ShopBuddy

Software Business Start-Up TX00CO28-3002

Project A

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Breakeven Point

Figure 1 visualizes the expected breakeven point in the fifth year. Critical to success is the proportion of cost-intensive premium deliveries compared to the profitable private deliveries. Table 1 shows an aggregated overview based on the defined target values of the described KPIs. This shows the projected costs of 3,402,118 € for the fourth year. These expenses are to be fully amortized by the surplus up to the seventh year.

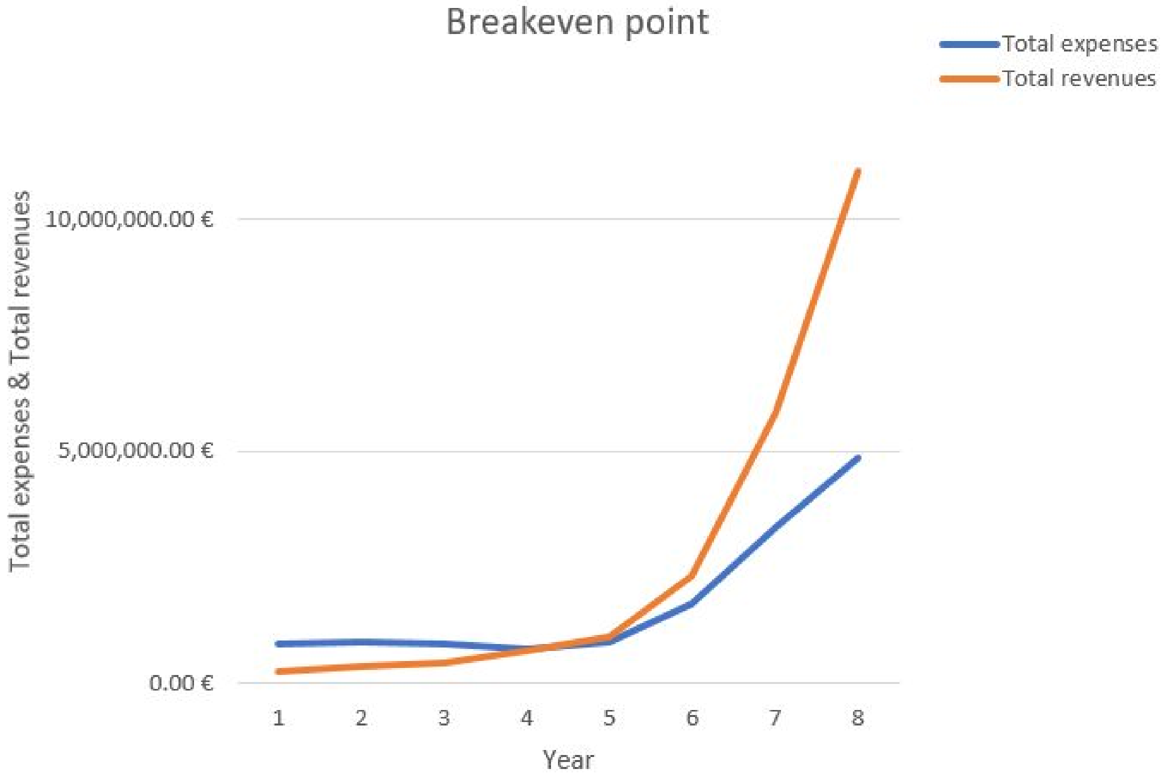

Figure 1: Breakeven

Year	Amount of orders	Total revenue	Total costs	Net profit / balance
1	183,850	264,744.00 €	877,460.00 €	-612,716.00 €
2	270,000	391,500.00 €	883,648.00 €	-492,148.00 €
3	410,000	451,000.00 €	870,044.00 €	-419,044.00 €
4	670,000	715,560.00 €	760,966.00 €	-45,406.00 €
5	1,000,000	1,005,000.00 €	899,480.00 €	105,520.00 €
6	2,300,000	2,311,500.00 €	1,719,200.00 €	592,300.00 €
7	5,000,000	5,829,000.00 €	3,371,800.00 €	2,457,200.00 €
8	11,000,000	11,055,000.00 €	4,884,520.00 €	6,170,480.00 €

Table 1: Net profit of orders per year

Pricing

Pricing models of traditional network effects theory generally focus on the installed base of a given product, i.e. the total number of users within the whole market, as the most important factor for buying decisions. Contrary to this, we propose that the individual environment in the personal communication network of a potential consumer determines the buying decisions and must therefore be taken into account when designing appropriate pricing strategies for network effect markets.

In general, every person can apply for the role as a premium supplier. However, the applications are individually reviewed and only accepted if they are actually required. The target group is those whose availability is comparatively flexible. Students, for example. For each premium delivery, a supplier receives 6 €. However, the customer pays only the usual price, of an average of 2 €. This results in costs of 4 € per successful delivery. At the beginning 80% of premium deliveries are expected. This share should be reduced with the successful adoption of the ShopBuddy concept. For example, for the fourth year only 8% premium deliveries are expected. The premium suppliers are particularly responsive to the most important criticism of the competitor MYU.

The business model of ShopBuddy is based on a mediation fee, i.e. a commission for deliveries made. By cooperating with various supermarket chains, current prices can be displayed for the customer. The delivery fees are calculated on the basis of the shopping cart and are borne by the orderer. The calculation is based on a formula, which includes the weight, scope and distance. For the first year, delivery charges of an average of 2 € are expected. The supplier receives 70% of this amount, i.e. 1,40 € and ShopBuddy 0,60 €. Tax duties are disregarded for the purpose of simplification.

For successful deliveries a commission of 30% is assessed, which must be borne by the suppliers. Exceptions to this rule are premium deliveries.