

BI-EMP BUSINESS PLAN

A networking service for wine lovers



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Executive summary

Wine used to be one of those subjects about which people would hesitate to express an opinion. In the 21st century, the smartphone have changed everything. We would like to create a mobile phone application designed to present as much information as possible on individual wines with professional assignment.

The purpose of this document is to present our company, expose the viability of our business idea and to serve us as a road map.

The aim of “Drink socially” is to play a big part in transferring power from experts to the wine-drinking regular people by providing a geosocial networking service allowing its users to discover and rate wines, share these check-in with friends and connect with worldwide wines lovers.

After some reflection, we have decided to make our mobile application free to download. We will not charge users for the services we provide because we want to generate more traffic and interest. And given the increasing number of smartphone users in the global market, we forecast the growing of our company with the market and by capturing market shares from competitors. So we will basically generate revenue though promotions and by developing partnerships.

Given that there are already existing competitors on this market, the keys of success is to convince customers of our brand's superior benefits. In order to beat our competitors and to make our service unique , we have chosen to target three wine consumers profiles and to serve them better than anyone else out there:

- The Image-seekers
- Enthusiasts wine drinkers
- Experimenter wine drinkers

In the first time, we will focus our efforts on the French market and its huge potential for our wine centered business.

The mobile application will be developed in six months by a team of software engineers that possess a deep knowledge of programming and mobile application design.

As a conclusion, to help our business and the growing of your company, we are currently seeking a 30,000 € investment in exchange for a 20% equity stake.

Product presentation

Offer description

Back in the past, wine used to be one of those subjects that used to be left to experts to tell ordinary tasters what to think and how to describe those thoughts. But now wine has definitively lost its elitist veneer. Smartphones and “Drink socially” have changed everything.

Wine drinkers can now compare multiple evaluations concurrently — not just at home but in the wine shop and restaurant using our mobile application. This Geosocial networking service allows its users to discover and rate wines, share these check-in with friends and connect with worldwide wines lovers ,while earning badges for exploring wines of different styles and countries.

Technologies and technical aspects

It's crucial to the business outcome for the app to be cross-platform. To optimize the user experience, we have chosen to develop a mobile native application which means that the app will operate more quickly because it's been designed for a specific platform (iOS, Android and Windows Phone).

Developing an Android application requires Java. This object-oriented programming language is the official language for Android development. This language is easy to handle and many open source libraries are made available for users to choose from.

For iOS, we will need to use the language Swift. It has advanced features with minimal coding that can be easily maintained.

Apps for Windows Phone are made using the C# or VB.NET languages.

Price and Income

“Drink Socially” is a free app for iOS, Android and Windows Phone. We will not make money by charging users for the services we provide because we want to generate more traffic and interest,

So we will basically make money through promotions. Promotion is the bigger part of the business, and occurs when a wine merchant shows an advertisement for a particular type of wine to the app's users. Sponsors are often willing to pay more to reach a select audience, and by analyzing users data and theirs preferences, we will be able to deliver them relevant advertisements.

Finally, given that ad-supported apps bring in cash from advertisers, it encourages us to make the app free to download, increasing the number of users and the value to marketers.

Market and competitors

Nature of the market

For 2017 the number of mobile phone users is forecast to reach 4.77 billions and is expected to pass the five billion mark by 2019. This increasing number of smartphone users in the global market has led to a huge increase in the number of apps that consumers use on their phones. The Apple App store has close to 2 million of these apps while Google play has over 2.2 million Apps.

Furthermore, in 2016, the wine consumption worldwide was estimated to amount to 242 million hectoliters, up from 226 million hectoliters in 2000.

Targets and potential customers



Wine is one of the most popular alcoholic beverages in Europe, with the French alone consuming about the same amount of wine as the whole population of the United States combined.

Constellation Brands, the world's largest wine seller, did a study in 2014 called Project Genome surveying the purchases of 10,000 premium-wine consumers to map consumer buying behavior. This study give 6 different wine consumers profiles :

- Experimenter (21% of consumers - Average Price bottles :16 €)
- Conservatives (20% of consumers - Average Price bottles : 10€)
- Image seekers (18% of consumers – Average Price bottles : 12€)
- Engaged newcomers (12% of consumers - Average Price bottles : 13€)
- Enthusiasts (10% of consumers - Average Price bottles : 13€)
- Overwhelmed (9% of consumers - Average Price bottles : 9€)

Non-targeted wine consumers :

- Conservative wine drinkers want to buy wines they already like, so they don't need any advice and will not use our application.
- Overwhelmed people won't use the app because they will probably not share their alcohol addiction on a social network.
- Engaged newcomers do not take into account the occasion during which the wine will be drunk, when purchasing their wine, and they seek little information about their purchases.

Targeted wine consumers :

- Image-seekers will search information and will believe more expensive wines are better quality.
- Experimenter wine drinkers are keen to receive advice, will act on a knowledgeable sales person's recommendation, and like to try different wines.
- Enthusiasts are less likely to drink wine on a daily basis but will seek some information before purchasing wine

In France, 35.5 millions people drink wine. Given that our targeted wine consumers and theirs market segments, the number of potential French consumers for our mobile application is of 17.4 millions.

Competitors



Vivino - Mobile phone application that sells wine online and gives recommendations that adapt based on your tastes and preferences.

Strengths

20 Millions of users



Weaknesses

75% of wines are not rated by experts

Stars rating classification



Next Glass - Mobile phone application that gives nutritional information about any drink and recommendations.

Strengths

3 millions of users



Weaknesses

Acquired by Untappd



Untappd - Mobile phone application that allows its users to rate beers and share these check-in with friends.

Strengths

7 millions of users



Weaknesses

Stars rating classification

Majority of Casual consumers

13 reasons why we can do better

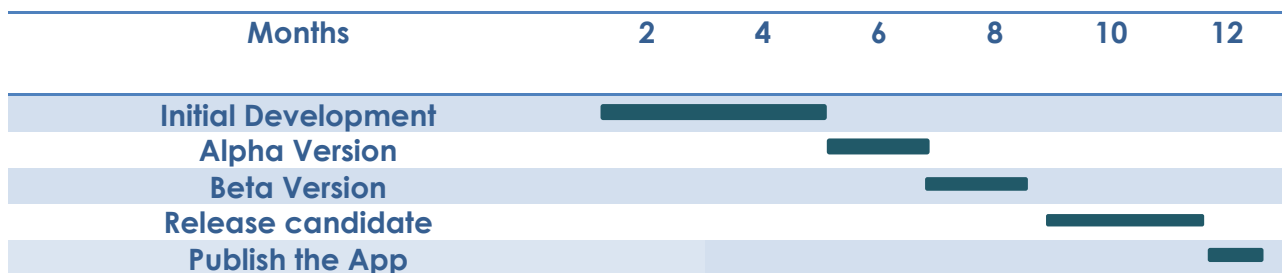
- **Ratings system:** One major problem existing with Vivino/Untappd ratings tends to occur on high-volume drinking days. Drinking many different wines/beers back-to-back can make it very difficult to remain objective while deciding on how many stars it deserves, which is exceedingly unfair to the producers who worked so hard to create these recipes.
- **Wine experts versus amateurs:** Over 75% of wines in Vivino are never rated by wine experts.
- **Casual consumers:** We don't believe that the average ratings of a wine/beer will end up mattering very much to casual consumers. It is doubtful that very many people are looking up the Vivino (Untappd) averages of every wine(beer) on the bar's tap list before they order.

➔ *Your friends' or wine expert's individual ratings will probably have much impact on your choices either.*
- **How to improve stars rating classification:** There are definitely ways to make a rating system that better fits user's preferences. A few ideas could be:
 - A 1 to 5 scale for perceived hoppiness/bitterness
 - Individual rating areas for aroma, color, taste and mouthfeel
- **Develop partnerships with producers and bars**
- **Organize social events – Create a real community**
- **Improve wine recommendation algorithm**
- **Keep average rating secret until after your check-in**
- **Add a guide on “How to test Wine”**
- **Develop interaction between producers and customers**
- **Add advices on how to store your wines**
- **Develop a Chatbot to personalize customer experience and provide instant information to users**
- **Create a blog and publish articles of wine influencers**

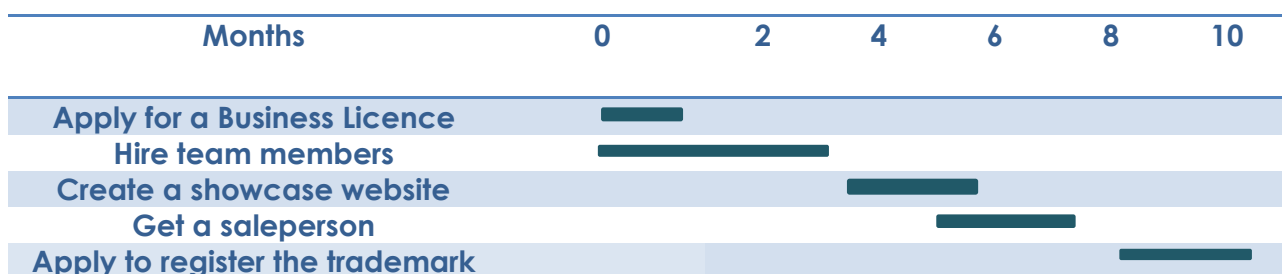
Aims and objectives

Overall schedule

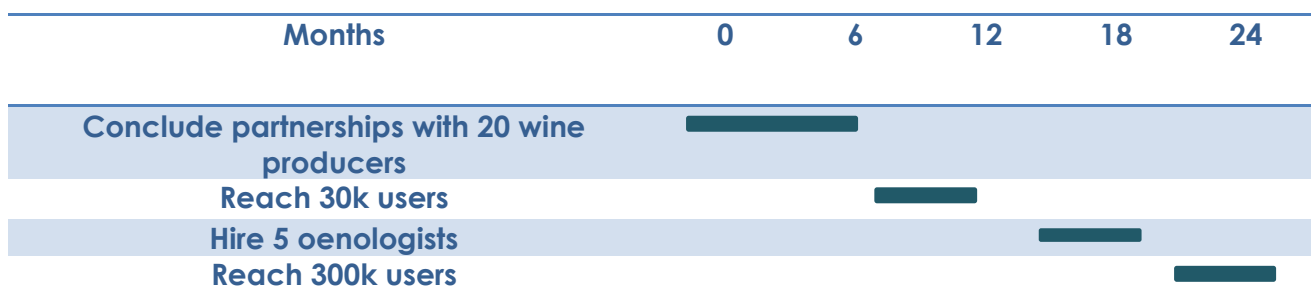
Application release life cycle



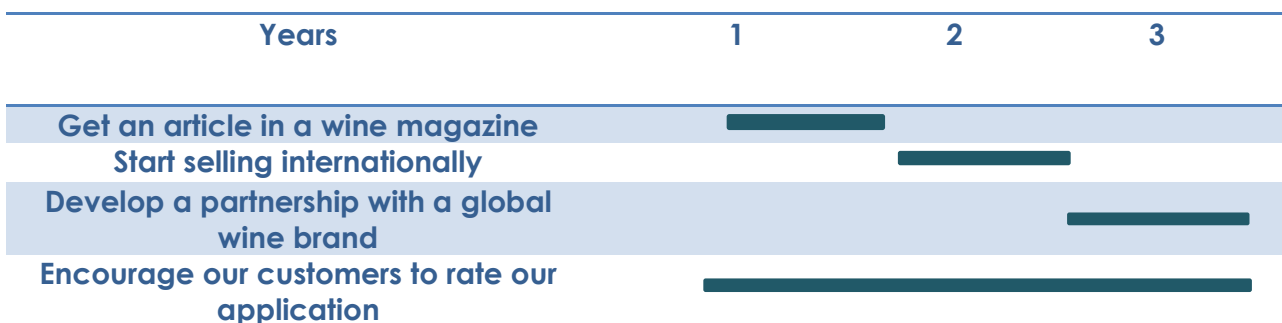
Short Run Tasks



Objectives Planning



Long Run Tasks



Market share

We forecast the growing of our company with the market and by capturing market shares from competitors. Our goal is to become the leader among our targeted wine consumers profile by serving them better than anyone else out there.

Annual Market Shares Objectives	
2018	3%
2019	8%
2020	15%
2021	22%
2022	28%

Turnover

In this part, we are going to estimate how much advertising revenue the application can generate, depending of our number of users.

$$\text{Revenue} = \text{Impressions} * \text{eCPM}$$

Impressions - the number of impressions of an ad on the advertising platform.

eCPM - "Effective Cost per Mille." -The advertising revenue generated per 1,000 impressions.

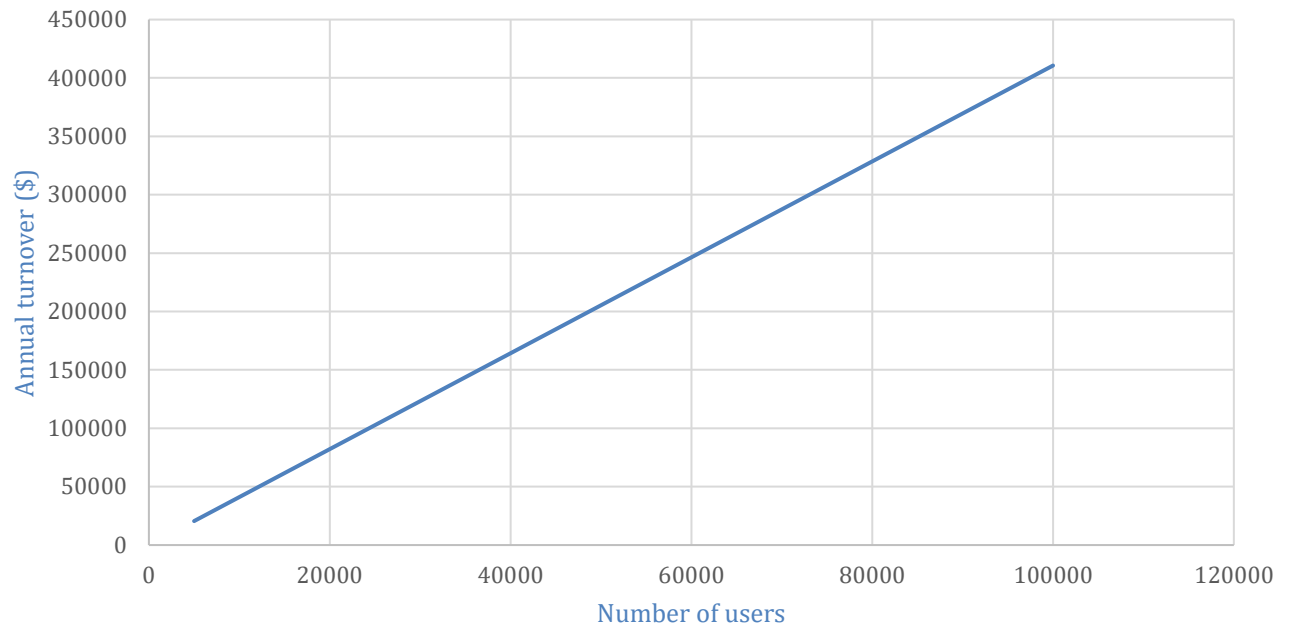
For an ad display to count as an impression, it has to be up for 30 seconds, so that's 2 impressions per minute.

$$\text{Impressions} = \text{Number of Users} * \text{Number of Minutes spent on the App} * 2$$

Average Mobile eCPMs (2016)	
iOS Banners	0.20€ – 2.00€
iOS Interstitials	3.00€ – 5.00€
Android Banners	0.15€ – 1.50€
Android Interstitials	2.00€ – 4.00€

We will suppose that our users will spend 3 minutes on the app per day with an average mobile effective cost per Mille of 2.5€.

Annual turnover of the company by number of users



Financial Projection Scenarios

a) Most Likely case

Annual turnover and users objectives

Years	Users	Estimated turnover
2018	10 000	41 062 €
2019	45 000	184 781€
2020	75 000	307 968 €
2021	100 000	410 625 €
2022	125 000	513 281 €

Expected annual profits

Years	Profits
2018	9, 166€
2019	30, 460€
2020	122, 559€
2021	262, 039€
2022	424, 006€

b) Best case

Annual turnover and users objectives

Years	Users	Estimated turnover
2018	20 000	81 125 €
2019	80 000	328 500€
2020	150 000	615 937 €
2021	180 000	862 312 €
2022	200 000	1 026 562 €

Expected annual profits

Years	Profits
2018	12, 789€
2019	137, 370€
2020	631, 821€
2021	954, 029€
2022	1 431, 826€

c) Worst case

Annual turnover and users objectives

Years	Users	Estimated turnover
2018	3 000	12 318 €
2019	10 000	41 062 €
2020	18 000	73 912 €
2021	25 000	102 656€
2022	40 000	164 250 €

Expected annual profits

Years	Profits
2018	7, 679€
2019	9, 474€
2020	12, 044€
2021	14, 859€
2022	23, 303€

Business Strategy

Global strategy and marketing plan

SWOT ANALYSIS



Our global strategy is based on the focus on a small number of wine consumers: The Image-seekers, the experimenter wine drinkers and the enthusiasts wine drinkers.

We can compete by emphasizing customer satisfaction and develop a service competitive advantage to increase excellence in customer service. Customer service focused on high levels of customer satisfaction implies hiring employees with good people skills, training them in customer relations, training them on the products they are supporting and monitoring for rapid response times.

By differentiating ourselves from competitors, we will try to provide a better service than our competitors, according to our target's profiles.

This more-focused approach allows us to maximize efforts in marketing, competitively satisfy customers needs and convince them of our brand's superior benefits.

Production and development

The mobile application will be developed by a team of software engineers with knowledge of the following programming languages : Java, Swift and C#.

Distribution

Android and iOS accounted for 99.6 percent of all smartphone sales in the world. Thus, the mobile app will be available for iOS and Android smart devices and can be downloaded on the Apple Store and Google Play.

Strategic partnerships

We would like to develop strategic partnerships with wine bars, wine producers and professional oenologists because :

- It is mutually beneficial in that each partner can get the customers contacts and other partnerships of the strategic partner.
- It reduces the cost when it comes to the mutual promotional efforts.
- Partners will promote us to their customers and contacts
- Our customers benefit from an expanded referral pool of trusted resources and it will strengthen our relationship with them

Project team

To make this project successful, we will need the talent and collaboration of a project's team members:

- Mobile application developers:
 - Design, build, test, implement and support our application.
- Project Manager:
 - Actively seek sponsorships and promote the commercial benefits of our project.
 - Ensure that the project proceeds within the specified time frame and under the established budget
- Sommelier:
 - make a professional assessment on wine

Financial plans and previsions

Balance sheet

Years	2022	2021	2020	2019	2018
Assets					
Cash and equivalents	82 039,00 €	72 559,00 €	20 460,00 €	9 166,00 €	100 000,00 €
Accounts receivable	513 281,00 €	410 625,00 €	307 968,00 €	184 781,00 €	41 062,00 €
Inventories	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Total current Assets	595 320,00 €	483 184,00 €	328 428,00 €	193 947,00 €	141 062,00 €
Net plant and equipment	50 000,00 €	30 000,00 €	15 000,00 €	7 000,00 €	6 000,00 €
Total Assets	645 320,00 €	513 184,00 €	343 428,00 €	200 947,00 €	147 062,00 €
Liabilities and Equity					
Accounts payable	380 000,00 €	290 000,00 €	130 000,00 €	80 000,00 €	37 896,00 €
Notes payables	9 941,00 €	9 831,00 €	9 724,00 €	9 618,00 €	9 513,0 €
Accruals	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Total current Liabilities	389 941.00 €	299 831 ,00 €	139 724.00 €	89 618,00 €	47 409,00 €
Long-term bonds	51 373,00 €	61 314,00 €	71 145,00 €	80 869,00 €	90 487,00 €
Total debt	441 314.00 €	361 145.00 €	210 869.00 €	170 487,00 €	137 896,00 €
Common Stock	100 000,00 €	70 000,00 €	50 000,00 €	10 000,00 €	0,00 €
Retained earnings	104 006,00 €	82 039,00 €	72 559,00 €	20 460,00 €	9 166,00 €
Total common Equity	204 006.00 €	152 039.00 €	122 559.00 €	30 460,00 €	9 166,00 €
Total Liabilities and Equity	645 320.00 €	513 184.00 €	343 428.00 €	200 947,00 €	147 062,00 €

Income Sheet

Years	2022	2021	2020	2019	2018
Revenues					
Advertisement	513 281,00 €	410 625,00 €	307 968,00 €	184 781,00 €	41 062,00 €
Total revenues	513 281,00 €	410 625,00 €	307 968,00 €	184 781,00 €	41 062,00 €
Operating costs					
Wages	159 240,00 €	139 432,00 €	121 024,00 €	109 858,00 €	18 966,00 €
Rent	25 000,00 €	25 000,00 €	0,00 €	0,00 €	0,00 €
Equipments	5 000,00 €	2 000,00 €	4 000,00 €	20 000,00 €	800,00 €
Total operating costs	189 240,00 €	166 432,00 €	125 024,00 €	129 858,00 €	19 766,00 €
EBITDA	324 041,00 €	244 193,00 €	182 944,00 €	54 923,00 €	21 296,00 €
Depreciation	4 000,00 €	4 000,00 €	3 000,00 €	3 000,00 €	1 000,00 €
EBIT	319 041,00 €	240 193,00 €	179 944,00 €	51 923,00 €	20 296,00 €
Interests	9 941,00 €	9 831,00 €	9 724,00 €	9 618,00 €	9 513,00 €
EBT	309 100,00 €	230 362,00 €	170 220,00 €	42 305,00 €	10 783,00 €
Taxes	105 094,00 €	78 323,00 €	47 661,00 €	11 845,00 €	1 617,00 €
Net Income	204 006,00 €	152 039,00 €	122 559,00 €	30 460,00 €	9 166,00 €
Commons dividends	100 000,00 €	70 000,00 €	50 000,00 €	10 000,00 €	0,00 €
Addition to retained earnings	104 006,00 €	82 039,00 €	72 559,00 €	20 460,00 €	9 166,00 €

NB : Our office space will be based in a business incubator that helps new and startup companies to develop by providing services. Thus, we will not pay any rent for the three first years.

NB : The 2017 French corporate tax rate was 15% of the taxable income up to and including €38,120, 28% up to €75,000 and above which the rate is 33.3%.

Cash Flow

Years	2022	2021	2020	2019	2018
Operating activities					
Net income	204 006,00 €	152 039,00 €	122 559,00 €	30 460,00 €	9 166,00 €
Depreciation and amortization	4 000,00 €	4 000,00 €	3 000,00 €	3 000,00 €	1 000,00 €
Increase in accounts payable	90 000,00 €	160 000,00 €	50 000,00 €	42 104,00 €	37 896,00 €
Increase in accruals	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Increase in accounts receivables	102 656,00 €	102 657,00 €	123 187,00 €	143 719,00 €	41 062,00 €
Increase in inventories	0,00 €	0,00 €	0,00 €	0,00 €	0,00 €
Net cash provided by operating activities	195 350,0 €	213 382,00 €	52 372,00 €	-68 155,00 €	7 000,00 €
Long-term investing activities					
Cash used to acquire fixed assets	50 000,00 €	30 000,00 €	15 000,00 €	6 000,00 €	7 000,00 €
Financing activities					
Increase in notes payables	110,00 €	107,00 €	106,00 €	105 ,00 €	9 513,00 €
Increase in bonds	-9 941,00 €	-9 831,00 €	-9 724,00 €	-9 618,00 €	90 487,00 €
Payment of dividends	100 000,00 €	70 000,00 €	50 000,00 €	10 000,00 €	0,00 €
Net cash provided by financing activities	-109 831.00 €	-79 724.00 €	- 59 618.00 €	-19 513 ,00 €	100 000,00 €
Net decrease in cash and equivalents	-21 967.00 €	-9 480.00 €	- 52 099.00 €	- 11 294,00 €	90 834,00 €
Cash and equivalents at the beginning of the year	82 039.00 €	72 559.00 €	20 460.00 €	9 166,00 €	100 000,00 €
Cash and equivalents at the end of the year	104 006.00 €	82 039.00 €	72 559.00 €	20 460,00 €	9 166,00 €

Financial gauges

a) Dividends

Investors have 20% shares of the company and will 20% dividends every year.

Years	Dividends
2018	0 €
2019	2, 000€
2020	10, 000€
2021	14, 000€
2022	20, 000€

b) Weighted Average Cost of Capital (WACC)

$$WACC = w_d r_d (1 - T) + w_p r_p + w_c r_s$$

$$WACC = 7.9 \%$$

c) Net Present Value (NPV)

It is the difference between the present value of cash inflows and the present value of cash outflows. NPV is used in capital budgeting to analyze the profitability of a projected investment or project.

$$NPV = \sum_{t=0}^n \frac{C_t}{(1+r)^t}$$

$$NPV = 44\,353 \text{ €} > 0$$

An investment with a positive NPV should be a profitable one.

d) Internal rate of return (IRR)

IRR is the interest rate at which the net present value of all the cash flows (both positive and negative) from a project or investment equal zero

$$0 = \sum_{t=0}^T \frac{CF_t}{(1+IRR)^t}$$

$$IRR = 33.193\% > WACC$$

Financial needs

Overview

We have currently planned to borrow 100 000€ from a bank over 10 years with an interest rate of 1.1% in case our business does not get funded by investors.

Annual interests and debt

Years	Interests	Debt
2018	115.10 €	90 487
2019	105,80 €	80 869€
2020	106.96 €	71 145€
2021	108.14€	61 314€
2022	109.35 €	51 373€
2023	110.55 €	41 323€
2024	111.77€	31 162€
2025	113.01€	20 888 €
2026	114.26 €	10 501 €
2027	115.51€	0 €
Total Interests	995, 36€	