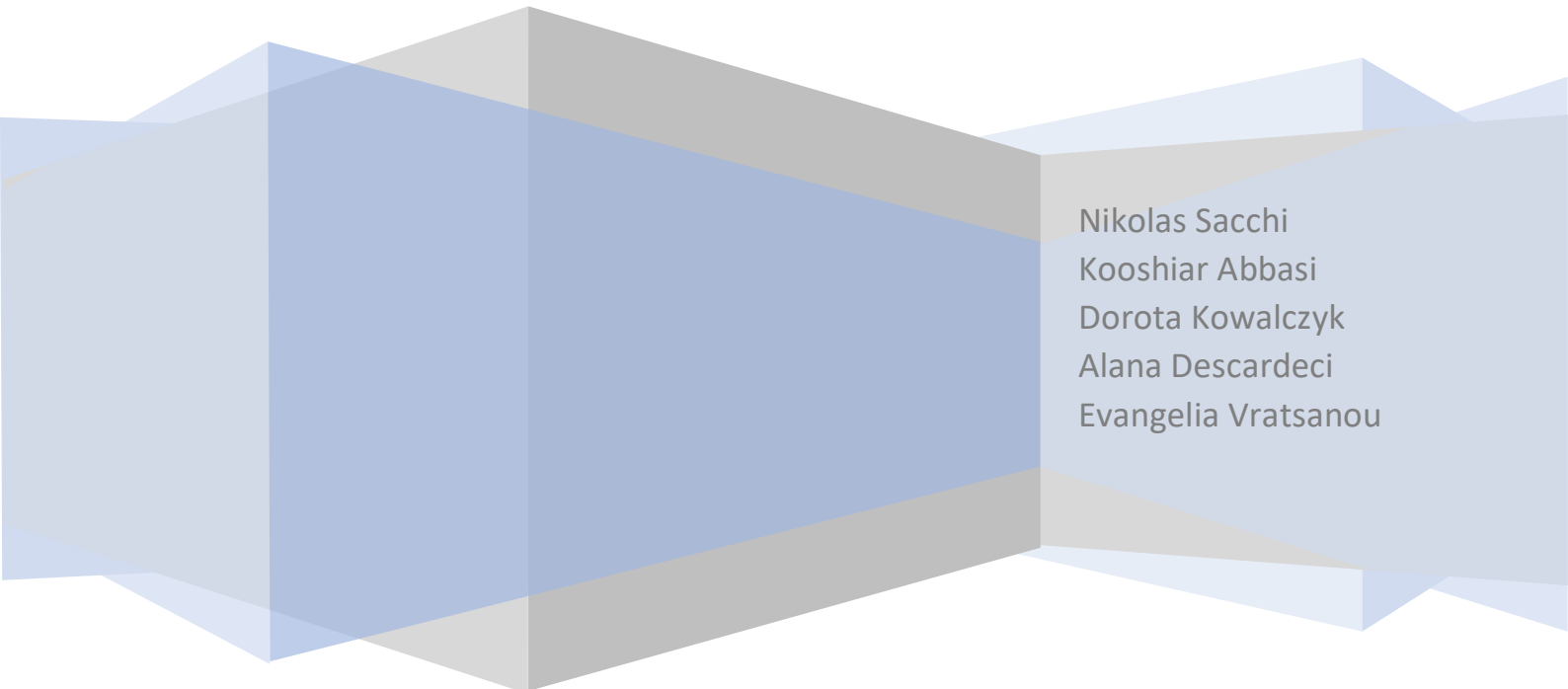# CheerApp: Business Plan

Subject: Strategic Management and Business Planning

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Alana Descardeci
Evangelia Vratsanou

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Executive summary

CheerApp is an application that is here to solve the problem of not knowing where to go out at night. But it doesn't solve only that. Making female audience to feel safe on their night-outs, it solves also a really important social problem. That's why our company was created.

CheerApp helps people find the best place for them based on different features each time (location, music taste etc.). No other application implements the same features in an effective and correct way. That was the purpose of our management team. We wanted to create something that we would use if it existed. So, all of us are passionate about our company and because of our really different backgrounds we examine each aspect that occurs in our business by many different perspectives.

Our app will be launched in Italy, so our market is the Italian market of music clubs and pubs. It's a really fertile market because of the huge number of clubs and pubs and the habit of Italians going out at night. In combination with our differentiation strategy (we offer a unique service) the opportunity of our business is great. The potential target group of clients reaches the 12 million people.

Because of this, beside the fact that we need a year to fully develop our app and we have only expenses during this period, we reach the break event point even in the first month of the first year that we launch our product. Our income could reach the 20 million just in one year of operation.

But how do we get the money to start developing our app?
The nature of our app gives us the opportunity to approach many investors that they will benefit from our operation. Many club owners could invest in our business, receiving in return free advertisement for their club and a percentage of the profit based on the amount of money they would give us.

And of course, we have an exit strategy so our investors could be as secured as it is possible. We make a two-year contract with them so if they want to cancel our corporation, they will take back 30 percent of the amount of the funds which they had invested.

Section 1 – Company overview

1.1 Mission Statement: Why does our business exist?

Nowadays everything is on internet, every information can be retrieved with just few clicks but only if one knows what to search. This happens very often when people want to find something to do, when they want to go out at night: how many times they would like to change the club in which they go but they do not know other places? That's why CheerApp exists.
Our mission is to organize all events that are net to you in one place, freeing you from the need of social medias to find where to spend the night. This makes things faster, safer, efficient, straightforward and, of course, more affordable.

1.2 Our vision

We want to build a network of applications which aim is to simplify people's everyday life, tiding up a world which is saturated with unorganized information. The events are just the beginning.

1.3 Our value propositions

Our application collects all the events in one place. This gives advantages both to the event attendants and to the event organizers:

- Attendants will save time, avoiding searching events by consulting all the web pages of the clubs, also the can discover new venues
- Owners of less-known clubs can give more visibility to their events without paying large amount of money

1.4 Summary of the company activity to date: What will be informed?

The activity report that will dictate our routine will be based on contracting services and researching product progress. This way, our business activities will be clear and straightforward, allowing each employee's performance to be maximized once the understanding is accessible.

1.5 Business objectives: What do we want?

Our goal is for our project to make people of various ages aware of events that are taking place near them without being obliged to disclose private information. In addition, we want the female audience to feel protected in many ways, whether they are alone or in an uncomfortable of perilous situation (more details in 2.3).

1.6 Strategy: How we'll reach our goals?

The strategy for the development of the product is *differentiation*: we want to create something new, implementing interesting features that are not being used yet and improve all those feature that our competitors have already presented. The path that our company will follow is to focus on the customer, we want them to say when using CheerApp "This is the product that we always needed". To accomplish this task, during the development of the product there will be a sort of interaction with the future customers (as it is stated in 6.1.2)

Our plans for getting our project to succeed is to first hire a computer science company to make our application look the way we want it: easy to use and efficient. After the development, we'll corporate with a portion of those who will benefit from our app: the nightclubs, party spaces and even promoters. We also want to partner with taxi companies and local police stations (more details in 2.3).

1.7 Location and facilities

As will be specified later, in the first time CheerApp will be available only in Italy, so it is convenient for the company to place the main headquarters in Italy too (the specific city and the reasons will be presented in 6.3).

1.8 Key research and the opportunity

The opportunity for the development of the product comes from the fact that there is no other application that implements the features in an efficient and correct way. In addition, one of our key features provides a partial solution to a common problem: security in streets and clubs for women.

Another opportunity comes from the high number of possible customer (paragraph 4.2).

Section 2 – Description of the product

2.1 Overview

CheerApp is a mobile application, which will be developed for Android and iOS. Our product aims to show consumers the events that will occur near them and details of each one of them, allowing them also to discover new venues.

2.2 Why should you download our app and not using social media?

From a *regular* user point of view, since it is not mandatory to register to the application, using it in place of any social network allows each user to avoid disclosing their private information.
From an *organizer* point of view, using our product means put an event on a platform where there's no need to "follow" someone or some page to know that an event even exists (like happens with social medias), in this way, it is easier to give visibility to an event and attract more people.

2.3 Key Features

In this paragraph will be presented what are the key features, depending on the type of user:
The regular user will be able to:
- Search events in a city
- Search events in a club
- Search events that are hosted on a particular day
- Buy in advance tickets for events
- Invite CheerApp friends to an event
- Write reviews for events and venues
- Ask questions to the organizer

The organizer will be able to:
- Create events
- Edit, delete previously created events
- Send important messages related to the events (for example cancellations) to the users
- Reply to the users' messages

The core feature that CheerApp will have is the one related to protect women. We know that women have more concerns about their security when they go out at night and we aim to make events comfortable and safe for them. For this, we'll implement a way that allows that when confirming presence to an event, if the woman is going alone, she could be redirected to a chat where there are only women who would go alone and thus can be in the estimated place. More than that, we also want that, through a partnership with taxi companies and police stations, if any of them feel in danger or lost, their location will be sent to the nearest police station or Taxi Company, so that they can get the help they need.

2.4 Limitations

Nowadays, people of all ages go to music events and, for this reason, CheerApp will not contain limitations related to the age, making exception of the ones imposed by the article 8 of the GDPR of May 2018, which states that in every nation that belongs to European Union the minimum age to submit personal data is 13. In particular, the minimum age is 14.

For a first period, the application will be available only in Italy. After an evaluation of the revenues and the costs, it will be decided if it is convenient to go global or not. Until then, CheerApp can be used without problem in any Italian region.

2.5 State of development

Now, CheerApp is in an early development phase.

Section 3 - The Management Team

Our management team consists of 5 persons and its strength is our diversity:

Kooshiar Abbasi – Chief Executive Officer
Kooshiar has a bachelor's degree in industrial engineering and he is currently studying Industrial Automation engineering at master's level at University of Pavia. He is from Persia and he has leadership skills, knowing how to work well with people but at the same time have the best possible outcome. His leader nature in combination with his studies in industrial engineering makes him capable of dealing with complex problem and the best candidate for our CEO.

Nikolas Sacchi – Chief Technology Officer
Nikolas has a bachelor's degree in informatics engineering and now he is taking the master's degree in computer engineering at University of Pavia. Coming from Italy, he knows which Italian market's needs are and he can transfer this knowledge into the technical part of the company, having a clear view of what exactly is the result we want. He is really hard-working and passionate with the things he likes and he always comes up with new innovative ideas for solving a problem, proving that he has the entrepreneurial spirit that is needed for our start up.

Dorota Kowalczyk – Chief Marketing Officer
Dori is a bachelor student of civil engineering and she is from Poland. But what has her studies to do with her role in the company? As well as she can connect cities with roads and bridges, she can connect our company with our clients. She is a super positive and energetic person, she loves social media and new technologies, she is really creative, and she has great communication skills. What else does a marketing director need to have? Dori has the skills and the passion to make everyone aware of our product.

Alana Descardeci - Chief Operation Officer
Alana is studying Mechanical Engineering at Federal University of Bahia in Brazil, and for now she is an Erasmus student of Industrial engineering at University of Pavia. Coming from the other side of the Atlantic, she is bringing a whole new perspective in our business. Being a mechanical engineer, she knows how to deal with everyday problems and find the best solutions. She is not afraid of challenges and she is ready to offer people the best – and most important to Alana, safe – nightlife experience.

Evangelia Vratsanou – Chief Financial Officer
Evi is a bachelor student of Management Science and Technology in her country, Greece, and she is currently an Erasmus student, having classes both from economics and engineering department, at University of Pavia. Due to her studies, she can understand both managers and developers which make her an important asset for us. Being super logical and obsessed with numbers and having a background in business, she is the most suitable person to be our financial director.

Section 4: Market and industry analysis

Since in a first time the product will be released only in Italy, what follows is an analysis of the Italian market for what concerns music clubs.

4.1 Overview on the live music in Italy

Before going in depth with the analysis it is necessary to specify that in this analysis the term Live Music is used to identify all the music played in venues that can be played in real time by human beings using instruments or in playback (i.e. DJ sets). One of the biggest pillars of Italy's music industry is the live music sector, which is built up of different types of touring circuits, festivals and venues.

Live music venues can be classified by their size, in fact their capacity can vary from few hundreds of attendants to many thousands of attendants. The number of the music venues, including even the smallest ones (i.e. music bars and pubs) amounts at 12 thousand[1].

4.1.1 A too crowded sector

As stated in the paragraph 4.1, the number of music venues is extremely high. Some them are part of some network, for example in Italy exists a national network called KeepOn, which contains almost 300 music venues. These networks take care of some critical aspects like the advertisement of the events in the associated clubs.

What for all the venues which are not part of a network? In a sector crowded like this, how can a club or a music bar emerge from the mass, attract new clients and keep the business open?

With so many possibilities, how can a possible client even know the existence of a venue?

4.1.2 Why CheerApp?

CheerApp is the answer to the questions raised in the paragraph 4.1.1, acting like a binder for all the events organized by all those venues that do not have an effective advertisement policy. In this way all the events are collected in the same place, making it easier for a client to discover those venues that would remain unknown otherwise.

4.2 The target

The product is used by venues owners and event organizers (often these two figures are represented by the same person) who want to give visibility to their activity. Obviously, if no client uses the product, for the venue owners it is useless to utilize the application. For this reason, it is mandatory to identify the correct target for CheerApp. From a study of the Italian association FIPE[2], it is evident that the main attendants of clubs and live music venues have an age that goes from 18 to 34 years old. Since in most of the clubs even under ages can enter in clubs, the target of the product becomes the part of Italian population constituted by people which is between 15 and 34 years old.

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[1] From https://www.statista.com

[2] Federazione Italiana Pubblici Esercizi https://www.fipe.it/

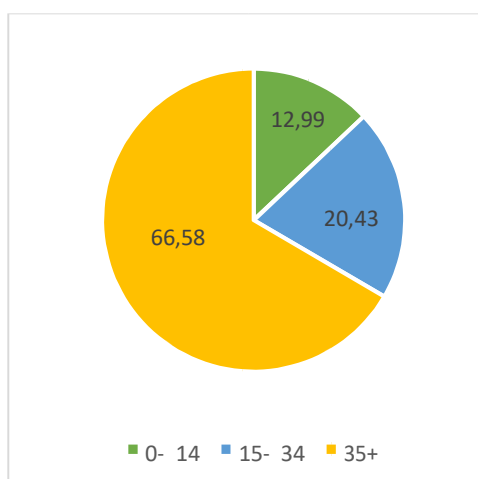The demographic situation in Italy can be depicted in the chart below[3]:

Figure 1 - Population by broad age groups (2020)

From the chart, it is shown that the target represents the 20% of the Italian population, which amounts at 60 million people. This means that <u>the possible customers' number amounts at 12 million</u>.

4.3 Porter's 5 forces analysis

4.3.1 Competition in the industry

The main competitor for CheerApp is Facebook Local: it's an application that collects all the events created on Facebook and organizes them in only one place, making the choice and the managing simpler for the users. This application represents CheerApp biggest competitor because it exploits the well-known Facebook architecture (friends, invitation, etc.) and it already implements many functions that CheerApp will implement (but not the most interesting). Nevertheless, at least in Italy, in the last few months it has lost popularity, in fact many users complain about unsatisfactory behaviour[4] (i.e. only advertised events are showed, geo-localization doesn't work properly, missing events, several crashes).

4.3.2 Potential of new entrants into an industry

As in the all the mobile application industry, the threat of new entrants is relatively high because it does not take lots of money to create an application. Most of the cost is due to the maintenance or the rent of servers. A way to reduce the threat would be patenting the Feeling secure feature, in this way, even if there are new entrants in the industry, they cannot offer the same services as CheerApp.

4.3.3 Bargaining power of suppliers

The key resources for the development and the maintenance of the application are two: servers and developers. For what concerns the first resource, fortunately there is not just only one supplier: the most famous ones are Amazon, Google and Microsoft with Amazon Web Services, Google Cloud Platform and Azure. In Italy there are many IT consulting companies which can take care of the development of the software. Some examples are Accenture or Everis. It is quite correct to state that the bargaining power of suppliers is relatively low.

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[3] The data are taken from https://www.worldometers.info/
[4] From the reviews on Google Play Store

4.3.4 Bargaining power of buyers

Since CheerApp offer key features that other competitors do not offer, pressure from the customers cannot be high. It is not possible only to rely on this fact because every day new applications comes out and for this reason, loyalty programs, such as discounts after a certain number of pre-purchases, are implemented.

4.3.5 Threat of substitute product

CheerApp offers the possibility to manage in a simpler way what usually is done in a tedious way by collecting all the events in a single place, avoiding the customer the manual research of events, looking on all the websites of the known clubs. The main substitute of the CheerApp is the manual research, which nowadays is still a very popular way to look for events. Another way to substitute the application is to use "classic" approaches to advertise events (i.e. social media). After these considerations, it is possible to state that the threat of substitute product is low-medium.

It follows know the Porter's 5 forces diagram that sums up what stated in all the section 4.3:
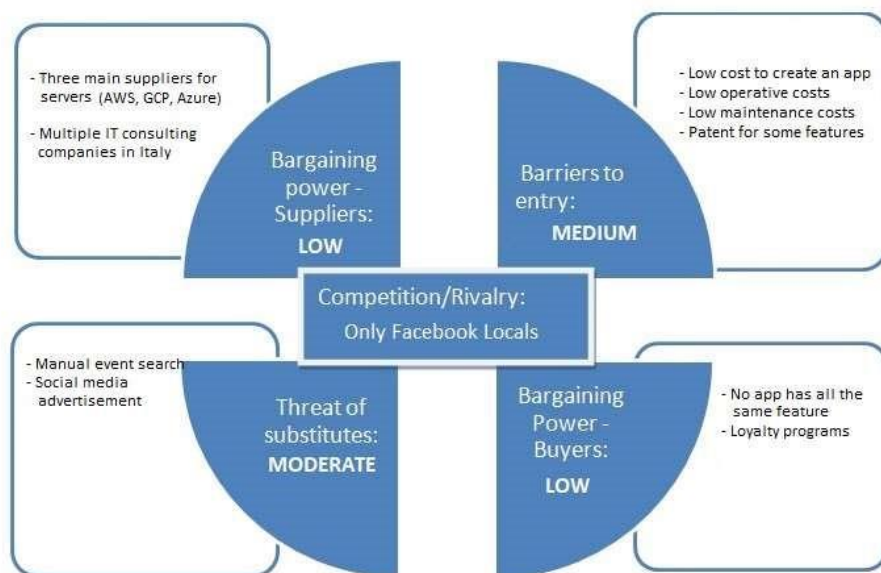
Figure 2 -Porter's 5 forces diagram

4.4 Mobile application industry lifecycle

The lifecycle of CheerApp follows almost the same lifecycle as all other mobile applications, which is composed by 5 phases:

1. Planning phase: one of the most important aspects of every development it is the creation of mobile apps. During this phase, critical aspects like the aim, the target, the required time for the development are specified.
2. Creating the design and prototype: a pre-planned procedure like Waterfall or Agile methodology should be used.
3. Coding phase: the application starts to be coded.
4. Testing: the application is tested in order to find error. A good implementation of this phase can avoid problem in the next phases and allows to save large quantitative of money by identifying all the bugs before the release of the application

5. Launch phase: the application is registered over multiple app stores.
6. Maintenance and update phase: this phase will last during all the life of the application from the launch. During this phase the application is updated, and new bugs are corrected.

It is possible to draw an approximation of the behaviour of the revenue and of the expenses during the lifecycle of the product:
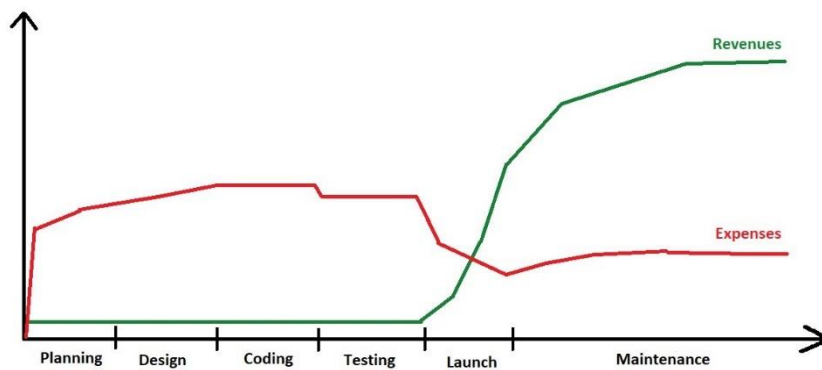
Figure 3 - Revenue and expenses

The revenue is only present after the start of the Launch phase: in a first moment it will increase in a quadratic way because the product is new, and it is known that the innovation brings customers, then the growth ratio will decrease. The expenses in the first phases are high because of the developing costs (i.e. developers salaries), then, after the app is launched, less developers are needed and so the expenses decreases but they not vanishes because there are costs related to the server maintenance, which depends on the quantity of users that uses the application (more user=more servers=higher cost).

4.5 Conclusions

After the analysis done through this section, the conclusion is that it's worth developing CheerApp because even if it is collocated in a low-barrier industry, there is only one competitor which it's decaying due to bad maintenance practices. Moreover, considering the dimension of the target and the relatively low maintenance cost, the profit from developing the application could be satisfactory.

Section 5 – Marketing and sales plan

5.1 Why do you need our application?

People need our product because our app is independent and is not basing on their private information's – they give us only core information (music taste, email), and we suggest the events according to that. Most people want to buy ticket for an event without having to wait in line. That's what our app does, giving them more benefits such as free drinks or free entrance.

For any owner, manager or PR specialist of fresh club in Milan we are the dream place to promote! They can promote their club and events and people can buy tickets for them in the same place!

5.2 What is the intended niche or market?

Our niche are people that are tired of Facebook because it's getting older and people that don't want to have account on Facebook but still want to know where are great parties and want to buy tickets online, customers that are tired waiting in lines to get ticket before party and clubs that want to get to new customers and promote their events.

5.3 Product analysis

5.3.1 Description and features

CheerApp connects people and clubs, helps customers to find events in cities they don't know or explore new clubs and events and buy tickets for events they want participate in, helps clubs to promote themselves and gain more customers.

5.3.2 Promotion and advertising details:

First of all, we need to cooperate with clubs in Milan, of course it isn't that easy to gain top clubs like Fabrique or Alcatraz in the beginning but slowly we will get to more and more popular places in Milan.

Which advertising media will be the most effective way of reaching our customers?
Nowadays the most popular media for our target age (18-35) is Instagram, as it is the most downloaded app in the App Stores[5]. So, we will have our own Instagram account where will be lot of contests where you can win free entrance etc. At the beginning we will use promotion from clubs which their events we will host in our app. They could only tag our account and write to check their event in our app as well as our Instagram profile. Another way to promote CheerApp on Instagram consists in creating contests (tag 3 of your friends etc.), offering free entrance or free drinks etc.   Also, we plan to promote our app by putting stickers with QR code of our app around the city with text "you want to party? Check it". In this way, we have an innovative and inexpensive advertisement strategy which will make people curious about our application.
To enlarge the catchment area, we will give new customers discount on the fist ticket they purchase as well as some other benefits if they are active customers of our app.

5.3.3 Pricing model and Prices.

Our app to download is free, after that if you want to pay for entrance to chosen club customers are paying only 10% more for tickets (it's usually 1-2 € more). On the other side we have clubs that want to promote as much as they can – they will pay to promote them self.

5.4 How can we be sure that target market will accept our app and prices?

Our target customers are in this age and stage of life that they always want something new, they don't want to waste their time before party to wait for anything, so they will buy tickets by our app. The benefits our clients get for pre-purchasing tickets worth the extra fee.
Our second group of customers – clubs? For them it's an efficient and cheaper way to promote themselves and gain more customers.

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[5] From https://blog.hootsuite.com/instagram-statistics/

Section 6 - Manufacturing and operation plans

6.1 Production, testing and release

6.1.1 Production

The general life cycle of a mobile application was presented in section *4.4*. Now, a deeper analysis of what is the activity schedule will be carried on.
CheerApp, as many other mobile applications, is developed by splitting the work into two parts:

- *Front-end*: it includes all the software that is used to create a user interface which allows the user to interact with the application.
- *Back-end*: it is composed by the software that runs the logic of the application (algorithms, communication with the database, etc.). This part of the application it is not visible by the user, which can only interact with the front end.

To reduce the development time, the two parts are developed in a parallel way; this is possible because front end and back end are, under the majority of aspects, independent from each other. In the final phase, the two parts will be integrated together.

6.1.2 Testing

To be sure that CheerApp will be safe, secure and perfectly working, multiple level of testing will be carried on. The first level consists in testing the software functions that compose the macro units (back-end and front-end). The second level of test is done by testing the macro units using dedicated software, which depends on the language chosen to implement them.

After the integration, the complete application is tested internally for a certain amount of time which can go between one month and two months (it will be chosen dependently on the application state).

The last level of testing will be implemented in the following manner: a beta version of the application is released to a restricted number of users that will access the application using an invitation link. They will use the application for two months, trying to use all the features, discover bugs and suggesting features.

6.1.3 Release

After the testing phase, the bugs founded in the application are corrected and a new version is developed, considering the suggestions proposed by the beta testers. This version is the one which is released on app stores (i.e. Apple App Store and Google Play store).

Considering all the phases that compose the development and the worst scenario in which lots of bugs must be corrected in each testing phase, CheerApp will be ready for the commercial release in one year from the start of the development.

6.2 Development requirements

6.2.1 Development team and equipment

According to *Scrum* (a lightweight, iterative and incremental framework for managing complex work) the optimal number of people in a development team goes from 3 to 9. The development team should be divided into 3 sub-teams, which will take care of back-end, front-end and testing: for this reason, to

develop CheerApp a development team composed by 9 people is needed during the development phase. After the release, the maintenance phase starts, and a reduced number of developers is needed.

Developers will be supplied by one of the many IT consulting companies in Italy. Due to the big number of companies, in the case of failure of one of them, the overall development of the application is not affected in a critical way.

Each team member will be provided with a computer which comes with an IDE (Integrated Development environment), which is a program that allows to write code in a more efficient way. The IDE depends on the language used to write the software. Nowadays, the best IDEs are provided by JetBrains. The PCs are supplied by Dell, which it's available to create a partnership with organizations in order to provide favourable prices for their product.

6.2.2 Key resources

To the correct development of the application, servers are necessary. As already indicated in the paragraph 4.3.3, servers are provided by multiple suppliers and, for this reason, it is possible to state that there are not tangible risks of remain without servers and, in the same time, it is possible to change supplier if the costs change.

6.2.3 Costs

Obviously, what described until now, costs. In particular:

- Developers are paid by the company with which they have the contract. The cost here is the one related to the contract with the IT Consulting company, which will depend on the number of developers and on the time during which the developers will be assigned to the CheerApp project. This cost will decrease after the release of the application.
- Computer prices depend on the model and on the discount that the partnership that Dell offers.
- IDEs by JetBrains are paid monthly or annually, for example, the cost of the service per user for one year is around 600€.
- Servers' maintenance has costs. In particular, AWS prices depend on the effective utilization (they also offer reduced prices if the client utilizes their services for at least 3 years). An entry level dedicated server costs around 99-199 €/month.

6.3 Facilities

Obviously, the company will need offices. Since no office is owned by the company, offices will be leased, and they will represent and additional cost.

The headquarters of the company will be in Milan. This choice has pros and cons. From one side the company will be positioned in the centre of Italian economy activity, being in the same time next to most of the IT companies. From the other side prices are higher, so the leasing cost of the offices will be more consistent: this represents the main drawback of the choice of place the headquarters in Milan.

Section 7 - Capitalization and deal structure

7.1 Type of corporation

We have chosen GENERAL PARTNERSHIP as the type of corporation. We claim that it is the best type of corporation for our business due to its high degree of flexibility and profits and losses will be shared proportionately. The owners of the application are 5, each of them owns the 20%

7.2 Investors

As our investor, we have chosen a part of our customers: the organizers. In fact, our first investors will be owner of bars, clubs, discos etc. Our business plan will be presented obviously to the owners of some well-known clubs, but our main target is the less-known venues, because they represent the category of organizers which needs more CheerApp.

7.3 Deal structure

7.3.1 Amounts of funds required:

As will be seen in financial analysis (section 8.1) we approximately predicted some initial costs for running the business, such as 5000 € for business license, 59000 € for renting and 20200 € for supplies. Thus, we need approximately 270000 € pay salaries of the first year. To put it in a nutshell, the amount of funds needed is about 354000 €.

7.3.2 Timing when these funds are needed

Since the product will start to generate incomes in the second year (first year of operation), the funds are needed at the beginning of the activities, in order to cover all the cost mentioned in the paragraph above.

7.3.3 The risk level

Due to the long developing time, investors will see their money back after two years. The risk for the investors is that the application is not released in time and they must wait for a longer time or, even worse, the application is not released at all. The probability that what just stated happens is very low and, if the application is released and if it goes well, they can receive way more money respect the ones they've invested (see 7.3.4).

7.3.4 Equity position: Profits and Rights

The 5% of the profit at the end of the first year of operation will be divided between the investors, obviously depending on the amount of funds that they give for our activity. In this way they will get back more money respect to the money they placed on CheerApp.
Also, to reward the fact that they believed in our activity from the beginning, we gave them the right of having a long-term commitment for promotion. Their events are always in priority of our application and their events speak first in notifications, news and monthly promotions.

7.3.5 Timing of return

Our application will start to make income at the beginning of the second year which is the first year of operation of the application. Therefore, our timing to return the profit of our investors is at the end of the second year.

7.4 Exit strategy:

We make a two-year contract with our investors. If they want to cancel the corporation, they will take back 30 percent of the amount of the funds which they invested.

Section 8: Financial analysis

8.1 Financial Statements

8.1.1 Income Statement

CheerApp					
		1st year		2st year	
Income Statement			1st month	6 first months	6 next months
REVENUE					
Services					
Service 1 - Main use		0	1620000	9720000	31752000
Service 2- Advertisment		0	108000	648000	648000
Total Services		0	1728000	10368000	32400000
EXPENSES					
Indirect Costs					
Operating expenses					
Selling					
Marketing expenses (15%)			259200	1555200	4860000
General					
Business licence		5000	0	0	0
Maintanance			4500	27000	27000
Rent		59000	5000	29500	29500
Supplies (servers rent,computers)		20200	200	1200	3600
Administration					
Salaries		270000	7500	45000	45000
Total expenses		354200	276400	1657900	4965100
Operating income/EBIT		-354200	1451600	8710100	27434900
Taxes (24%)			348384	2090424	6584376
Net profit/Earnings after taxes			1103216	6619676	20850524

As it can be seen in the income statement the first year our company has no income and many expenses because this is the face of developing and testing of the product. The costs consists of the business license to begin our business[6], the rent of our office that would be located in Milan (100 m^2) [7], the computer equipment we need (10 in number)[8]as well as the rent of our server[9] and finally the salaries of our developers (9 in number)[10].

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[6] From https://www.italiancompanyformations.com/price-list/

[7] From https://www.statista.com/statistics/530056/office-real-estate-prime-rent-milan-italy-europe/&https://skepp.com/en/blog/office-tips/this-is-how-many-square-meters-of-office-space-you-need-per-person

[8] From https://www.business.org/finance/cost-management/much-computer-cost/

[9] From https://www.servermania.com/kb/articles/how-much-does-it-cost-to-rent-a-server/

[10] From https://www.payscale.com/research/IT/Job=Software_Developer/Salary

The second year is the year we launch our app and we start having income. Our revenues are calculated based on statistics. As it has been already mentioned in section 4 our possible customer number is 12 million and the number of music venues is 12 thousand. So our revenues are estimated based on the following data:

- **Main service**

  How many people are going to use the app:
  15%, the early adopters[11], are going to use our app from the first year => 1,800,000

  How many times are they going out per month:
  4 times per month because students go out 2 days a week and the rest from our target group 1 day a week (school/ work)[12]. So, we estimate the average to be 1 day per week going out (humble estimation)

  How many are they going to use our app to pay:
  First 6 months: 15%, early adopters[6], of the people that will use the app =>**270,000**
  Next 6 months: 49%, early adopters and early majority[6], of the people that will use the app => 882,000

  How much money are we going to earn in each payment:
  The average price of entrance in the clubs is 15€[13] and we are going to receive the 10% of this price =>**1.5 €**

  How much money do we earn:
  First 6 months: people*times *price = **1,620,000**€monthly
  Next 6 months: people*times*price = **5.292.000**€ monthly

- **Advertisements**

  How many businesses organize events:
  Almost 50% of businesses spend money to host events[14] =>
  6000 pubs organize events

  How many are going to use our app:
  15%, the early adopters[6] => 900

  How many events per month:
  Average 4 per month[15]

  How many events advertised in our app:
  Clubs*events = 900*4 => 3600 monthly

  How much does an ad cost:
  Basic cost**:** 30€ monthly[16]

  How much money do we earn:
  3600*30= **108.000 €**
  + private events that it's difficult to be measured

Our monthly cost consists of:

- Maintenance (20 % of development budget) - 54000€ per year[17]

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[11]From https://liquid-state.com/the-5-customer-segments-to-download-your-app/
[12] From questioning 100 people
[13]From https://www.justlanded.com/english/Italy/Articles/Culture/Nightlife-in-Italy
[14]From https://blog.bizzabo.com/event-marketing-statistics#budgets
[15] From research in the facebook pages of 50 clubs and pubs
[16] From https://adespresso.com/blog/much-small-businesses-spend-facebook-ads/

- Rent- 590€ per sqr per year [2]
- Servers – 200€ monthly[18]
- Promotion- Marketing which is the 15% of the revenues as we believe that marketing is important
- Salaries of developers (need of 3)[5] =>90000€
- Taxes (24% of EBIT)[19]

8.1.2 Balance Sheet

CheerApp			
BALANCE SHEET- Year 2			
ASSETS	€	**LIABILITIES**	€
Current Assets		**Current Liabilities**	
Cash & cash equivelant	5848040	Accounts Payable	6.621.800
		Income Tax Payable	8675088
Accounts Receivable	6.621.800		
Prepaid expenses	354000		
Total Current Assets	12823840	**Total Current Liabilities**	15.296.888
Fixed Assets:			
Equipment	20000		
Less Depreciation	2000		
Net Equipment	18000		
Other Assets		**Total Long-term Liabilities**	0
Intangibles assets	4151543.7		
Improvements	4151543.7	**TOTAL LIABILITIES**	15.296.888
		EQUITY	
		EARNINGS	
		Owner's Equity - Capital	354000
		Retained Earnings	5494040
		TOTAL EQUITY	5848040
TOTAL ASSETS	21.144.928	**LIABILITIES AND EQUITY**	21.144.928

This is the balance sheet for the second year of operation, the year we launch the product. The assumptions made here are: 20% of the profit is returned to the shareholders and the investors and 20% of the profit is cash.

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[17] From https://www.app-press.com/blog/whats-the-cost-to-maintain-an-app&https://adespresso.com/blog/facebook-ads-cost/

[18] From https://azure.microsoft.com/en-us/pricing/calculator/#app-servicea1908005-f12c-420c-978e-39517d7421bf&https://www.servermania.com/kb/articles/how-much-does-it-cost-to-rent-a-server/

[19] From https://en.wikipedia.org/wiki/Taxation_in_Italy

8.1.3 Cash flow statement

CheerApp
Cash Flow Statement

	For the Year Ending 2 year of operation
Cash at Beginning of Year	0

Operations	
Cash receipts from	
Customers	10421766
Other Operations	
Cash paid for	
Inventory purchases	
General operating and administrative expenses	-116.600
Wage expenses	-90.000
Interest	
Income taxes	-4337726
Net Cash Flow from Operations	**5.877.440**

Investing Activities	
Cash receipts from	
Sale of property and equipment	6.000
Collection of principal on loans	
Sale of investment securities	
Cash paid for	
Purchase of property and equipment	
Making loans to other entities	
Purchase of investment securities	
Net Cash Flow from Investing Activities	**6.000**

Financing Activities	
Cash receipts from	
Issuance of stock	
Borrowing	
Cash paid for	
Repurchase of stock (treasury stock)	
Repayment of loans	
Dividends	-35.400
Net Cash Flow from Financing Activities	**-35.400**

Net Increase in Cash	**5.848.040**
Cash at End of Year	5.848.040

8.2 Key ratios –Year 2

ROE= $\dfrac{NetIncome}{Shareholder'sEquity} = \dfrac{27470200}{354000} = 77,6$

ROA= $\dfrac{EBIT}{TotalAssets} = \dfrac{36145000}{21144928} = 1,7$

Leverage = $\dfrac{TotalAssets}{Equity} = \dfrac{21144928}{5848040} = 3.61$

Net Profit Margin = $\dfrac{NetIncome}{Revenue} = \dfrac{27470200}{42768000} = 0,64$

Operating Profit Margin = $\dfrac{OperatingIncome}{Revenue} = \dfrac{36145000}{42768000} = 0,84$

Assets Turnover = $\dfrac{Revenues}{TotalAssets} = \dfrac{42768000}{21144928} = 2,02$

8.3 Break Even Point Analysis

The first year the company has only expenses, but as we can see in the income statement from the first month after launching the product, all the expenses are covered. So, our company reaches the break event point on the first month of the second year of operation.

Because of the nature of our business, which is an app, we can't divide the fix and variable cost per unit so we can't estimate the breakeven point sales unit.

Conclusions

All in all, our business plan proves why this business should become a reality. The company need a quite big amount of funding (354,000€) and at least one year to start making profit. But, the team behind this project has the capabilities to make it work and do well. Each member has different skills and a different way of thinking and we are all decided to achieve everything we have in mind. Success is based on people and our company has the people that will help it succeed. As important it is to invest in an idea is also to invest in a team and that is why our business is a good investment.

Moreover, our application is unique because there is no one else that does exactly what we do. Even Facebook, which is our biggest competitor, is not that efficient in finding the events that interest you. So, as Italians have the habit to go out at night and there are many clubs and pubs everywhere in Italy, we solve the problem of finding the best event for you based on where you are, how much money do you have, what music you want to hear. This makes things faster, safer, efficient, straightforward and, of course, more affordable.

In addition, the target group reaches the 12 million so the potentials of our app, based on our marketing plan to have more and more loyal clients, as well as the opportunity of profit and improvement are great.

But what is even more important is that our app solves a social problem too. We help women feel safe in their night-out and we reduce the danger that exists for them. So, we target even more on women audience and we implement a feature that doesn't exist anywhere else.

Because of the nature of the market, the problems our app solve and the really low cost of maintenance for an app, our business could be really profitable even from the first year of operation and our investors would be reward for the trust they showed us.

A good investment is an investment in a good idea, a good team and a business that has the potential to grow and our company has ever and each one of these features.