [↑](#footnote-ref-4)
5. “List of Ontario Private Schools,” Our Kids: The Trusted Source, accessed September 10, 2018, www.ourkids.net/ontario-private-schools.php. [↑](#footnote-ref-5)
6. All dollar amounts in Canadian dollars unless specified otherwise. [↑](#footnote-ref-6)
7. Sherwyn P. Morreale, Joseph M. Valenzano, and Janessa A. Bauer, “Why Communication Education is Important: A Third Study on the Centrality of the Discipline’s Content and Pedagogy,” *Communication Education* 66, no. 4 (2017): 402–422, accessed September 10, 2018, www.tandfonline.com/doi/citedby/10.1080/03634523.2016.1265136?scroll=top&needAccess

   =true. [↑](#footnote-ref-7)
8. Evelin Herbein, Jessika Golle, Maike Tibus, Julia Schiefer, Ulrich Traiutwein, and Ingo Zettler, “Fostering Elementary School Children’s Public Speaking Skills: A Randomized Controlled Trial,” *Learning and Instruction* 55 (June 2018): 158–168, accessed September 10, 2018, www.sciencedirect.com/science/article/pii/S095947521730628X. [↑](#footnote-ref-8)
9. Ibid. [↑](#footnote-ref-9)
10. Ibid. [↑](#footnote-ref-10)