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Gamer Crow Design

BUSINESS PLAN

# 



**Insert a colour company logo or picture representing company or product/service**

Alexander Sanchez

Chief Executive Officer

581 Richmond St

London, Ontario N6A-3G2

Canada

519-636-0421

[alexandermagus6@icloud.com

http://triosdevelopers.com/A.Sanchez

[DATE]

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# Executive Summary

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The executive summary will provide our Review Panel with a brief yet dynamic description of the key components of the business plan. To make sure it is clear and comprehensive, it is often the last section to be written. A first-time reader should be able to read the summary by itself and know what your business is all about. The summary should stand-alone and should not refer to other parts of your business plan.

The summary, between one to three pages in length, will motivate readers to continue reading the remainder of the business plan in more detail.

**The summary should include the following subsections:**

## Business Description

Provide a brief description of your company. The opening paragraphs should introduce what you do and where. From this section, our Review Panel must be convinced of the uniqueness of the business and gain a clear idea of the market in which the company will operate. The legal form of the business such as LLC, S-Corporation, C-Corporation, Partnership, or Proprietorship should be stated as well as the objectives of the business via a mission statement that clearly states the business' purpose and values. Include a vision statement as well as where you see the business in five to ten years. Be sure to answer the following questions that are usually asked by our Review Panel:

* What form of business are you in?
* What type of business is it (e.g. manufacturing, consulting, reselling, services)?
* Is it a new business, a takeover, a franchise?
* What is your product or service?

## Products and Services

This should include a very brief overview and description of your products and services, with emphasis on distinguishing features. Be sure to answer the following questions that are usually asked by our Review Panel:

* How will the products be made or the services performed?
* What will they do for the customers/clients?
* What is different about the product or service your business is offering?
* What value do you add to your product?
* What is it that separates your company from the rest of the pack?
* Is your product or technology proprietary, patented, copyrighted?

## The Market

Provide a brief description of the market you will be competing in. Here you will define your market, how large it is, and how much of the market share you expect to capture. It is important to reference credible sources and include the name of your source(s) of information along with a date. Indicate how you will market the products/services and which channels will be used to deliver your products/services to your target market(s) (i.e. website, direct sales force, Value Added Resellers, channel partners, etc…). Be sure to answer the following questions that are usually asked by our Review Panel:

* What are the key drivers, trends, and influences in the market?
* To whom do you market your products and services?
* How will you educate your customers to buy from you?
* Who is your target market?

## Competition

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It is important to demonstrate that you have investigated the competition. Identify the direct and indirect competitors, with analysis of their pricing and promotional strategies, as well as an assessment of their competitive advantage. Based on this analysis, you can identify key obstacles for your business, the additional services you might offer, competitive challenges, as well as opportunities ahead. Briefly describe the competitive outlook and dynamics of the relevant market in which you will operate. Be sure to answer the following questions that will be asked by our Review Panel:

* Is your service better, faster, cheaper and if so why?
* Is your advantage a temporary “window” and are there steps you can take to protect your position?
* What have you learned from the competition? From their advertising?
* How is their business currently? Steady? Increasing? Decreasing?

You may also wish to include the following table:

|  |  |  |  |
| --- | --- | --- | --- |
| Competitor Name | **Sales** | **Market Share** | **Nature of Competitor** |
| Digital Extremes |  |  |  |
| Big Blue Bubble |  |  |  |
| Big Viking Games |  |  |  |

## Operations

Operations is defined as the processes used to deliver your products and services to the marketplace and can include manufacturing, transportation, logistics, travel, printing, consulting, after-sales service, and so on. This section should briefly outline how you will implement all of the above and include a brief description of the organizational structure and the expense and capital requirements for operation. Be sure to answer the following questions that are asked by our Review Panel:

* Are your staffing requirements on par with the rest of the industry, is your pay and benefits package appropriate?
* Have you contacted suppliers and distributors and decided which you will choose?
* Do you have insurance? If so, does it provide adequate coverage?
* Have you prepared a contingency plan if some difficulties should occur?
* What facilities and equipment do you require? How much does they cost?
* What inventory will you have on hand? Where will you keep it?

## 

## Management Team

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The quality of a company’s management team is one of the best predictors of success, thus we will look very closely at the individual(s) who will be managing the company. The ideal scenario is that senior managers have previously started and successfully managed companies in the same business. If your management team cannot show this kind of background, you should emphasize the previous relevant experiences of the team. Mention past experience, education, positions held and milestones achieved. Be sure to answer the following questions that are usually asked by our Review Panel:

* Can the current management team reach the desired goals set by the business?
* What about the future needs of management, will you hire new team members? What if a member of your management team leaves?
* What is the chain of command?
* Why did your current management leave their previous position?
* What will be the main duties of each individual member of management?

## Risk/Opportunity

Risks are a part of any business, especially a new one. In this section, it is important to show our Review Panel that you have taken into consideration the risk involved with starting or expanding your venture. Illustrate the market, pricing, product, and management risks as well as how you plan to overcome these risks.

Convey to our Review Panel that the company and product/service truly fills an unmet need in the marketplace. Describe and quantify the opportunity and where you fit. Explain why you are in business along with the reasons why you will be able to take advantage of this opportunity. Be sure to answer the following questions that are usually asked by our Review Panel:

* Have you considered all the possible risks involved?
* Does your business have a contingency plan in place for all of the risks mentioned?
* What makes this opportunity unique?
* What are the financial risks for your business? How will these risks be minimized?
* What is the worst-case scenario? How will your business handle it?

## Financial Summary

The financial section of the business plan will help you estimate how much money will be required and how much profit and sales will be generated. This process will force you to think through the various scenarios that may arise through the course of business and the respective responses to each. Be sure to answer the following questions that are usually asked by our Review Panel:

* Have you stated your break-even point?
* What are the potential problems you are certain your business will face and what are the solutions to these problems?
* Are the balance sheet and income statement completed for three years?

This table should include a recap of your income statement:

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|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Year 1** | Year 2 | Year 3 | Year 4 | Year 5 |
| **Revenue** |  |  |  |  |  |
| **Cost of Goods Sold** |  |  |  |  |  |
| **Gross Profit** |  |  |  |  |  |
| Operating Costs |  |  |  |  |  |
| Finance & Admin |  |  |  |  |  |
| Sales & Marketing |  |  |  |  |  |
| **Total Expenses** |  |  |  |  |  |
| **Net Income Before Tax** |  |  |  |  |  |
| **Less: Income Tax** |  |  |  |  |  |
| **Net Income** |  |  |  |  |  |

This table should include a summary of your balance sheet:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| As of [Date] | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 |
| **Assets** |  |  |  |  |  |
| **Liabilities** |  |  |  |  |  |
| **Equity** |  |  |  |  |  |

**Financial Summary**

## Capital Requirements

Clearly state the capital needed to start or expand your business. You should have a very clear idea of how much money you will need to operate your business for the first full year. If possible, summarize how much money has been invested in the business to date and how it is being used. Describe why you need the funds and why the opportunity is exciting. Keep in mind that one of the most common causes of new business failures is under-capitalization. The following tables are useful to portray the sources and uses of funds:

**Source of funds:**

|  |  |  |
| --- | --- | --- |
| **Source** | **Amount** | **Percentage** |
| Your contribution (If any) |  |  |
| Grant |  |  |
| Loans |  |  |
| **Total** |  |  |

**Use of funds:**

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|  |  |  |
| --- | --- | --- |
| **Category** | **Amount** | **Percentage** |
| Sales & Marketing | 2000 | 0.2 |
| Capital Expenditures |  |  |
| G & A Expenses |  |  |
| Other |  |  |
| **Total** |  |  |

**Executive Summary checklist:**

* Does your Executive Summary capture the essence of your business plan?
* Does your Summary sell your distinctive competence for executing the plan?
* Does it sell your strategy for success?
* Does it stand-alone from your business plan (without reference to the business plan)?
* Is your Summary short, clear and exciting? Does it make the reader want to dive into the complete plan for more details?
* Do you cover all of the main elements of your plan (Business Description, Products and Services, The Market, Competition, Operations, Management Team, Risk/Opportunity, Financial Summary and Capital Requirements)

# 1. Business Description

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The business description is a brief (one or two page) description of the company you have founded or are about to found. This section will be broken down into subsections and should give your reader a good idea of where you are, how you have gotten there and where you foresee your business in the future.

**Answer the following questions in one or two paragraphs:**

* What is the name of your company? Where is it located?
* Will it be a sole proprietorship, partnership, or corporation?
* Does your company currently exist, or will it be forming?
* What is your current stage? (Idea stage, start-up, expansion, etc.)
* Has the product been tested, lease signed, suppliers arranged, staff hired, etc.?
* How will it be organized?
* To whom do you market your products? What is your target market?
* What changes do you foresee in your industry, and how will your company respond to them?

**The Business description should include the following subsections:**

## 1.1 Industry Overview

Often neglected in many business plans, an industry overview will provide our Review Panel with information on the industry that you are entering or already have a stake in. The industry overview should begin with the current situation of the industry and the future of the industry. Where possible, provide information on all the markets in the industry, including the positive or negative affect new products and developments will have on your particular business. When writing this section it is very important to state or footnote the source of any information and data you have used. Our Review Panel will want to know how reliable and accurate the information you have provided really is.

## 1.2 Company Description

Start with the legal name of your business and state the legal form such as LLC, S-Corporation, C-Corporation, Partnership, or Proprietorship. State whether the business is a new business or an existing business. Next, explain the actual business you are in, this will include describing the manufacturing of any product, provision and delivery of any service, and so on.

State where your primary office will be located as well as any other facility that your business will operate in and then explain the reasons for that specific location. Give the actual size of each office and/or facility and along with a description of how each will be used and the duration in number of years these facilities will be adequate for operating the business (i.e. number of years used for amortization of their cost).

If your proposed company uses any controlled substances in the manufacturing process or delivery of service be sure to list them along with the jurisdiction of the government agency associated with them. Be sure to indicate that you have obtained the necessary permits/licenses and what are the agencies that regulate them.

### Mission Statement

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### 

Your mission statement is a short inspirational statement of the vision and goals you have for your company. Be sure that your mission statement is concise, content rich, and that it excites your readers. Your mission statement should address, but is not limited, to the following elements:

* Nature and philosophy of the company
* Quality, price, service, customer relationships, management style, employee relations
* Corporate culture, image
* Social and community image
* Growth and profitability goals

## 1.3 History and Current Status

Summarize the history and current status of your company. If your company is just forming, clearly explain how you came up with the idea to start your business and how you and your partners have met.

If your business is already in operation, state how long you have been in business. Do you have anything to say about previous owners, successes, failures, lessons learned, reputation in community or sales and profit history? Discuss significant past problems and how you survived them.

## 1.4 Goals and Objectives

In this section, explain in simple terms the objective of your business in a single paragraph. Express your company's objectives by answering the following questions:

* What are your plans for the future of the business?
* What are your ambitions for the company?
* Are you developing growth strategies? If so, how fast do you think you will grow?
* Do you plan to increase production, diversify, or eventually sell the business?
* Explain your short- and long-term goals for the company.
* What are your time frames for reaching different goals?

## 1.5 Critical Success Factors

Separate from the Goals and Objectives section, the critical success factors identify what needs to be in place or managed in order to accomplish the objectives. Questions to address are:

* What factors will make this business a success?
* What are the internal and external elements that have an immediate and direct impact on your business? How are you prepared to deal with them or make them happen?
* What are your major competitive strengths?
* If you are asking for funding, go on to explain how the new capital will help you successfully meet your upcoming challenges.

## 1.6 Company Ownership

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This section will identify the owners of the business and should address the following:

* Who are the owners? How much of the shares do they own?
* Who are the people in the management team?
* List the name of the individual and the position held
* Describe the owners' plan for succession. Who takes over after you retire?

Use the following table to clearly show how the ownership will be broken down:

|  |  |  |  |
| --- | --- | --- | --- |
| As of [Date] |  |  |  |
| **Name** | **Title (if Applicable)** | **Number of Shares** | **Percentage of Ownership** |
| Alexander Auriel Sanchez | Chief Executive Officer | 100% | 100% |
| Tyler Drury | Lead Programmer | 0% | 0% |
|  | TOTAL | 100% | 100% |

**Ownership of Company**

## 1.7 Exit Strategy

This is where you explain what you will do in the event you need or want to exit your business. Possible exit strategies can include:

* The sale or merger of your company
* A management buyout
* An IPO or private placement

# 2. Products / Services

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This section is a detailed description of the products and/or services you will be selling or providing. Since the reader may not be familiar with your product/service, make sure to explain and describe it carefully. Begin to sell your idea by generating some excitement about it. Be honest about capabilities. When our Review Panel has finished learning about your product or service, they should be enthusiastic about reading the marketing and financial details of your venture.

Try to describe the benefits of your goods and services from a customers' perspective.

Make sure to include technical specifications, drawings, photos, sales brochures, and other items that you deem appropriate in the appendix.

**In a few paragraphs, answer the following questions:**

* What exactly is your product or service?
* What marketplace needs does your product address?
* Who will purchase it?
* How will your product or service benefit the customer? What are its features?
* How does your product work or how is the service used?
* Which after-sales services are provided? (e.g. delivery, warranty, support, follow-up, or refund policy)
* What proprietary rights do you have to the product/service? Patents, copyrights, trade secrets, non-compete agreements? Other proprietary knowledge or skills?
* What is your pricing strategy?
* What are the sales price, cost, and profit margin for each product line?
* Which products/services are in demand?
* What are your current sales?
* What are the boundaries of your business?
* Are there other vendors involved and if so who and where do they fit?
* What is included in the product's bill of materials? (Major components only)
* Are there any current/potential component supply problems?

**The Products/Services section should include the following subsections:**

## 2.1 Product/Service Description

Begin by stating your [YOUR COMPANY NAME] and the product or service you provide. List all products/services in order of highest to lowest sales or importance of product line. If possible, try to refer to patents, diagrams, product displays, or other supporting material.

For each product/service, describe the main features and benefits. State at what stage of growth your product/service is in [introductory, growth, maturity] and when you initially developed your product/service. When possible, provide a historical summary of product developments, introductions, and improvements up to the time of the business plan in a table.

Raven Gamer prides itself in offering exciting and high quality video games and mobile device applications across many developer platforms and also has the possibility of website development to offer a large gamma of software development to private companies and the final consumers.

### Existing Products

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* How is your product different from the competition? Compare capabilities, strengths/weaknesses, and characteristics of your product to that of competitors.
* Are your products currently up to date? If not, how and when do you plan to update them?
* Include the sales price, costs and profit margin for each product line
* Who are your current customers?

### Description of the Products

* General concepts
* Specific features
* The cost and labor of production methods
* In what stage of development are the products?
* Product liability considerations?
* What is your pricing strategy?

### Description of the Services

* What are the services offered?
* What is your pricing strategy?
* What is unique about your service?
* Does your service create a competitive advantage?

### Stage of Development

### 

Briefly describe the current status of your product or service:

* Where is the product in its lifecycle (early, growing, mature, declining)?
* Is it ready for the market, or is it in development?
* What obstacles remain?
* What is the timeframe for introducing these products to the market?
* How up-to-date are your products? Address potential obsolescence or losses of market share.
* Has your product been tested / evaluated and if so, where, when and what were the results.

## 2.2 Unique Features or Proprietary Aspects of Product/Service

In this section you will show how your product or service is unique. Explain the unique value-added characteristics of your product line or service and how these value-added characteristics will in turn give your business a competitive advantage.

Begin by stating why your business is unique (e.g. patent, secret ingredient, new production process, unmatched know-how). Explain how the competition may provide a similar product/service but provide the reasons why your business is able to differentiate itself in the market.

Be sure to give the details on any patents you have applied for, been granted, or been licensed. Provide a summary of the patent in the appendix. Point out your lead product/service and demonstrate how it addresses customer needs and benefits.

## 

## 2.3 Research and Development

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If your business is big enough to have either a Research and Development department or employee, specify the people in charge and their major objectives. List what your Research and Development has accomplished in the past such as innovative products/services. Account for what has been spent in the past year in percentage of revenue or actual dollar amount. If there are any plans for the future, give the percentage of revenue or dollar amount that will be allocated and the duration of the plan.

Selecting a product/service from idea to market can be a difficult task. It is a good idea to have criteria in place for deciding which product/service to move forward with. These criteria may include but are not limited to:

* Relatively low investment requirements
* Positive return on investment
* Feasibility of development and execution
* Uniqueness in the market
* Relatively low risk
* Timeliness of results

## 2.4 Production

This section will give more details on how your product/service is manufactured or delivered. To better assist you in writing this particular section, a product-oriented approach and a service-oriented approach are provided.

### Product

There are a number of things to address when your business is product oriented. First, state if your product(s) is manufactured in-house or assembled in-house from various vendors, then list the raw materials, sub assemblies, or components used for your product. Identify where you purchase your materials or any manufacturers you may use for sub assembly.

List the critical factors in the production of your product.

Specify and explain capital equipment, material, and labor requirements. Are the above items readily available? Do you have multiple supply sources? List inventory requirements, quality, and technical specifications, and hazardous materials.

### Service

Service-oriented businesses will address issues in a different manner. Anyone operating a service-oriented business will state if his or her service is provided by internal staff or subcontracted to field consultants. If there are procedures for delivering the service it will be described in this section.

List the critical factors for the delivery of service.

Specify if there will be a particular service level that has to be maintained and how you will maintain these levels.

## 

## 2.5 New and Follow-on Products/Services

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As your business expands, there will come a time to launch new products and services. If you already have new products in mind, point them out in this section. Specify whether they will be an extension of an existing product or completely new products. Your plan should include when and how you will launch the product/service (e.g. at major trade shows, industry events, through free samples, contests, etc.). Provide a target introduction date for the product/service.

### Future Products

* Are there plans for future or next generation products? If so, what and when?
* Are these new products included in your revenue and cost projections?

### Market Comparison

In one or two paragraphs, position your new product or service in its marketplace:

* Who are your principal competitors?
* What are their products?
* Why is your product/service superior and how is it different?
* What is unique about your product/service?

# 3. The Market

## 3.1 Industry Analysis

* This industry is defined as a company that creates digital content and environments that provide users with a rich interactive experience - either with content itself or with other users - for the purposes of entertainment, information or education, or that provides services that directly enable these products/services. The North American Industry Classification code is 511212 - Video Game Publishers (Canadian Industry). This Canadian industry comprises establishments primarily engaged in video game publishing. These establishments carry out operations necessary for producing and distributing computer video game software, such as designing video games, providing documentation, and providing support services to video game purchasers. They may design and publish, or publish only. Canadian Class only.
* This industry is segmented along four key axes: (a) the type of experience being created; (b) the platforms for which content is being developed; (c) the market segments or customer groups being targeted; and (d) the distribution channels being used to bring interactive digital media products to customers.
* Current trends include the majority of global game revenues now being generated through smartphones and tablets, that’s 34% of the total revenue. Reports also show that 21% of Canadians play video games most frequently on their mobile device. 11 of the top 15 paid apps on the iTunes app store were games and 10 out of the top 15 paid apps on the Android app store are also games. Large growth rates are projected for online games, wireless games, and app development. Within Canada, Ontario is a hub for mobile application development. Another trend also shows that Ontario has the greatest number of small (35%) and micro-sized (53%) firms in Canada. Important developments include Ontario’s introduction of provincial tax credits. This is attracting more medium and larger studios.
* Canada is the third largest developer of video games after the U.S. and Japan. Canada is also home to some of the biggest studios in the industry with Edmonton’s [BioWare](http://en.wikipedia.org/wiki/BioWare) and Prince Edward Island’s [Other Ocean Interactive](http://en.wikipedia.org/w/index.php?title=Other_Ocean_Interactive&action=edit&redlink=1). Other important players include Ubisoft in Montreal, Quebec City, Toronto and Vancouver, and Electronic Arts in Vancouver, Montreal, Edmonton and Waterloo. French video game publisher GameLoft and prominent social game publisher Zynga have also set up digital gaming studios in Toronto.
* Problems and issues the video game industry is experiencing are that in spite of its economic importance, recognition of interactive digital media as a distinct sector has lagged behind some of the other creative industries. It had not been part of the standard series of North American Industry Classification System until the creation of NAICS codes for some digital media activity in 2012. This means industry figures have been captured by a combination of existing categories. This gap is attempting to be addressed. Also, companies cannot always depend on the small Canadian market for sustainability and must look to foreign markets, as well as relying on foreign sales for the majority of their revenue. Financing in this industry also has its challenges, particularly with respect to access to venture capital for seed and early stage growth, as well as with securing loans for operating cash flow. In many cases, companies must sacrifice ownership of their intellectual property, and therefore potential future revenue streams, to ensure that their projects actually reach completion as the development timetable can be quite long and expensive.
* Events are influencing this industry include the provincial tax incentives and government assistance Ontario now has available. Internationally, with the increase in broadband penetration worldwide, digital distribution of content grows as well as the popularity of online gaming.
* Along with online gaming, growth forecasts are high with mobile games and surprisingly high with video game advertising.
* In total, the video game industry generated over $2.3 billion in GDP for the Canadian economy in 2012. Over the next 5 years, Revenue growth in video games for Canada is projected at 5.1%.
* Industry standards include those of the specific language and game engine used, as well as those of the middleware market, which is mainly licensing. Performance requirements are continuously increasing due to rapid innovations in technology.

### General Information

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* Economic sector, service sector, manufacturing methods, distribution channels
* This particular type of industry is the video game development and publishing industry or the digital game industry. Ontario’s Digital Game Industry was defined to include developers and/or publishers located in a permanent establishment in Ontario whose products educate, inform or entertain through text, sound and images that allows users to interact with the content.
* In terms of structure, medium-sized and large companies are incorporated to a greater extent (77% and 83%, respectively) than small and very large ones (52% and 66%, respectively). The share of private partnerships is relatively constant across small, medium-sized and large companies (between 9% and 10%), but relatively greater in very large ones (24%). Sole proprietorships are more common in small (24%) and very large companies (19%) than in medium-sized and large firms.
* The level of competition is currently moderate-high with it constantly rising. In Ontario, the dominant players include Ubisoft in Montreal, Quebec City, Toronto and Vancouver and Electronic Arts in Vancouver, Montreal, Edmonton and Waterloo. These are the main conglomerates who have ownership of many smaller companies throughout. Noticeable past failures include Noticeable new entries to Ontario include large companies like GameLoft, Zynga, and Sago Sago in Toronto.

### Size, Growth Rate, Trends, Drivers of the Industry

* Rate of expansion. How does it compare to GNP growth?
* The Canadian video game sector is anticipated to grow at a compound annual rate of 5.1% to US $1.4 billion by 2017, outpacing most other entertainment and media categories. Revenue growth in video games for Canada is projected at 5.1% to 2017. Growth in the mobile game market in Canada is expected to outpace the U.S. in the next few years, with 9.2% growth expected to 2017, compared to 7.5% for the U.S. Ontario's entertainment and creative industry adds more than $12.7 billion to the province's GDP.
* This specific sector might differ slightly due to advertising methods as well as limitations due to funding available. Although focus will still largely be on the mobile platform.
* Key trends are: the evolution of existing platforms, innovations in console/hardware technology support the production of more AAA games. Also, the emergence of “lighter” platforms, which is more desirable to develop for with the smaller capital investment, as well as the ongoing penetration of broadband technology, these make for many smaller companies emerging.
* With one of the major industry trends being mobile and social gaming, Ontario has been home to the largest producers of mobile and social gaming mainly due to the large number of micro-sized companies. Taking advantage of this would be most beneficial.
* Due to the predicted growth rate of mobile and social games, as well as the increased use of tablets and smartphones, making products available online is essential. As mobile devices are smaller, apps are becoming the norm. Not only are they simple and addictive, they have become daily use items, as well as educational.

### Sensitivity to Economic Cycles & Seasonality

* National and international trends that could affect this business would include the emergence of more small and micro-sized companies, making for more competition.
* With the possible closure of one of the three major companies in London, this makes for a greater demand for products as well as employment.
* Seasonal variations in business should not affect cash flow. Other than the fact that in the winter, people stay inside more and may play games a little more that time of year, there are no real significant variations.
* Demand cycles would include high consumption days or holidays such as Christmas or Black Fridays. Anniversaries of best-selling titles would also be in demand. Updates or bug-fixes to any games would also come in high demand in frequent cycles.

### Legal, Political and Economical Factors

* Present and future laws and policies affecting this business would include business and licensing laws and regulations as well as intellectual property and copyright laws.
* The Ontario Technology Corridor offers the following incentives to bring further investment into the province including the Ontario Computer Animation and Special Effects Tax Credit (OCASE) - a refundable tax credit of 20%, the Ontario Interactive Digital Media Tax Credit (OIDMTC) - a tax credit of 35-40%, the Ontario Media Development Corporation (OMDC) Interactive Digital Media Fund - a contribution of up to $150,000/maximum of 50% of project budget, the Ontario Production Service tax Credit (OPSTC) - a refundable tax credit of 25%, SR&ED - tax incentives to reduce R&D costs, and the Ontario Media Development Corporation (OMDC) tax incentives.
* There are government agencies and regulating bodies for this industry that include licensing laws and regulations and copyright laws. The ESRB controls which consumers can purchase which products according to content.
* Provincial tax-credit and funding programs as well as the federal Scientific Research and Experimental Development (SR&ED) program are the most frequently accessed public sources for both operational/project financing and for financing for capital investments.
* Both political climate and the government are currently stable.
* Local and national regulation can currently affect business in a positive way with the introduction of new tax credits and incentives. The purpose of this is to attract larger companies to Ontario.

### Sociocultural Factors

* With an economy recovering from a recession, lifestyle changes have become a factor to success. This caused a change in the use of consumers’ disposable income and therefore, expensive console games have become more of a luxury that many forego for mobile or social network games. With many of these being inexpensive or free with in-app purchases they are becoming more and more desirable.
* There are no current environmental concerns that could affect this business.
* Majority of target consumers in the immediate context (London, Ontario) have amenities such as locations with free Wi-Fi to download/purchase and/or use the games or applications. Many residential locations have free utilities (included in their rent) causing more disposable income and purchases of luxuries. London has minimal pollution that affects living conditions.

### Technological Factors

* Breakthrough technologies include the PS4 and XBoxOne consoles and their move technologies, as well as recent 3D capabilities. Technologies under development include graphic and animation technologies.
* The rate of technological innovation is always growing and at a more rapid rate.
* With high growth rates and technology always improving, the relative cost of technology, research and development has grown as well. The demand for better, faster technology will always be there to support this high cost.
* This industry has a high dependence on technological factors. There has been a huge impact with technological innovation in this industry. The better and faster the technology available, the more opportunities for development available.
* Energy use would be relatively moderate. Use of hydro for running computers with an internet connection would have minimal impact on energy consumption provincially.

### Finance Norms & Patterns

* Terms with vendors, customers, the capital market
* Standard markup of products
* Inventory par levels
* Profit expectations, etc.

## 3.2 Market Analysis

### Market Segmentation and Target Market

There is an unmet need in the marketplace for our products. There is a higher and higher demand for mobile and social network games and less and less companies fulfilling those needs. We will sell products directly to consumers.

**Demographics**

* Target age ranges from 8 to 45, target income range would be any, target sex is both, target occupations would be any, target marital status would be single and married, target family size would be 1-5, target ethnic groups would be all groups, mainly Canadian, target education would be around entering high school or earlier.

**Geographics**

* Immediate area served is London, Ontario and roughly a 50km radius around it. The target neighborhood is in central or Downtown London or within 5km.
* This is a densely populated area in an urban setting.
* This is London’s Downtown location. It is a central hub for business, shopping.
* Downtown London is also a hub/central location for the public transportation system. There is also ample parking, paid and otherwise.

**Lifestyle**

* Family status (single, newly married couple, full nest I, full nest II, etc.)
* Hobbies, sports, entertainment interests
* Television, radio, magazines, and other media preferences
* Political and other organization affiliation

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**Psychographics**

* Status seeking or trend setting?
* Socially or environmentally conscious?
* Free spending or conservative?
* Practical or fun seeking?

**Buying** **Factors and Sensitivity**

* Price, quality, brand name, service
* Special product features, advertising, packaging
* Location, store design, ambiance, sanitation
* Nature or quantity of other customers

### Market Size and Trends

* How big is the target market? in terms of a dollar amount
* How fast is it growing?
* Where is the market heading? future trends
* What economic and social factors will be influencing the market?
* How will the market’s needs be changing and why?

### Market Needs

Current needs in today’s market include those on mobile devices and social network games. Our product is interactive and responsive across multiple platforms appealing to numerous consumers. Focus will be on those products in high demand but a variety of others as well. Addressing and advertising online will be a main concentration as well.

**Market Growth**

* The price of products should only slightly increase after a long period of time on the market, just as every other product in other markets will as well, mostly due to demand.
* This market is growing fast. Consumer spending in this industry is on the rise as well.
* The stage of development of this market is the growth stage.
* The market is affected by the state of the economy directly due to consumption, which would decrease if the economy was in a state of decline. The rapid advancement of technology causes a higher cost of development and production and therefore the price of products. Technology will always advance, the economy on the other hand is sometimes unstable. This market will continue to grow in the short run, and start to perfect and mature in the long run but still grows with technological advancements.

## 3.3 Competitor Analysis

### Competitive Landscape

* There is a moderate to high but increasing level of competition in this industry with roughly 150 companies in Ontario alone and about 329 companies in Canada.
* The types of competition affecting this business would include other indie studios that are constantly emerging within London and web-based business making games as well.
* The competition types would include those in the video game developing and publishing industry, the digital gaming industry, and the interactive digital media industry (although these could be considered one industry, there is really only that kind of competition).

**Competition in Ontario:**

Legend:

* Major/Direct Competitors
* Indirect Competitors

|  |  |  |  |
| --- | --- | --- | --- |
| **COMPETITOR** | **LOCATION** | **FOCUS/PLATFORM** | **NATURE OF COMPETITOR** |
| 3Di Solutions | Toronto | Service Provider | 3Di Solutions uses realtime 3D game engine technologies to create interactive 3D content. |
| Absurd Games | Toronto | Mobile | Absurd Games is an independent mobile games developer. |
| Activision | Barrie | PC, Console | Activision is a developer and distributor of computer and video games. |
| Algoma Games for Health | Sault Ste. Marie | Service Provider | Algoma Games for Health is a serious game development studio. |
| Alien Concepts | Toronto | Service Provider | Alien Concepts is a 2D and 3D art and design studio. |
| Alt Software | Toronto | Service Provider | ALT Software delivers inventive software products, services, and design solutions to enable integrators to rapidly produce, deploy and use embedded devices. |
| AngelFrog Games | Agincourt | PC | AngelFrog Games is a company dedicated to creating super-cool-fun games for the Mac. |
| Arctic Empire | Ottawa | Mobile | Arctic Empire is a developer of mobile social games. |
| Arkadium | Toronto | PC, Mobile, Online | Arkadium is a developer and publisher for mobile, social and casual games. |
| Arpix Media | Toronto | Service Provider | Arpix Media is involved in handling both music licensing and composer management for film, television, and video games. |
| Atlantis Systems International | Brampton | Other | Atlantis Systems International is a developer of military and commercial training simulators. |
| Autodesk Canada | Toronto, Ottawa | Service Provider | Autodesk is a software and services company for the manufacturing, infrastructure, building, media and entertainment, and wireless data services fields. |
| Battle Goat Studios | Ancaster | PC | BattleGoat Studios is a sofware developer committed to developing leading edge intelligent strategy games for the PC. |
| Big Blue Bubble | London | Handheld, Mobile | Big Blue Bubble is a game development company striving for the highest quality games possible and to deliver them on time and within budget. |
| Big Impact Studios | Milton | Online, Mobile | Big Impact Studios is an independent developer of social MMORTS games. |
| Big Viking Games | London | Online, Mobile | Big Viking Games is a developer of a MMORPG. |
| Bitcasters | Toronto | PC, Console, Handheld, Mobile, Online | Bitcasters is a media company that develops broadcast, Internet, and gaming properties. |
| BlackCherry | Ottawa | Mobile, Online | BlackCherry creates 3D games for the web and mobile platforms. |
| Breakthrough New Media | Toronto | PC, Handheld, Online | Breakthrough New Media creates innovative, convergent websites and games based on television properties. |
| Bytemark Games | Toronto | Mobile | Bytemark Games is a digital mobile game publisher. |
| Capcom Mobile | Burlington | Mobile | Capcom Mobile is focused on developing games for mobile platforms. |
| Capybara Games | Toronto | Handheld, Mobile | Capybara Games is a mobile and handheld game studio focused on the creation of immersive and innovative games. |
| Cat Amuck Studios | Toronto | Mobile | Cat Amuck Studios is an independent game studio focusing on creating interactive media for the downloadable market. |
| Cerebral Vortex Games | St.Catharines | PC | Cerebral Vortex Games is a games developer. |
| Chocolate Liberation Front | Toronto | Service Provider | Chocolate Liberation Front is focused on the development and production of content for television, online and video games. |
| Cieo Creative | Toronto | Service Provider | Cieo is a creative agency specializing in developing innovative products for children across all platforms. |
| CrowdWave | Ottawa | Other | CrowdWave is a mass-participation, interactive, game and entertainment platform for arenas and stadiums |
| Digital Extremes | London | PC, Console | Digital Extremes is a development studio in the interactive entertainment industry. |
| Digital Leisure | Gormley | PC, Console | Digital Leisure is a software publisher that also that acquires, remasters, and publishes numerous classic video-based arcade games into new platforms. |
| Distil Interactive | Ottawa | PC, Console | Distil Interactive creates automated teaching and testing solutions that enhance personnel skills training and assessment. |
| dotBunny | Peterborough | PC, Console, Mobile, Online, Service Provider | dotBunny is an independent game studio that also does work in the areas of application development and visualization. |
| Dreamcatcher Interactive | Toronto | PC, Console | DreamCatcher is a publisher and distributor of interactive entertainment for both core gamers and the mass-market audience. |
| Drinkbox Studios | Toronto | Console | DrinkBox Studios is an independent video game developer. |
| Egerter Software | London | PC | Egerter Software are the creators of Power Render, a full blown general purpose commercial 3D engine. |
| Electron Jump Games | Toronto | Handheld | Electron Jump Games is a game software development studio dedicated to producing simple, fun games. |
| Electronic Arts | Toronto, Waterloo | PC, Console, Handheld, Mobile, Online | Electronic Arts is a developer and publisher of interactive entertainment software for advanced entertainment systems as well as PC and games for mobile phone devices. |
| Emotional Robots | Niagara Falls | Mobile | Emotional Robots is an independent software developer for mobile platforms. |
| eyeon Software | Toronto | Service Provider | eyeon Software develops 3D computer graphics and digital special effects postproduction software for gaming, commercials, and feature films. |
| Five Archers | Port Hope | PC | Five Archers is an independent developer. |
| Firetoad Software | Toronto | PC, Console | Firetoad Software is a video games development studio. |
| Frozen A.V.E | Toronto | Mobile | Frozen A.V.E is an independent mobile development company. |
| Frozen North Productions | Waterloo | Console | Frozen North Productions is an independent game development studio. |
| Fuel Games | Ottawa | PC, Console, Mobile, Online | Fuel Games is the games development division of Fuel Industries. |
| FUN Technologies | Toronto | Mobile, Online, Other | FUN Technologies is a provider of online and interactive casual and fantasy sports games and sports information. |
| G4Box | Toronto | PC | G4Box is a publisher and distributor of interactive entertainment products. |
| Game Pill | Aurora | Console, Mobile, Other, Service Provider | Game Pill creates interactive entertainment for broadcasters, brands, producers, & agencies. |
| Ganz Studios | Woodbridge | Online | Ganz Studios a developer of online children's entertainment. |
| GestureTek | Toronto | Other | GestureTek creates and develops interactive arenas used primarily in the museum, science centre and hall of fame industry. |
| Get Set Games | Toronto | Mobile | Get Set Games is an independent game studio working on mobile devices. |
| GiroKa | Ottawa | Console, PC, Mobile | GiroKa is an independent video game development studio. |
| Glinkie Games | Oakville | PC, Mobile | Glinkie Games is a small (one person) independent game development company focused on the creation of engaging digital entertainment products. |
| GlitchSoft | Ottawa | Mobile | GlitchSoft develops premium mobile games targeted at core fans of action and super hero content. |
| GMA Games | Toronto | PC | GMA develops games designed to be fully accessible to blind and visually impaired individuals. |
| Golden Gear Games | Toronto | PC, Mobile, Service Provider | Golden Gear Games is a games and applications developer. |
| Halfbot | London | Mobile | Halfbot is an independent game development studio. |
| Hard Circle | Hamilton | Online | Hard-Circle is a casual video game company. |
| Hardline Studios | Ottawa | Mobile | Hardline Studios is a developer of high end mobile games. |
| HeadGames | Ottawa | Service Provider | HeadGames is a behind-the-scenes development partner that helps studios and middleware companies get great games and products to market quickly. |
| Howling Moon Games | Rockwood | PC, Mobile, Online | Howling Moon Games creates high quality, compelling, interactive entertainment environments. |
| Incubator Games | Toronto | Online | Incubator Games is an indie developer currently focusing on online and digitally distributed titles. |
| Industry Corporation | Kitchener | PC, Console, Mobile, Online, Other, Service Provider | The Industry Corporation is a technology and multimedia company. |
| Iteration Games | Ottawa | PC | Iteration Games is the company of an independent game developer. |
| Jesler Enterprises | Peterborough | Other | Jesler Enterprises manufactures motion based simulation equipment and interactive games. |
| JPK Games | Toronto | Mobile | JPK Games is the website of independent games developer Jason P Kaplan. |
| JVL Corporation | Concord | Other | JVL Corporation primarily manufactures multimedia touch screen entertainment machines. |
| Ketsujin | Toronto | PC, Console, Handheld | Ketsujin has published single, multiplayer and massively multiplayer games. |
| Level Up Audio | Toronto | Service Provider | Level Up Audio is a recording studio that creates professional music and sound for games and other media. |
| Longbow Digital Arts | Toronto | PC | Longbow Digital Arts has been developing technically innovative and artistically unique computer games and utilities since 1998. |
| Magitech | Toronto | PC, Mobile | Magitech is a historical strategy computer game developer. |
| Magmic Games | Ottawa | Mobile | Magmic Games is a developer and publisher of mobile entertainment, offering a wide variety of action, sports, casino, puzzle, and multiplayer games. |
| Mammoth Interactive | Toronto | Console, Handheld, Service Provider | Mammoth Interactive is an independent development studio. |
| marblemedia | Toronto | Service Provider | marblemedia produces casual games and interactive experiences for the web and mobile. |
| March Entertainment | Sudbury, Toronto | Service Provider | March Entertainment is a producer of branded digital content experiences for television, film, Internet and wireless platforms. |
| Massive Damage | Toronto | Mobile | Massive Damage is focused on building a next generation location based social gaming platform. |
| Metanet Software | Toronto | PC | Metanet Software is devoted to creating fun, innovative, unique games. |
| MK-ULTRA Games | Toronto | Console | MK-ULTRA Games is an independent games studio. |
| Microforum | Toronto | Mobile | Microforum develops and publishes mobile games and provides mobile gaming solutions. |
| mindyourmind.ca | London | Mobile, Online, Service Provider | mindyourmind.ca is non-profit mental health engagement program that utilizes interactive games to work with youth, emerging adults and the professionals who serve them. |
| NotSoft Games | Ajax | PC | NotSoft is an independent entertainment software company that follows its own vision in creating exciting computer games in a variety of genres. |
| Odd Thought | Markham | Online | Odd Thought Inc. is an independent developer of online multi-player games and social network applications. |
| Okino Computer Graphics | Mississauga | Service Provider | Okino Computer Graphics is a provider of high quality and industry respected 3D data translation and photo-realistic rendering software for Microsoft Windows and component libraries for software developers. |
| OmniG Software | Toronto | Mobile, Service Provider | OmniG Software is a provider of graphics development tools and mobile games. |
| Parallel Worlds Labs | Toronto | Other | Parallel Worlds Labs is a company that creates interactive exhibits. |
| Parlay Entertainment | Oakville | Online | Parlay Entertainment is a developer and licensor of Internet bingo solutions. |
| Phantom Compass | Toronto | PC, Online | Phantom Compass is a game production company that provides creative and technical services and support to broadcasters and independent producers. |
| PixelNAUTS | St. Catharines | Service Provider | PixelNAUTS is a game development and art outsourcing studio. |
| Playbrains | Ottawa | Console, PC, Mobile | Playbrains is a game development studio specializing in digitally-distributed games. |
| Pleznt Interactive | London | Mobile | Pleznt Interactive is an independent app developer. |
| Purely Educational | Courtice | Mobile | Purely Educational is a game development studio specializing in Windows phone game development and engine programming. |
| Q-Kmbr Games | Markham | Online | Q-Kmbr Games is a small, independent Flash games studio. |
| Queasy Games | Toronto | Console, PC | Queasy Games is an independent game developer. |
| Ratrod Studio | Ottawa | Console, PC, Handheld, Mobile, Online, Other | Ratrod Studio is an entertainment software company that specialize in cross platform game development. |
| Redblox Games | Kitchener | Mobile, Online | Redblox Games is an indie developer of mobile games and game-based training simulations. |
| Red Jade | London | Service Provider | Red Jade specializes in providing outsourced art, with a focus on modeling and texturing of 3d content, as well as rigging and animation of characters. |
| Red Piston | Windsor | Mobile, Service Provider | Red Piston specializes in developing applications and games for the iPhone and iPod Touch. |
| Reverie World Studios | Toronto | PC, Console | Reverie World Studios is set to take full advantage of the rapidly expanding market for interactive entertainment media. |
| RocketOwl | Ottawa | Mobile, Online | RocketOwl is a game development company that specializes in creating interactive games for social and mobile platforms. |
| Rocking Pocket Games | London | Mobile | Rocking Pocket Games is an independent developer of games for mobile devices. |
| Rockstar Toronto | Oakville | Console | Rockstar Toronto is a video game development studio that develops action titles exclusively for Rockstar Games. |
| Sago Sago | Toronto | Mobile | Sago Sago is a team of designers and developers who create apps that children love and parents trust. |
| Sherpa Games | Markham | Service Provider | Sherpa Games is a business-to-business organization offering services for the interactive entertainment industry. |
| Side Effects Software | Toronto | Service Provider | Side Effects are developers of 3D imaging software. |
| Signalsoft | Lucan | PC | Signalsoft is a developer of simulation and training software for the railway industry. |
| Silicon Knights | St.Catharines | Console | Silicon Knights is a guild of individuals dedicated to creating groundbreaking video games. |
| Sinking Ship Interactive | Toronto | Mobile, Online | Sinking Ship Interactive specializes in mobile and web development. |
| Sky Orchard Studios | London | Mobile, PC | Sky Orchard Studios is an independent company that uses GameMaker Studio to make apps. |
| SnakeHead Games | Hamilton | Mobile, Online | SnakeHead Games is a developer of casual browser based games. |
| Snowed In Studios | Ottawa | PC, Console, Handheld, Other | Snowed In Studios is a custom software solutions provider specializing in games and interactive media. |
| Social Game Universe | Toronto | Online | Social Game Universe is a social games innovator. |
| Social Graph Studios | Toronto | Mobile, Online | Social Graph Studios delivers Facebook and iPhone applications. |
| Space Monkey Games | Oshawa | PC | Space Monkey Games is an independent developer that places emphasis on story driven experiences which incorporate an air of nostalgia to both gameplay and narrative. |
| Spinning Reality | London | Console | Spinning Reality is forging itself as a developer of entertaining, co-operative online-enabled console videogames. |
| Splashworks | Toronto | Online | Splashworks is an advergame developer specializing in Flash games, Shockwave games, real-time 3D games and multi-player games that are used in online advertising. |
| Spongelab Interactive | Toronto | PC, Service Provider | Spongelab Interactive is a developer of educational games and service provider. |
| Spooky Squid Games | Toronto | Console | Spooky Squid Games is a small indie games development studio. |
| Spore Productions | Toronto | PC, Online | Spore provides specialized graphics and multimedia development for a variety of interactive mediums. |
| Squabble Studios | Oshawa | Service Provider | Squabble Studios is a serious game development studio. |
| Steakhouse Games | Toronto | Handheld | Steakhouse Games is a games developer. |
| Streaming Colour Studios | Guelph | PC, Mobile | Streaming Colour Studios is a small, independent video game development studio. |
| Stitch Media | Toronto | Service Provider | Stitch Media is a digital media production company specializing in interactive storytelling across many formats and technology. |
| Studio 13 | Toronto | Service Provider | Studio13 provides creative and technical audio production services to video game and broadcast industry clients. |
| Super Bert Bros | Toronto | Mobile | Super Bert Bros is an independent mobile games developer. |
| Swappz Interactive | Toronto | Mobile | Swappz Interactive is a digital gaming studio developing mobile games using innovative technologies. |
| Sylien Games | Ottawa | Mobile, Online | Sylien Games is a social games developer. |
| Tapgage | Toronto | Service Provider | Tapgage is a mobile app distribution and monetization platform for mobile game developers. |
| TooMuchVoltage Software | Toronto | PC, Console | TooMuchVoltage Software is dedicated to producing award winning AAA video game titles. |
| Throwback Entertainment | Toronto | Service Provider | Throwback Entertainment is an interactive entertainment publisher. |
| Torn Banner Studios | Toronto | PC | Torn Banner Studios is an independent game development studio. |
| TransGaming | Ottawa, Toronto | Handheld, Mobile | TransGaming is a leader in the deployment and distribution of electronic entertainment across multiple platforms. |
| Troy Morrissey Audio Designer | Toronto | Service Provider | Troy Morrissey is a Game Audio Consultant/Director, Sound Designer, Composer and Audio Engineer. |
| Uken Games | Toronto | Mobile, Online | Uken is a social games developer. |
| UntitledD | London | Mobile | UntitledD is an independent company focused on mobile apps and games. |
| Untold Entertainment | Toronto | Online | Untold Entertainment is a boutique game development studio specializing in online games and applications. |
| Vast Studios | Toronto | PC | Vast Studios is a developer of casual games. |
| Veil Entertainment | Toronto | Online, Service Provider | Veil Entertainment is an independent developer of interactive, entertainment software. |
| Visual Sports Systems | Concord | Other | Visual Sports Systems develops interactive sports simulators. |
| Vive Technologies | Toronto | PC, Service Provider | Vive Technologies is a developer of educational and serious games. |
| Voices.com | London | Service Provider | Voices.com is the online marketplace that connects businesses with voice actors and voice over talents. |
| Vinyl Games Studio | Mississauga | Mobile | Vinyl Games Studio is an independent games developer on mobile devices. |
| Wero Creative | Toronto | PC, Console, Mobile | Wero Creative is an independent game studio currently developing mobile, pc, and console games. |
| Wiggles 3D | London | Mobile, Online | Wiggles 3D develops board games, online and mobile applications. |
| Women Wise | Toronto | Service Provider | Media content producers specializing in mobile apps, e-publishing and games. |
| Xcel Software Source | Mississauga | Service Provider | Xcel Software Source specializes in the distribution of entertainment, interactive and multimedia products. |
| Xenophile Media | Toronto | Service Provider | Xenophile Media is a producer of TV programs, games, and interactive content. |
| XMG Studio | Toronto | Mobile | XMG Studio is a developer of next-generation mobile games. |
| XYZ RGB | Ottawa | Service Provider | XYZ RGB offers 3D scanning services that are used throughout the visual effects, video game and reverse engineering industries. |
| ZAP Dramatic | Toronto | PC | ZAP Dramatic produces story-based negotiation games for entertainment and life skills development. |

* Factors that give power to competitors include being an established company in London with a strong financial backing and the ability to produce high quality products with expert employees.
* Strategies or market conditions that have allowed competitors to achieve good results are those that pertain to the focus on mobile and social game development. Focusing on this provinces’ main demand has been a working strategy so far among competitors.

### Compare your products/services with competition:

Competitive Analysis Table

| **FACTOR** | **Company** | **Strength** | **Weakness** | **Digital Extremes** | **Big Blue Bubble** | **Big Viking Games** | **Importance to Customer** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Products** | Games & apps | X |  | PC & Console Games | PC, Handheld, Mobile Games | Online MMORPG | 1 |
| **Price** | 1.99 – 69.99 | X |  | 24.99-79.99 | 19.99-69.99 | Free with in-game purchases & subscriptions up to 99.99 | 2 |
| **Quality** | High | X |  | High | High | High | 3 |
| **Selection** | Variety | X |  | Variety | Some Variety | Low | 4 |
| **Service** | Direct/Online | X |  | Direct/Online | Direct/Online | Online | 5 |
| **Reliability** | Reliable | X |  | Reliable | Reliable | Reliable | 3 |
| **Stability** | Neutral |  | X | Stable | Stable | Unstable | 3 |
| **Expertise** | Intermediate - expert | X |  | From entry level to expert | From entry level to expert | From intermediate to expert | 5 |
| **Company Reputation** | Newly established |  | X | Established | Established | Established | 2 |
| **Location** | Central | X |  | Central | Central | Cental | 3 |
| **Appearance** | Casual to professional | X |  | Casual to professional | Casual to professional | Casual to professional | 2 |
| **Sales Method** | Direct/Online Advertising | X |  | Direct/Online Advertising | Direct/Online Advertising | Online Advertising | 3 |
| **Credit Policies** | Pay-pal/credit card | X |  | Pay-pal/credit card | Pay-pal/credit card | Pay-pal/credit card | 4 |
| **Advertising** | Online/Web | X |  | Direct / Online/Web | Direct / Online/Web | Online/Web | 4 |
| **Image** | Professional | X |  | Professional | Professional | Professional | 2 |

### Competitive Advantage and Comparative Evaluation

Our businesses’ disadvantages in this market include the fact that our reputation would be a newly established company and that could be considered a weakness. Advantages would include low prices and variety of selection.

**Goals**

* The target price to our customers would range from 1.99 to 59.99 with no hidden costs. Credit policies would include return or exchanges.
* The target location would be within 5km of downtown/central London.
* The goal of the quality is intended to be as high as possible on every product.
* Special product features
* Image/style/perceived value
* Service (and special service features), customer relations, social image.

**Internal Strengths**

* Financial strength, volume purchasing power
* Marketing and promotional program and budget
* Operational advantages, strategic partnerships
* Company morale🡪 personnel motivation, commitment, productivity

**Market Share and Distribution**

* How is the market distributed?
* Does any one or two companies dominate the market?
* How will you obtain sufficient market share?

### Strategic Opportunities

* How can you use your competitive advantage to exploit opportunities in the marketplace?
* Where are your competitors vulnerable and how will you be able to take advantages of these weaknesses?

### Barriers to Market Entry and Exit

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Defined as a cost that must be incurred by a new entrant, entry barriers can benefit some new businesses while stopping others in their tracks. No matter which side of the barrier you are on, it is important to identify any barriers your business will have to overcome or have set in place for new entrants. Some of the more common barriers to entry include:

* High capital costs
* High production costs
* High marketing costs
* Consumer acceptance/brand recognition
* Government regulations
* Changing economy
* Change in technology
* Shipping costs
* Patents and proprietary knowledge
* Unions

Barriers to market entry for this business include all the above listed but main ones consist of the cost of operating in Ontario, brand recognition, and the changing economy and technology.

Barriers to exit limit the ability of a firm to leave a market and can exacerbate rivalry. Examples of entry and exit barriers can be found below:

|  |  |
| --- | --- |
| **Easy to Enter if there are:**   * Common technology * Little brand loyalty * Access to distribution channels * Low scale threshold | **Difficult to Enter if there are:**   * Patented or proprietary know-how * Difficulty in brand switching * Restricted distribution channels * High scale threshold |
| **Easy to Exit if there are:**   * Salable assets * Low exit costs * Independent businesses | **Difficult to Exit if there are:**   * Specialized assets * High exit costs * Interrelated businesses |

# 4. Marketing Strategies and Sales

The Marketing and Sales section of your plan will make or break the prospects for your venture. A great idea is meaningless if you cannot find customers. Carefully drafted and logical financial projections are irrelevant if nobody buys your product/service. In this Marketing Strategy section you must convince our Review Panel that there is indeed an eager market for your product. The Marketing Strategy section is where you show how you are going to fit into the market structure you just finished describing. What are unmet needs in the marketplace and how are you going to fill them? How will you differentiate your product/service from your competitors? What unique features, benefits, or capabilities will you bring to the marketplace? Who are your customers? Research you do for this subsection will be with customers, potential customers, plus any necessary secondary data. It is imperative that you do sufficient customer research to convince our Review Panel (and yourself) that customers will indeed come flocking to buy your product or service. Customer research can include simply talking with potential customers to get reactions to your product idea, conducting focus groups, undertaking walk-up or mailed surveys, putting up a mock demonstration of your concept and soliciting customer feedback, and so on. Be creative in finding ways to get honest customer input about your product or service. Finally, do not inadvertently cook the books here. Since you are enthusiastic about your concept, customers will notice your enthusiasm and often reflect it back to you, leading to erroneous conclusions about customer acceptance. It is therefore preferable to be neutral and factual as you collect data.

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**The Market Strategies and Sales section should include the following subsections:**

## 4.1 Introduction

Begin with the fundamentals of your marketing plan. State target market segments you wish to penetrate, how you plan to achieve this (e.g. through retail, mail order, multi-level marketing, the Internet) and the period for capturing a specific percentage of the market share.

## 4.2 Market Segmentation Strategy

Explain your strategy for each segment you have described in section 3.2 (Market Segmentation and Target Market). Describe the unmet need of your target consumers that your product/service fulfils or the problem it solves. The main types of segmentation strategies are as follows (you may also choose a combination of strategies):

* Geographic segmentation: segmenting customers based on geographic area (city, country, postal code, metropolitan statistical areas, time-zone, etc.)
* Product-user segmentation: segmenting customers based on product usage (amount and/or consumption patterns of a product category or brand)
* Lifestyle segmentation: segmenting customers based on lifestyle (which includes: values, beliefs, perceptions, leisure activities, preference for social events, sports interest, media usage, political views, etc.)

## 4.3 Targeting Strategy

Identify the targeting strategy to implement. This will determine which market segments you will focus on. The three main targeting strategies are:

* Mass Marketing: go after the market as a whole with one offer that answers common needs
* Differentiated Marketing: go after several market segments with offers tailored to each
* Target (Niche) Marketing: go after a small segment or sub-segment with a tailored offer

## 4.4 Positioning Strategy

Here you will include the strategy you will use to position your product vis-à-vis competitors. Some of the common product positioning strategies includes:

* Positioning in relation to competitor (head-to-head comparisons, differential advantage)
* Positioning in relation to a product class or attribute (e.g. low energy consumption, environmentally friendly, efficient, time saver)
* Positioning in relation to target market
* Positioning by price and quality (high-quality, low-price leader, luxury)
* Repositioning (gives old product new image)

### Corporate Message and Image

* The message you portray through all your marketing efforts should be clear, consistent, and reflect your corporate image
* Image can be portrayed directly (through a description of products, pricing, services, etc.) or indirectly (through suggestive design elements, logos, or uniforms, etc.)

## 4.5 Product/Service Strategy

Describe how your product/service has been designed and tailored to meet the needs of your target customer and how it will compete in your target market:

* What specific product/service features meet the needs of your customers?
* What differentiates your product in your target market?
* How does it differ from that of your competitors?
* What are the strengths of your product/service? Its weaknesses?
* Why will customers in your target market buy your product rather than the competition's?
* How will you differentiate yourself from your competitors?
* Why will customers switch to or select your product?
* How quickly and how effectively can competitors respond to your business?

## 

## 4.6 Pricing Strategy

Your pricing strategy is a marketing technique that is part of your overall marketing/positioning strategy. Upon examining the pricing strategy your competition is currently using, explain your pricing strategy and why it will be effective with your target customers.

Begin by stating your pricing strategy. Explain how you arrived at your pricing strategy (e.g. based on cost, gross margin objectives, market prices, perceived value). Point out how your pricing strategy compares to the competition. Be sure to include when you will review your pricing strategy, i.e. monthly, quarterly, annually.

Some common pricing strategies include:

* Retail cost and pricing
* Competitive position
* Pricing below competition
* Pricing above competition
* Price lining
* Multiple pricing
* Quantity discounts
* Cash discounts
* Seasonal discounts

In structuring your pricing plan, make sure you have considered all of the following:

* Competitor pricing
* Direct/indirect costs
* Prices you plan to charge, typical gross and net margins for each product and service
* Credit arrangements, returns policy, etc.
* Profitability
* Financial justification
* Customer needs and what they are willing or not willing to pay for
* How customers view additional features and benefits
* What kind of cost savings might interest customers

## 

## 4.7 Distribution Channels

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A distribution channel consists of the set of people and processes involved in the transfer of a product from producer to ultimate consumer. Describe your distribution strategy and explain why it is the best for your marketplace.

Begin by providing the distribution channels your business will use [wholesalers, cataloguers, mass merchant retailers, consolidators, DISTRIBUTORS] and how they are good fits for your end users because of [customer profile, geography, seasonal swings, other factor]. Then point out the distribution channels used by your competition and the reasons why your choice of distribution channels is advantageous for you.

* List your major current customers or consumer groups including a one or two sentence description for each and demonstrate how your product reaches the end user. A chart or diagram may be useful.
* Identify geographical or sales territories to be covered
* Specify whether middlemen are:
  + Gathering marketing information
  + Providing marketing research information down and up the supply chain
  + Promoting your product
  + Adding a price markup
  + Transporting and sorting goods
  + Negotiating with customers and/or other middlemen

## 4.8 Promotion and Advertising Strategy

How you advertise and promote your goods and services is crucial to gaining acceptance in the market and successfully generating a profitable sales volume. Having a good product or service and poor advertising is like not having a business at all. Many business owners operate under the mistaken concept that the business will promote itself, and channel money that should be used for advertising and promotions to other areas of the business. Advertising and promotions, however, are the lifeline of a business and should be treated as such. Your purpose is to introduce, promote, and support your products in the marketplace. Although considered a cost, a properly designed and executed campaign is an investment.

Explain your advertising and promotion strategy. It is critical that you educate your target market about your product or service, inform it about its availability, and regularly communicate your benefits to that market.

* How will the business advertise and promote its product or service?
* How will the business communicate with its customers? Advertising? Public relations? Personal selling? Printed materials? Other means of promotion?
* Why will this strategy be effective in reaching your target customer?
* If you have identifiable repeat customers, do you have a systematic contact plan?
* How do you get the word out to customers?
* Why this mix of advertising channels and not some other?

### Marketing Vehicles

You must decide how you will generate awareness of your product or service among potential customers. Employing the following promotional activities can generate awareness:

* Brochures, flyers, leaflets
* Print media – newspapers, magazines, specialty publications, Yellow Pages
* Direct mail, (e)mailing lists
* Broadcast media/electronic – television, radio, Internet, movie theaters
* Promotions (2 for 1), dining clubs, credit card discount programs
* Signs – on store, billboards, public transport, blimps
* Hotel – in-house publications, video guides, concierge relations, services
* Charity events
* Samples, coupons
* Specialties – packaging, T-shirts, stickers, mugs, etc.
* Trade shows, networking
* Point of sale devices, promotions, and employee practices
* Public relations

### Promotional Budget

There are four common promotional budget methods:

* Percentage of sales
* All available funds
* Following the competition
* Budgeting by task or objectives

State and give details of the method you will apply to your marketing strategies. Be sure to consider the following questions when completing your promotional budget:

* How much will you spend on the marketing vehicles listed above
* Should you consider spending less on some promotional activities and more on others?
* What is the budget for all phases of the marketing effort?

## 4.9 Sales Strategy

Depending on your business, a strong sales team may be a critical component of your success. Remember: "nothing happens until the sale is made." An effective sales strategy is critically important for most manufacturers, publishers, software firms, and many service providers. Do not overlook the importance of formulating an effective sales strategy.

* Discuss how and where you plan to sell and distribute your product or service
* How will your product or service be sold? Personal selling? TV infomercials? Direct mail?
* Who will do the selling? An internal sales force? Manufacturer's representatives? Telephone solicitors, call-centers? Internet Marketing?
* How will you recruit, train, and compensate your sales force?
* How will you support your sales effort? (e.g. internal staff, service operations, motivators, etc.)

## 4.10 Sales Forecasts

Now that you have described your products, services, customers, markets, and marketing plans in detail, it is time to attach some numbers to your plan. Prepare a month-by-month sales forecast for a projected twelve-month period. The forecast should be based upon your historical sales, the marketing strategies that you have just described, market research, and industry data if available.

It is preferable to do three forecasts: 1) "best case", 2) ”expected case”, and 3) "worst case" (a low estimate that you are confident you can reach no matter what happens).

For this section, please refer to the Sales Forecast in the appendix.

Remember to keep notes on your research and assumptions as you build this sales forecast and all subsequent spreadsheets in the plan. Relate the forecast to your sales history, explaining the major differences between past and projected sales. This is critical if you are going to present it to funding sources.

# 

# 5. Development

In this section, you will outline how you intend to improve your business. This section is often sadly under-developed in many business plans. Assuming you have a dynamic marketing plan and customers do indeed come flocking for your product/service, you must be able to deliver it to them.

The Development section is a road map of how you are going to get from where you are now to where you want to be in the future. If you are starting a business, what are all of the steps that you need to accomplish to get the business up and running? If you are expanding a business, what do you need to do to make it grow? These steps can be as routine as securing retail space, or as critical as applying for and getting a patent on key technology. Do not go into too much detail here. For example, the need to get business cards printed probably does not belong in a development plan (although you might include it in a detailed checklist in the appendices). Use your judgment.

**The Development section should include the following subsections:**

## 5.1 Development Strategy

What work remains to launch your company and your products? What factors need to come together to make your concept work? What are the risks threatening the successful implementation of your development plan? Are they technological risks, cost risks, competitive risks? How will you mitigate these risks?

## 5.2 Development Timeline

What is your timetable for launching your company and your products? Go out as far in the future as you have can. Consider adding a chart or table here.

## 5.3 Development Expenses

Include here a description of the development costs and assumptions that appear in your financial statements.

# 6. Management

Venture capitalists often assert that there are three attributes important for a successful start-up business: management, management, and management. Many venture capitalists claim they will invest in a strong management team with a mediocre idea, but will decline to fund a weak management team with a great idea. The purpose of the Management section, therefore, is to convince our Review Panel that you have a great management team to complement a great business concept. This is not the place for modesty or self-depreciation. Be honest, but highlight your accomplishments and your capabilities while mitigating any obvious shortcomings or weaknesses. For example, if you are young and inexperienced, accentuate your energy, capacity for hard work, and willingness to learn, while downplaying your lack of experience. When readers are finished with this section, you want them to be confident that your venture is in good hands and will be competently managed.

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**The Management section should include the following subsections:**

## 6.1 Company Organization

Describe how your company will be organized.

* How will your business be organized? What does your organizational chart look like?
* What is the ownership structure of your company?
* Will you have a board of directors? Who will be on it? What will be their role?

## 6.2 Management Team

### Biographies of the Management Team

The management section should include the names and backgrounds of lead members of the management team and their respective responsibilities. Describe the founders and principal managers who will run your business.

* Who are the key managers?
  + What will be their duties and responsibilities?
  + What unique skills do they bring to the business?
  + How will they be compensated?
* Summarize resumes of key management and owners
* List education, skills, experience (including past duties). Focus on important past accomplishments but do not be too lengthy. Detailed resumes may be included in an appendix.
* What additions to the management team are you planning? When?
* If there is a key position that is not yet filled, explain your plans to do so
  + Briefly describe the job and the profile, compensation, and qualifications of the prospects

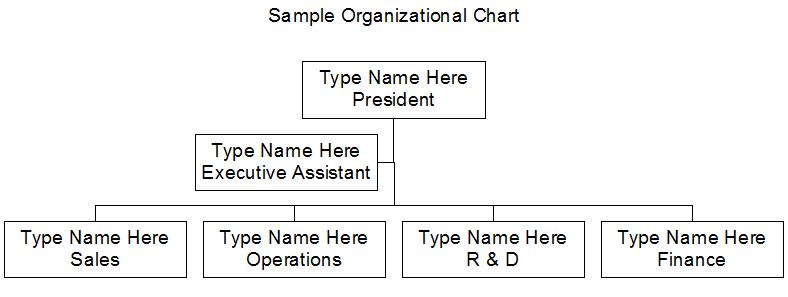
|  |  |  |
| --- | --- | --- |
| **Officers and Key Employees** | **Age** | **% of Ownership** |
| President | 33 | 100% |
| Vice President of Sales & Marketing | 33 | 100% |
| Vice President of Finance | 45 | 0% |
| Vice President of Operations | 33 | 100 |
| Vice President of R & D |  |  |
| Controller |  |  |
| Corporate Attorney |  |  |

## 6.3 Management Structure and Style

### Organizational Chart

If you have more than ten employees, do an organizational chart showing the management hierarchy and who is responsible for key functions. A very simple organizational chart will help explain how the company is organized, the reporting structure, and the positions that you plan to fill. The chart should reflect both current and open positions, or you can have two charts – pre- and post-funding. Two charts would be more applicable if you foresee significant changes in the organizational structure after funding.

Insert your Organizational Chart below.



### Management Style

* Describe your company's management style. Management style should reflect and support the general corporate style (suggested in the mission statement)
* Include any innovative or unusual aspects of management style that would affect growth or give a competitive advantage

## 6.4 Ownership

In this subsection, you will list the majority owners of the business. State if you have authorized shares of common stock and then break down the number of the shares held and percentage of ownership for each stockholder.

|  |  |  |
| --- | --- | --- |
| **Name** | **# Shares Held** | **% Ownership** |
| [Founder] | 52 | 52% |
| [Inventor] | 22 | 22% |
| [Management Team] | 10 | 10% |
| [Seed Ventures] | 10 | 10% |
| [Stock Option Pool] | 6 | 6% |

### 6.5 Professional and Advisory Support

Here you will list service providers your business may consult or from whom you will obtain additional services, who are not a part of your internal staff. These may include:

* Corporate attorney
* Accounting firm
* Application service providers
* Professional service firms
* Insurance agent
* Bankers
* consultants

## 6.5 Board of [Advisors OR Directors]

If your business will have a Board of Advisors or Directors be sure to list each member, detailing where and why they add strategic importance, what experience they have and what contacts they can contribute. How will the Board be compensated?

# 7. Operations

The Operations section outlines how you will run your business and deliver value to your customers. Operations is defined as the processes used to produce you products/services and deliver them to the marketplace and can include manufacturing, transportation, logistics, travel, printing, consulting, after-sales service, and so on. In all likelihood, about 80% of your expenses will be for operations, 80% of your employees will be working in operations, and 80% of your time will be spent worrying about operating problems and opportunities. Be sure that you carefully link the design of your operations to your marketing plan. For example, if high quality will be one of your comparative advantages in the marketplace, then design your operations to deliver high quality, not low costs. Remember that you will probably have to make trade-offs with your operations. It is impossible to have the lowest costs, highest quality, and best on-time performance in your industry all at the same time. Often, high quality means higher costs, low costs means less variety and less flexibility. Be careful how you make these trade-offs so that you can deliver products to the market in accordance with your marketing plan.

Operations checklist:

* How will you produce and deliver your product/service?
* What will you do in-house, and what will you purchase (make vs. buy)?
* How will you use your operations to compete? Cost? Quality? Timeliness? Flexibility?
* What comparative advantages do you have with your operational design?
* What will be your relationship with vendors, suppliers, partners, and associates?

**The Operations section should include the following subsections:**

## 7.1 Operations Strategy

In this subsection, describe how you will fulfill your marketing strategy using operations:

* How will you use operations to add value for customers in your target market?
* How will you win in the marketplace on the dimensions of cost, quality, timeliness, custom service and flexibility?
* Which dimensions will you stress and which ones will be less significant?

## 7.2 Scope of Operations

Describe the scope of your operations. Include details in an appendix, as necessary.

* What will you do in-house and what will we purchase (make vs. buy)? Why does this make sense for your business?
* What will be your relationship with vendors, suppliers, partners, and associates?
* What kind of people will you need to hire?

## 7.3 Ongoing Operations

How will your company operate on an ongoing basis? Include details in an appendix.

## 7.4 Location

The location of your business can play a decisive role in its success or failure. Your location should be built around your customers, it should be accessible, and it should provide a sense of security.

State where your primary office will be located as well as any other facility where your business will operate and then explain the reasons for those locations. Give the actual size of each office and/or facility and along with a description of how each will be used and the duration in number of years these facilities will be adequate for operations. Some issues you may address include:

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* What are your location needs?
* Describe locations of production, sales, storage areas, and buildings
  + Are the premises leased or owned?
  + Why is this area desirable?
  + What kind of space will the business require?
  + What renovations are needed, and how much will they cost?
* Describe access to buildings (e.g. walk in, parking, freeways, airports, railroads, shipping)
  + Is it easily accessible, is parking available? Is public transportation available? Is street lighting adequate?
* What are your business hours?
* Are market shifts or demographic shifts occurring?
* Include a drawing or layout of your proposed facility if you are seeking an expansion loan
* Location of the competition

### Facilities and Equipment

* Location 🡪 addresses, floor plans, etc.
* Lease 🡪 terms, length, important details
* Improvements 🡪 plans, funding, budget
* Key factors 🡪 expansion potential, proximity to market, unique aspects
* Physical condition

## 

## 7.5 Personnel

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The right mix of personnel will be the most valuable asset any business has. Employees and staff will play an important role in the overall operation of your business. It is very important to know what skills you possess and the ones you lack since you will have to hire personnel to supply the skills you lack. Furthermore, it is essential that you know how to manage and treat your employees. Make them feel as part of the team. Keep them informed of changes and be sure to get their feedback. Employees can often be a great source of excellent ideas, of innovations to existing products/services, and inspiration for new product lines and markets to enter, so be sure to take the time to listen to your employees as they may provide you with the new competitive edge you have been looking for.

This section should be broken down to include the following:

* Number of employees
  + Will your employees be full-time or part-time?
  + Can the business use part-time help to meet increases in demand?
* Type of labor (skilled, unskilled, professional)
  + What skills must they have?
  + Do you have written job descriptions for employees? If not, take the time to write some.
* Quality of existing staff
  + What unique skills do they bring to the business?
  + Who does which tasks?
  + Are schedules and procedures in place?
* Pay structure
  + Will you pay salaries or hourly wages?
  + Certain employee benefits are mandatory. Find out what they are.
  + What benefits, if any, can you afford?
  + Will you provide additional fringe benefits? If so, which ones? Have you calculated the costs of these additional fringe benefits?
  + Will you utilize overtime? If so, you may be required by law to pay time and a half, double time, and/or extra expenses such as meals.
* Procedures for acquiring new employees
  + Are the people you need available?
* Training methods and requirements
  + Will you have to train people for both operations and management? If so, at what costs to the business?

## 7.6 Production

Explain your methods of production or how you deliver your service.

* Production techniques and costs
  + How and where are your products/services produced?
  + Description of manufacturing process (if applicable)
* Quality control
* Customer service

## 

## 7.7 Operations Expenses

Include here a description of the operating costs and assumptions that appear in your financial statements. Most expenses are often referred to as overhead expenses. Overhead expenses are all the non-labor expenses required to operate the business. Expenses can be separated in two ways: fixed (expenses that have to be paid no matter the volume of business) and variable or semi-variable (expenses which change according to the amount of business).

Overhead expenses normally include any or all of the following:

* Travel
* Maintenance and repair
* Equipment leases
* Rent
* Advertising and Promotion
* Supplies
* Utilities
* Packaging and Shipping
* Unrecoverable receivables
* Professional services
* Insurance
* Loan Payments
* Depreciation

In order to develop the overhead expenses for this portion of the business plan, you need to multiply the number of employees by the expenses associated with each employee. The following equation can be used to calculate the sum of each overhead expense: *Overhead = Number of Employees x Expense per Employee*

### Cost Controls

* Inventory 🡪 forms, systems (computer), practices
* Food and beverage 🡪 check systems, management practices, training, periodic inventory
* General 🡪 management, inventory

### Administrative and Financial Controls

* Bookkeeping systems and policies (payments, billing)
* Accounting systems (report intervals)
* Sales systems (computers)

## 7.8 Legal Environment

Describe each of the following elements as they apply to your business:

* Licensing and permits
* Bonding requirements
* Health, workplace or environmental regulations
* Special regulations covering your industry or profession
* Zoning or building code requirements
* Insurance coverage
* Trademarks, copyrights, or patents [pending, existing, or purchased]

## 7.9 Inventory

Explain how you will manage your inventory. Give the details on each of the following elements of inventory:

* The kind of inventory kept: raw materials, supplies, finished goods
* Average value in stock
  + What is your inventory investment?
* Rate of turnover an how this compares to industry average
* Season buildups
  + Will there be seasonal buildups?
  + How will you handle seasonal buildup?
* Lead-time or ordering

## 7.10 Suppliers

Identify the supplies you will use for your products and services. Be sure to document the following in this section:

* The names and address of each
  + Who are your suppliers?
  + Do you expect shortages or short-term delivery problems?
  + Are current suppliers providing the best service or should you be looking for new suppliers?
* Type and amount of inventory furnished
* Credit and delivery policies
* History and reliability of each supplier
* Are supply costs steady or variable? If variable, how do you deal with the changing costs?

## 7.11 Credit Policies

If your business will extend credit, be sure to include detailed descriptions of the policies you will implement. When creating your policies you should have answers to the following questions:

* What terms will you offer your customers? How much credit and when is payments due?
* How do you check the creditworthiness of new applicants?
* Do you sell on credit? If so, do you really need to sell on credit? Is it customary in your industry and expected by your clientele?
* Do you know what it costs you to extend credit? This includes both the cost of capital tied up in receivables and the cost of bad debts.
* Have you factored the costs into your prices?

You need to carefully manage both the credit you extend and the credit you receive.

### Managing your Accounts Receivable

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You should do an aging at least monthly to track how much of your money is tied up in credit given to customers, and to alert you to slow payment problems. A receivables aging looks like this:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Total | Current | 30 Days | 60 Days | 90 Days | Over 90 Days |
| Accounts Receivable Aging |  |  |  |  |  |  |

Collecting from delinquent customers is no fun. You need a set policy and you need to follow it.

* When do you make a phone call?
* When to send a letter?
* When to get your attorney to send legal notices?
* Do you offer prompt payment discounts? (It is best to do this only if it is usual and customary in your industry)?

### Managing your Accounts Payable

You should also age your Accounts Payable, what you owe to your suppliers. Use this format:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | Total | Current | 30 Days | 60 Days | 90 Days | Over 90 Days |
| Accounts Payable Aging |  |  |  |  |  |  |

This helps you plan who to pay and when. Paying too early depletes your cash, but paying late can cost you valuable discounts and damage your credit. Are payment discounts offered by your proposed vendors? Do you always take them?

* Do you carefully monitor your payables, what you owe to vendors, to take advantage of discounts and to keep your credit rating good?

# 8. Financials

The Financials section should be frosting on a cake. You have outlined a great business concept, demonstrated a real need in the marketplace, shown how you will execute your ideas, proven that your team is just right to manage the venture, and now you will show how much money everyone is going to make. Note, however, that if your business concept is weak, there is no market for your product/service, your execution is poor, or if your management team is incompetent, then your financial plans are doomed to failure. If you have not convinced our Review Panel by now of the strength of your concept, then they will not be convinced by your financials.

It is important to have strong, well-constructed financials. If you cannot show that your great concept is going to make (lots of) money, our Review Panel will quickly lose interest. To construct your financials, it is highly recommend that you start with your development and operations plan to create a schedule or timetable of development and operational activities. From these development activities, you can then create cash-flow projections, income statements, and *pro forma* balance sheets for at least three years into the future, and sometimes five. As a rule of thumb, your financial projections should extend far enough into the future to the point where your business has achieved stable operations. The first year of your financial statement projections should be month-by-month since cash flows are critical in the early stages of any startup. Second and third year financial statements should be quarterly, and fourth and fifth years should be annual. If possible, it is useful to include best case, expected case, and worse case scenarios for your financials. This allows you and our Review Panel to explore the upside potential and downside risks of your venture. Be sure that your financial projections are in congruence with the other sections of your plan. For example, if you say you will open three stores in Year 2 and your financials show you opening five stores, our Review Panel will quickly lose confidence in your plan.

The Financials section should be a discussion and description of your financial projections -- put the actual financial spreadsheets in the appendices. Describe the timing and amount of investment that you will require to achieve your plans. Then demonstrate that this investment is a good one by showing that profits, assets, and ROI are all favourable as the business progresses. When our Review Panel finishes with this section, they should be anxious to grant funds to you.

### Guidelines

* Consult experts
* Be conservative and honest
* Use standard industry forms and formats

## 8.1 Start-up Funds

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The section should identify all the costs associated with starting the business, expanding a current business, or taking over a business as well as the sources of investment capital and/or borrowed money. Include a start-up budget or estimate to account for the initial cost of the business.

Elements to consider when preparing a start-up budget include:

* Personnel (costs prior to opening)
* Legal/ Professional Fees
* Occupancy
* Equipment
* Supplies
* Salaries/Wages
* Income
* Utilities
* Payroll expenses
* Licenses/Permits
* Insurance
* Advertising/Promotions
* Accounting

## 8.2 Financial History and Analysis (current businesses only)

A solid analysis of the past must precede any serious attempt to forecast the future. The *Financial History and Ratios* spreadsheet allows you to put a great deal of financial information from other statements on a single page for ease of comprehension and analysis. Your financial information is presented in dollars and percentages. Key financial ratios are calculated automatically. You may also enter industry average ratios for comparison.

In an appendix*,* put year-end balance sheets, operating statements, and business income tax returns for the past 3 years, plus your most current balance sheet and operating statement.

## 8.3 Current Financial Position (current, takeover or franchise businesses only)

Provide in detail the current financial position of the company. Present the current balance sheet in an appendix. Include all outstanding debts in an easy to understand format. A debt schedule may be useful here.

### Debt Schedule

This table gives in-depth information that the financial statements themselves do not usually provide. Include a debt schedule in the following format for each note payable on your most recent balance sheet.

Debt Schedule Table

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| To Whom Payable | Original Amt. | Original Date | Present Balance | Rate of Interest | Maturity Date | Monthly Payment | Security | Current/Past Due |
|  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |

## 8.4 Operating Forecast

This section should provide an estimate of the sales and expenses your business will incur for a twelve-month period. (Please refer to Appendix for Financial Projections.)

Be sure to document any sources of information or any assumptions used for calculations.

## 8.5 Break-Even Analysis

This section should provide a calculation for the break-even point in dollars and units for the business. Include all assumptions upon which your break-even calculation is based. *(*Please refer to Appendices for Break-Even Analysis spreadsheet.)

A break-even analysis determines sales volume in dollars, at a given price, required to recover total costs.

Expressed as a formula, breakeven is:

|  |  |
| --- | --- |
|  |  |
| Break-even Sales $ = | Fixed Costs |
| 1- Variable Costs |
|  |  |

Fixed costs are expressed in dollars but variable costs are expressed as a percent of the total sales dollar amount. To obtain the break-even point in terms of number of sales, simply divide the break-even sales (dollar amount) by the price of your product.

## 8.6 Balance Sheet

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The balance sheet is a "snapshot" of what you own and what you owe on a specific date. A "Pro Forma Balance Sheet" shows how things will be in the future, under given conditions, rather than how they are now.

A balance sheet follows a standard format (please refer to the appendix for Balance Sheet template), however, it may contain additional items depending on circumstances relating to the business for which it is prepared. State the assumptions you used for all major changes between your last historical balance sheet and the projection.

## 8.7 Income Statement

The income statement is a financial statement that reveals whether or not a business has earned a profit or has suffered a loss after a specified period. (Please refer to the appendix for Income Statement template.)

An income statement may also be referred to as a "profit and loss statement" (PNL) or an "operating statement.”

A "Pro Forma Income Statement" is used to show how things will be under given conditions rather than how they are at present.

Be sure to state any assumptions when creating your Income Statement.

## 8.8 Cash Flow

A cash flow statement identifies monthly inflows and outflows of cash. It reveals whether a company will have enough money to meet its needs on a monthly basis. (Please refer to the appendix for Cash Flow template.)

Use the Income Statement as a starting point. For each item, determine when you actually expect to receive cash (for sales) or when you will actually have to write a check (for expense items).

Your cash flow will show you whether your working capital is adequate. Clearly if your cash on hand goes negative, you will need more. It will also show when and how much you need to borrow.

Explain your major assumptions, especially those which make the cash flow differ from the Profit and Loss Statement, such as:

* If you make a sale in month 1, when do you actually collect the cash? When you buy inventory or materials, do you pay in advance, upon delivery or much later?
* How will this affect cash flow?
* Are some expenses payable in advance?
* Are there irregular expenses, equipment purchase or inventory buildup which should be budgeted?

# 

# 9. Funding Request

It is important that you be specific with your funding needs. Sell the advantages of your proposal to our Review Panel and make it clear how there is compelling likelihood that the funds will not poorly allocated. In addition, it is important that you persuade our Review Panel that your business idea or concept is supported by facts.

## 9.1 Capital Requirements

Clearly, state the capital needed to start or expand your business. You should have a very clear idea of how much money you will need to operate your business for the first full year. If possible, summarize how much money has been invested in the business to date and how it is being used. Describe why you need the funds and how both parties will benefit from the opportunity. Keep in mind that one of the most common causes of new business failures is under-capitalization.

## 9.2 Risk/Opportunity

Risks are a part of any business, especially a new one. Here, it is important to show our Review Panel that you have taken into consideration the risk involved in starting or expanding your venture. Illustrate the market, pricing, product, and management risks as well as how you plan to cope with them.

Convey that the company and product/service truly fills an unmet need in the marketplace. Describe and quantify the opportunity. Explain why you are in business along with the reasons why you will be able to take advantage of this opportunity. Be sure to answer the following questions that are usually asked by our Review Panel:

* Have you considered all the potential risks involved?
* Does your business have a contingency plan in place for all of the risks you have mentioned?
* What makes this opportunity unique?
* What are the financial risks for your business? How will these risks be minimized?
* What is the worst-case scenario? How will your business handle this?

## 9.3 Exit Strategy

All good business plans include a section that lays out the strategy you will follow should you decide or need to cash out and can involve, for example, selling the business, merging, a buyout by a partner/shareholder, getting acquired or issuing an initial public offering (IPO). The strategy to be laid out here can be based on a target dollar figure you want to reach, revenue growth, the market's reception to your idea, or a consensus among top officers.

# 10. Refining the Plan

The generic business plan presented above should be modified to suit your specific type of business and the audience for which the plan is written.

## 10.1 Refine According to Type of Business

### Service Businesses

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Service providers sell intangible products. They are usually more flexible than other types of businesses, but they also have higher labor costs and generally very little in fixed assets.

* Prices, methods used to set prices
* System of production management
* Quality control procedures
* Industry averages or accepted quality standards
* How is labor productivity measured?
* What percent of total available hours are actually billed to customers?
* Break-even billable hours
* Percent of work subcontracted to other firms
* Credit, payment, and collection policies and procedures
* Strategy for keeping client base, strategy for attracting new clients

### Technology Company / Web-based Business

* Economic outlook for the industry
* Do you have information systems in place to manage changing prices, costs, and markets?
* Do you employ the best available technologies and does it keep up with updates/upgrades?
* What is the status of R&D? And what is required to:
  + Bring product/service to market?
  + Keep the company competitive?
* How does the company:
  + Protect intellectual property?
  + Avoid technological obsolescence?
  + Supply necessary capital?
  + Retain key personnel?

If your company does not predict a foreseeable profit, you must provide longer-term financial forecasts to show when profitability will occur. All your assumptions must be well document and well argued.

### Retail Business / Home Based-business / Distributorships / Franchise

* Company image
* Pricing:
  + Explain markup policies
  + Prices should be profitable, competitive and in accord with company image
* Inventory:
  + Selection and price should be consistent with company image
  + Calculate your annual inventory turnover rate. Compare this to industry average for your type store
* Customer service policies: should be competitive and in harmony with company image
* Location:
  + Does it give the exposure you need? Is it convenient for customers? Is it consistent with company image?
* Promotion:
  + Methods used and budget
  + Does it project a consistent company image?
* Credit:
  + Do you extend credit to customers? If yes, do you really need to, and do you factor the cost into prices?

# 11. Appendix

The appendix is where you should provide all of the documentation that supports the body of your business plan. Include those documents that are required (e.g. financial projections), those that are helpful (e.g. results of marketing studies), and those that assist in selling your idea (e.g. letters of interest from potential customers). Do not include lots of tangential information such as newspaper clippings or tables of data unless they really serve to bolster your plan. One way to deal with information that is voluminous and/or lengthy (such as a large market research study) is to summarize it, and note in the plan that the complete document is available upon request.

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Templates for all financial documents below are provided separately in this document.

Appendices checklist:

* Include financial documents such as:
  + Start-up Budget
  + Financial History and Ratios
  + Financial Projections
  + Break-Even Analysis
  + Balance sheet
  + Income statement
  + Sales Forecast
  + Cash flow statement

Include documents which you believe could be of interest to our Review Panel. This may include:

* + Product literature and brochures
  + Market research data
  + Surveys and Studies
  + Detailed account of ongoing operations
* Have you included all documents needed to support your plan?
* Do you provide support for assumptions, trends, and comparisons
* Do you provide support for your development plan?