

**THE BUSINESS PLAN**

MODTECH, INC

2013

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THE BUSINESS PLAN

MODTECH, INC

# Executive summary

The aim of our company is to be in the wholesalers business. We aim to set up in places where there already is a market (e.g., US) so to establish our tools and methods, and then to extend to other places such a Brazil. Our business will be 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 will adapt our strategy to different geographic markets and create targeted advertising campaigns. We will create market opportunities by adapting products grades and prices to customers.

In the long term, we also plan to produce computers for high end users 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.

# The 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. 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.

# The company 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.

# Team members and roles

The ModTech team includes 3 members:

* Gustavo MARIN (the “expert” and team leader)
* Mathilde SAHUGUET
* Anh-Dung LE

Because we are only 3 people, some works we need collaboration from more than one member.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Overview | Geographic | | | |
| 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, Malthide | Gustavo, Malthide | Gustavo, Malthide | Gustavo, Malthide |
| Marketing | Mathilde,  Anh-Dung | Mathilde,  Anh-Dung | Mathilde,  Anh-Dung | Mathilde,  Anh-Dung |
| Sales | All of us | All of us | All of us | All of us |
| Negotiation | All of us | All of us | All of us | All of us |
| Production | Anh-Dung | Anh-Dung | Anh-Dung | Anh-Dung |
| Logistics | Mathilde | Mathilde | Mathilde | Mathilde |
| R&D | Gustavo,  Anh-Dung | Gustavo,  Anh-Dung | Gustavo,  Anh-Dung | Gustavo,  Anh-Dung |

# 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

# 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 will start by selling products from the first quarter to gain an advantage and be the first company that sales PCs and chips. Then, we will have the highest share in the market as well as a good knowledge of it, so other companies may 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.

## Possible partnership

Our possible partners will be the PC manufacturers in the US area in the first time. Next, if we want to focus on high-quality PCs for high-end customers, we may try to cooperate with the high-class chip and PCs manufacturers for our deluxe PCs. Also, we can cooperate with R&D.

Governments and institutes are potential target partners.

|  |  |
| --- | --- |
| 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 |

# 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 costumers.

|  |  |
| --- | --- |
| **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 build.

## 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.

# 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 the information from the Gazette gave us some concern regarding that, in particular the first article stating the there is no rooms for PC plants in the market. Also, the lack of financial skills of the team members and the lack of tools for decision-making may 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.