

The methodology to work out a feasible sales price and volume to break even and with a profit margin can be worked out using our survey results as a reference of elasticity relevant to eCook.

### 7.7.1 Product Price

Comparing to current competitors we can see a range of products with similar functionality will sell from free to £30, this can be narrowed down the competition to strong competitors in terms of advertisement and additional functionality that create a niche in the market. The remaining products still start free but is only a 'LITE' version so can be excluded, the resulting product prices are £99, £2.99, £4.99, £8 and £30 where the majority are less than £10.

Overall the final product price will be £5.50 as this was the average price from our survey results (excluding extremities) and lies underneath the competitors range. This means 20042 copies of eCook must be sold if we choose to take a 20% profit margin to pay for the marketing costs and ensure the shareholders equity is met. We must sell 114 additional copies of eCook to overcome the interest gained during development, then it will the loan interest value will increase by £632.25 per month until we have money income.

Our product will return enough revenue to payback the loan within a year if we choose to sell the product at £5.50 and sell to at least 2% of students, there are approximately 1million students in the UK (Ref: <http://www.hesa.ac.uk/content/view/1897/239/>) which results in 20,000 copies guaranteed to be sold. Students are our first target audience because we have prioritised the loan re-payment which requires an initial burst of revenue. Students are most likely to benefit from the initial product and are most accessible because they live in dense residential homes, usually on campus, that can easily be influenced through appealing marketing techniques and help from student unions. Other sales will be made through social media networks and the fact we aren't purely aiming promotion at students, this drives our estimated sales to 20,500 for the first year which will grow as we advance. The target audience will eventually broaden when the product and company develops enough to compete with larger companies.

### 7.8 Cash Flow Forecast

Using the Cash Flow Forecast spread sheet (attached), we can estimate our projected sales based on our target sales. It takes us 2 months to prepare for distribution so we are ready to hit to fresh students in September 2014 , we aim to sell 5125 per quarter if all contributing factors remain the same.

After the first quarter, we are able to pay back some of our loan thus decreasing the interest rate. The remaining loan drops to £28,971.15 with an interest value of £1,628.18 payable at the end of the second quarter, by the end of the third quarter (June 2015) our loan is fully repaid and we have a gross profit of £25640.12. After the first year of projected sales years we will make £53,827.62.00 profit minus the shareholders equity.

A summary of the cash flow forecast for the entire development process and the next 2 years has been written into a Profit/Loss Statement as seen below. This takes every total expense and total revenue into account to give us a net profit of £150,183.12.

### 7.8.1 Profit/Loss Statement

<b>Sales Revenue</b>	£242,412.50
<b>Cost of Sales</b>	
Physical Promotion	£5,000.00
Social Media	£6,666.67
Web Adverts	£5,833.33
Other	£2,500.00
Modules	£5,500.00
<b>Gross Profit</b>	£216,912.50
<b>Overheads</b>	
Labour	£28,939.50
Rent	£15,817.50
IT Infrastructure	£2,550.00
Modules	£5,500.00
Loan Interest	£13,922.38
<b>Net Profit</b>	£150,183.12

### 7.9 Critical Analysis

Over the allocated 26 week period, our business has developed greatly and gained experience through long-term planning and collective decisions. Financially, our company was strict on deadlines to prevent any overspend on overheads and to ensure all members completed their timesheets on time so we can balance the cash. Keeping clear documentation of all money transactions is essential for maintaining a big project, this allows the company to reflect on performance and expenditure, consequently highlighting areas of improvement. Careful consideration of unpredictable mistakes is expected and a method to overcome the problem must be quickly decided to avoid liquidation.

- *Key influential factors*
- *Capital Resources*
- *Positive/Negative trends*
- *Effect of inflation and significant uncertainties*

To improve the company setting rewarded goals to increase motivation can bring out higher levels of performance in talented employees. Monitoring trends over a longer periods of time can help settle overhead costs by refining our resources to the essential.

Spoon Ltd.

Regardless of this our company worked very well as a team and will continue to progress in the coming years.

We have plans to develop the product once we have established a solid interest so as to make the product into an android or iOS application for smartphones and tablets, this will increase sales dramatically... Financial Issues?

- *We will be subject to tax liabilities is we function for a year?*

## 8. Appendix 1

- GANTT Chart and PERT Chart attached in the email submission
- Business plan document attached in the email submission
- Balance Sheet & Income Statement attached in the email submission
- Cash Flow forecast up until September 2016 attach in the email submission