

**BUSINESS PLAN**

MODTECH, INC

2013

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Gustavo MARIN

Mathilde SAHUGUET

Anh-Dung LE

Table of contents

1 ModTech executive summary 3

2 ModTech, a dedicated team 3

3 Business model 5

3.1 Vision for 3-5 years 5

3.2 Our mission 5

3.3 Target products and market 5

3.4 Our business model 6

3.4.1 Customer segments 6

3.4.2 Channels 6

3.4.3 Customer relationships 6

3.4.4 Value propositions 6

3.4.5 Revenue streams 6

3.4.6 Key activities 7

3.4.7 Key resources 7

3.4.8 Key partners 7

3.4.9 Cost structure 7

4 Financial analysis 7

4.1 Return on Investment (ROI) 8

4.2 Return On Sales (ROS) 8

4.3 Return On Assets (ROA) 8

4.4 Return On Equity (ROE) 8

4.5 Gross Profit Margin 9

4.6 Net Profit Margin 9

5 External environment 9

5.1 Strengths 9

5.2 Weaknesses 9

5.3 Improve strength and reduce weaknesses 9

5.3.1 Improve strengths 9

5.3.2 Reduce weaknesses 9

6 Implementation roadmap 10

6.1 SWOT Analysis 10

6.2 Competitive Edge 10

6.3 Marketing Strategy 10

6.4 Partnership 10

6.4.1 Strengths 11

6.4.2 Weaknesses 11

6.4.3 Opportunities 11

6.4.4 Threats 11

7 Risks analysis 11

8 Conclusion 12

9 Annexes 13

THE BUSINESS PLAN

MODTECH, INC

# ModTech executive summary

We here at ModTech are a new company in the PCs and chips wholesaling business, that aim to make modern technology accessible to all. Because we want to make our contribution in overcoming the digital divide, we will focus in different areas and adapt to different markets and markets segments: we believe that computer experts as well as every one of us, little end user, in Europe, the US and Brasil should be able to access technology and internet through his/her own device. By bulk buying and selling, we hope to allow each customer to afford technology access.

Hence, the aim of our company is to be in the wholesalers business. We already started to set up in places where there already was a market (e.g., US) so to establish our tools and method. Then, we extended to other places such a Brazil. Our business is in both chips and PCs, as those products are complementary and will support each other in case of any loss in sales.

We know that different customers have different needs, so we adapt our strategy to different geographic markets and create targeted advertising campaigns. We also create market opportunities by adapting products grades and prices to customers.

We already have several standing long-term contracts with different providers of chips and PCs, which if a proof of our strength in this market. In the long term, we planned to produce computers if possible, depending on factories set-up prices.

The company name is ModTech Inc. – it is an abbreviation for Modern Technology, because we the key value of our company is to bring technology to people and ameliorate daily life through innovation.

# ModTech, a dedicated team

Our team includes 3 members:

* Gustavo MARIN, CEO. Gustavo.Marin@eurecom.fr
* Mathilde SAHUGUET. Mathilde.sahuguet@eurecom.fr
* Anh-Dung LE. Anh-Dung.Le@eurecom.fr

Our team gathers people from different backgrounds; we think this diversity as a source of enrichment and success that will enable us to go beyond what other companies can do. This diversity is first cultural: our team gathers Venezuelan, Vietnamese and French origins so we get different expertise in the different markets. Diverse technical and educational backgrounds also adds to our wide knowledge: computer science is a common factor among us, but we also sum up law, engineering, human-computer interaction, multimedia, and security skills among others.

While this diversity could be though as a source of misunderstanding, we share the vision of our company; we agree on our common objectives and each one can focus on his/her role. Hence, we complement each other by seeing business and technology from different perspectives, that we optimally combine to make the best decisions.

Because English is our working language, the communication flow is easy and it enhances our collaboration.

Roles are presented below. Three people is a small team, but we cope with that problem with increased collaboration; some roles need more than one member as is shown in the table.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Overview | Geographic area | | | |
| CEO  **Gustavo** | HQ | US | EU | Brazil |
| Functional roles include: |  |  |  |  |
| Area manager | All of us | All of us | All of us | All of us |
| Finance | Gustavo | Gustavo | Gustavo | Gustavo |
| Marketing | Mathilde | Mathilde | Mathilde | Mathilde |
| Sales | Mathilde | Mathilde | Mathilde | Mathilde |
| Negotiation | Anh-Dung | Anh-Dung | Anh-Dung | Anh-Dung |
| Production | Anh-Dung | Anh-Dung | Anh-Dung | Anh-Dung |
| Logistics | Mathilde | Mathilde | Mathilde | Mathilde |
| R&D | Anh-Dung | Anh-Dung | Anh-Dung | Anh-Dung |

# Business model

## Vision for 3-5 years

The rapid improvement in technology leads to variety of hi-tech products. The users are more and more aware of products and they have good sense to find the most suitable products for them. Even among the poorer population, there is a strong will to access technology.

There will be huge opportunity for wholesalers to get closer to customers, to know their favors in order to adapt the technology with the market’s taste. The mushrooming of chip and PC plants may create the huge competition in prices. With the advantage being wholesaler we can provide customer the best prices and still make profit.

Hence, we see ourselves as a leader wholesaling company in a few years, with an expertise in the market and its different segments. We will be selling products the right price so to push the market up ; we will push in research and development to always come with new products for eager customers.

## Our mission

ModTech provides customers bountiful amount of hi-end as well as average products. The company guarantees for the availability of the products. In addition, ModTech is trying to be a good partner with other companies and with local governments, institutes, etc. The goal of ModTech is to present the new values of technology to all kinds of customers – which improves the living standards.

## Target products and market

The targeted geographical markets are all the area offered in Intopia: Europe, the US and Brazil. These markets offer different opportunities in terms of population, prices and products wanted, so there exist different segments into each geographical area. While US and Europe are older markets with a lot of high-end consumer user, the Brazilian market is relatively new and needs more focus to get some understanding. Situation and market conditions in Brazil change quickly, so we need high reactivity to follow and adapt to those changes.

Some effort is put into R&D through contracts with other teams to finance research, and thus push the reach of new products to the market. Those products come with higher prices, and we don’t forget the population that can’t afford such technology: we also pay attention to keep reasonably low prices, and also to sell products with standard quality for those who don’t need advanced features. We always ask our partners factories for the best technological products that can produce. Having different partners, we get different grades of products. Hence, or each product (chips and PCs) we sell standard and deluxe units. In order to have an even finer-grained targeted marketing, we send the lowest grades to Brazil where demand for technology is still no as high as in older markets. Hence, we when get three different units of a product, say X0, X1 and X2, either from different producers or from our stock, X0 will be sent for sale in Brazil and the rest will be divided among the markets depending on the quantities and the markets.

Concerning marketing, we value marketing a lot, and each quarter we invest in marketing campaigns to reach the customers. As wholesaler, we thus gain in visibility, which is a key to our success.

## Our business model

### Customer segments

* High class customers (targeted by the “deluxe” grades, of whom we want to win the loyalty) of PCs and also chips
* Traditional customers (targeted by the standard grades)
* Other companies that will buy chips from us
* Governments
* Institutes, universities

### Channels

* Advertisement to reach customers
* Shipping products from factories to our center, and shipping and sending by airplane to customers
* Money transfer and currency changing channels

### Customer relationships

* Loyalty discount
* Pricing strategy
* Customer service and warranty

### Value propositions

* High quality, deluxe computers & chips for high end users
* Average prices for any customer not willing spend much
* One of the biggest wholesaler in the market
* Reliable products and services
* Availability, instant product delivery

### Revenue streams

* (Buying computers from other companies as a wholesaler)
* Selling both deluxe and standards products (computers & chips) to customers (people and companies)
* Bank interest

### Key activities

* Buying chips and PCs from other firms
* Negotiation with other firms
* Marketing products
* Wholesaling
* Finance (need to deal with different areas to buy from/sell to)
* Logistics of the products bought

### Key resources

* PCs and chips bought from manufacturers
* Cash flows
* Loyal customers
* Marketing products to enhance sales

### Key partners

* Partner companies including Nippon
* Consultant firms (strategy and law consultants)
* Banks
* Governments
* Shipping partners

### Cost structure

* Shipping cost and taxes
* Fixed and variable costs of being a wholesaler (offices)
* Marketing
* Consulting fees

# Financial analysis

For this analysis, we are using ModTech’s results in the "Industry Activity Indicators" for the first year. ModTech first year has been difficult, because from the beginning it was created to become the number one wholesaler in the world, but the market has not enough capacity to provide ModTech with all the products that it needs to satisfy its clients. This situation has made the company struggle with price and inventory and almost every quarter the company sold out; also the competitors, like Nippon, have very low prices which make very difficult to make profit because ModTech needs to set low prices to be able to keep its customers.

|  |  |
| --- | --- |
| **ROI** | -5.2% |
| **ROS** | -19.3% |
| **ROA** | -4.2% |
| **ROE** | -5.5% |
| **GROSS PROFIT MARGIN** | 6.7% |
| **NET PROFIT MARGIN** | -20.3% |

**ModTech's Profitability Ratios**

## Return on Investment (ROI)

This value (-5.2%) shows that the investments that the company is making are not giving enough revenues. The problem that modtech is facing is that is investing money in sales offices in US, EU and Brasil and also the maintenance of the home office, but it is not selling the amount of PC's and Chips require to support all the infrastructure that it has built.

## Return On Sales (ROS)

This value (-19,3) shows that the company is not making profit on the sales, the main reason is that the cost to get the products from other companies is too high, and there are competitors that has very low prices, so ModTech has being struggling to find the correct price to be able to sale and make profit.

## Return On Assets (ROA)

This value (-4,2) shows that the company's investment in assets has no proportional impact on sales, this is because ModTech is facing problem to find in the market enough products to sell them in all the offices around the world, so the company is selling less than the optimum for the number of offices.

## Return On Equity (ROE)

This value (-5.5%) shows that the company has problem to make profits out of the money invested by shareholders. There are two main reasons for this, the first one is a lot of inactivity in the beginning keeping a lot of cash in the bank without investing it, and then after investing the money in new offices to become a wholesaler, the fact that ModTech does not find in the market the number of products that it needs, high cost and low prices has an impact on the revenues which are not proportional to the money invested.

## Gross Profit Margin

This value (6.7%) is very low because of the problem explained before related to pricing, cost structure and efficiency of the business.

## Net Profit Margin

This value (-20.3%) that for every sale the company is not making enough profit, because after discounting all the cost related to that sale the profit sometimes is low or negative because the price is not good, because the cost is really high but the competitors have low prices.

# External environment

In this part we present about the strength and weaknesses of being a wholesaler in this industry

## Strengths

* Huge amount of money in cash
* Control the market
* Have ability to deal with other manufacturers
* Focus only on sales
* Close to the customers

## Weaknesses

* Vulnerable to products’ availability
* Not involve in the manufacturing -> don’t have patents and valuable IPs
* Politics’ and economics’ effects

## Improve strength and reduce weaknesses

### Improve strengths

* Build more sale offices to sell more
* Deal the best prices

### Reduce weaknesses

* Partnerships with manufacturers to get patents
* Get in touch with governments in fluctuated areas

# Implementation roadmap

## SWOT Analysis

With this analysis we can establish how to implement our strategy inside the different areas in which we are able to operate (see table on the next page).

## Competitive Edge

We started by selling products from the first quarter to gain an advantage and be the first company that sales PCs and chips. Thus, we gained shares in the market as well as a good knowledge of it, so other companies want to make agreements with us to sell their products.

## Marketing Strategy

Will use advertising as a main source of promotion. Have stock every time, so there's not even one customer that cannot buy one of our products because there is not enough in inventory. Give some special offers to costumers on the first quarters to gain some awareness inside the market.

## Partnership

As we are a known wholesaler company, we made several contracts with different Pcs and chips manufacturers in different areas. We ask them for the maximal amount of products they can provide us because we have the capacity to sell a lot of units.

Governments and institutes are potential target partners.

The long-term contracts are displayed in the last section of this document (annex).

|  |  |
| --- | --- |
| Strengths  * We are the people with a passion for what we do, with a high sense of commitments and responsibility. * We cover a part of the market that is necessary and yet not many companies will do it. | Weaknesses  * Being a wholesaler, our economic activity relies on having great relationships with successful manufactures that are able to sell us enough chips and PC to satisfy the demand of the market. * At the beginning, we have to sale through agents the PCs and chips that we will buy from Nippon, which will cost a lot of money, and only after three quarters we will be able to be a wholesaler. |
| Opportunities  * All the companies will be focusing in producing chips or PCs; to avoid paying high fees to the agents, they will prefer to use our company to sale their products in a specific area. * Also, as we enter the wholesaling market early, we will have more chance to develop a winning strategy and to understand the market, in comparison with companies that first focus on production and later on sales | Threats  * Not having enough stock to satisfy the demand of the market, and may lose a lot of clients. * The fact that we need to invest to much money in the beginning and is mandatory to sell a good amount of products to have enough cash to invest money in an specific moment. * Not being able to forecast money transfers we need, in order to have the right money in the right currency at the right moment |
|  |  |

# Risks analysis

The list below illustrates the possible risks that can appear and affect directly to company while it is under implementation

|  |  |  |  |
| --- | --- | --- | --- |
| Risks | Value | Probability | Contingency plan |
| Companies sell their products by their own sale offices | High – it affects our sales and market share directly | High | Make partnerships with as many companies as possible |
| Products are not enough | High – it may create the down in customer relationship | High | Create long-term contract to guarantee the quantity of products |
| Decrease in sales | Medium – loss in cash | Medium | Make better price/marketing strategy |
| Area’s policies changed | Medium – it may affect to the sales and operating costs | Medium | Need advice from consulting company |
| Partners break the contracts | Medium | Low | Create the conditions for breaking the contracts |
| Partners increase the prices unpredictably | Medium | Low | Create additional conditions for price increasing |

# Conclusion

Our initial plan was to be in the PC manufacturing business, but we changed it to be in the wholesaling business instead. Indeed, we saw there a market that none other company was aiming for. The main issue encountered was the lack of products supplied by the partners, which make it very difficult for us. We could answer this issue but building long-term contacts and looking forward to building a plant of our own or investing in a partner factory. Also, the lack of financial skills of the team members and the lack of tools for decision-making may still be an issue that we will have to overcome in the coming quarters. Some good thinking and task division between the team members will lead us to the right decisions.

Therefore, we start our business confident that we are going to succeed in developing both a booming company and our skills in the business area.

# Annexes

In the next pages are some of the contracts with supplier companies.