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# I. Executive Summary

BUZZT is an emerging venture dedicated to the facilitation of learning through physical and digital means. In the Internet of Things (IoT) paradigm, data collection and processing through embedded sensors and devices has become very widespread. This technology revolution has made the process of learning almost any skill much easier to learn and develop. The biggest problem is that some of these skills such as sport training require constant feedback to develop the proper techniques and to track one's progress for self-improvement. This feedback and progress tracking are usually facilitated by an instructor in a training facility. BUZZT believes that with the use of technology we can help people develop those skills on their own without the necessity of going to any training center. The benefits aren't isolated to self-taught use cases, however. A training facility that offers group training can take advantage of the BUZZT technologies by obtaining a higher level of enhanced feedback and data which can in turn be used by the facility to improve one's learning ability and to focus on the key areas that an individual may be struggling with. The technology that BUZZT is working to bring to market is innovative due to the nature of its flexibility. The technology can adapt to different kinds of training, such as athleticism, boxing, dancing, soccer, etc. It can offer widespread benefits beyond training such as physical therapy where one may need to monitor a patient's progress regarding movement and health progress.

## 1. Product Description

The main product of the company is a portable device that is wearable around key extremities of the human body, like the wrists, ankles, and legs. The device is battery powered with Bluetooth capabilities that allow for a personal wireless network. This network supports the use of multiple BUZZT devices along with a smartphone application that allows the user to interface and communicate with said devices. The device will be equipped with sensors that will gather the data needed to evaluate a user's performance. Feedback to the user will be delivered via various means, including the smartphone application, light emitting diodes, and vibration motors like the ones utilized in modern smartphones. Along with the physical BUZZT device, the company will offer software support and services for various aspects. Paid services will include online course delivery that are available for purchase. These may range from boxing, dancing, or mixed martial arts courses, to name a few.

## **2. Target Market**

The flexibility of the BUZZT product enables us to have various niche markets to look at and potentially sell to. The main strategy of BUZZT will be to focus and tap into one of these potential markets. After some market research, the company has seen a steady growth year over year in the dance studio market. Initially, the target market will be these dance studios along with people willing to learn how to dance on their own. The target market can also include online learning websites that offer video courses to their users. Once sustainable growth has been achieved, BUZZT will invest and pivot into new markets that take advantage of the flexibility of our technology, such as sports training or therapy.

## **3. Company Goals**

The goal of BUZZT is to provide accessible and quality learning methods via digital and electronic means. Providing an intuitive method for learning is one of the fundamental goals of the company as knowledge is what empowers society. Future proofing our technologies is key for successful growth and sustainability as more and more devices are connected to the internet in one way or another. Additionally, BUZZT aims to become the standard in the dancing community. A dance magazine has called for an “ultimate FitBit” for learning how to dance, and BUZZT is a potential candidate for becoming such a standard.

## **4. Value Proposition**

We will offer a device featuring novel way of delivering a sensorial feedback via vibration and LED lights. We will offer a flexible design that can be utilized in another areas besides dancing such as sports and self training, physical therapy. Help people with the use of technology to develop in a fast pace the muscle memory require in the different activities.

## II. Company Description

### 1. Mission Statement

*Empower the people with the technology to connect and optimize their learning experience.*

### 1. Founding Members

#### **Rodrigo Rodriguez, Chief Executive Officer (CEO)**

Qualifications: B.Sc. Electrical Engineering Senior Student

Founder of SmartFungi Design, CopyMe, and WireLife. Experience in automatization of manufacturing processes. My background will help the company in the communication among Board and management.

#### **Enrique Gonzalez, Chief Technology Officer (CTO)**

Qualifications: B.Sc. Electrical Engineering Master's Student

Background in firmware development and hardware design that will help the company in development of the first prototype and the launching of the first commercial product. Will be assuming the role of Chief Technology Officer (CTO) throughout the life of the startup venture.

#### **Ivan Ocon, Chief Operation Officer (COO)**

Qualifications: B.Sc. Electrical Engineering Master's Student

Background in software development, experience with program management, and meeting with clients. Experience will help the company designing, developing and testing software with different platforms and environments as well as achieve customer's needs in order to make the customer happy. Will be assuming the role of Chief Operation Officer to oversee the company's day to day operations.

### 3. Legal Structure

BUZZT will be registered as partners in a Limited Liability Company, of which the partners will be: Ivan Ocon, Rodrigo Rodriguez, and Enrique Gonzalez will hold 76% stake in the company. The investors will hold 24%. Additional details regarding shareholder ownership are described in the financial projections section, specifically in our exit strategy.

### III. Market Research

The dance classes market has gained traction as a solid and profitable industry. In recent years dance classes can be thought in two different ways: dance studios and online dance classes. The first segment is limited by the location and capacity of the studio. Also, the quality of the class instructed varies depending on the instructor. However, a big part of the target market prefers dance studios because the constant feedback they receive from the instructors. The second segment is limited on the interaction between the instructor and the student, making it more difficult to keep track of one's progress. In addition, the lack of feedback leads to a bad execution of the dance movements. Nevertheless, the location and the capacity of the dance class are not a limitation in an online setting. This segment is one pursued by individuals who want to learn on their own time and with their preferred choice of class difficulty/prestige.

#### 1. Target Market

In recent years the dance studio industry has experienced growth over the five years to 2019, with the industry revenue increasing at an annualized rate of 3.8% to \$4.0 billion during the period, including and estimated growth of 1.4% in 2019 alone. The popularization of dance-inspired television shows and rising interest in dance as an alternative form of exercise have positively affected the industry over the past five years. Dance studios that offering Latin inspired, fitness, fusion and ballroom dance classes have particularly benefited from growing consumer demand. According to USA Dance, Inc., the beginning of this century marked a 30.0% spike in the number of individuals taking ballroom lessons and attending ballroom events.

The dance studios industry has no companies with major market shares. The dance studios industry has experienced growth over the five years leading up to 2018. The popularization of dance-inspired television shows and rising interest in dance as an alternative form of exercise have positively affected the industry over the past five years. Dance studios offering Latin-inspired, fitness, fusion and ballroom dance classes have particularly benefited from growing consumer demand. Enrollment in dance classes has grown substantially among young millennial women who are increasingly choosing to dance over more traditional fitness routines. Consequently, the number of fitness-oriented dance classes has increased, with the latest fads including cardio dance, and barre method. Several new establishments have responded to consumer trends by specializing in one or many forms of fitness-oriented instruction, resulting in greater industry fragmentation. Over the five years leading to 2023, Dance Studios industry revenue is expected to continue increasing.

## **2. Products & Services**

In addition, in this segment there are several types of materials and a wide range of prices. We have found many components online that we can use for our product such as vibrate sensors and different microcontrollers. In fact, vibrate sensors are provided in the market as a type of material we are using for our product. We understand that sometimes dance studios could be challenging.

Products in this category are very diverse in both build and purpose. Some of the sensors are very expensive but taking in consideration that we are building a bracelet we came up to the idea to use only small sensors which are cheaper in the market. Additionally, the range of materials utilized is small because our device will handle the vibration for the stimulation of the body extremities.

## **3. Pricing & Distribution**

The price range in dance studios and academies varies depending on the level of professionalism and quality. For instance, professional tier schools that offer the level of dance background for a person wanting to become a professional dancer had a median cost of about \$53,000 in tuition for the 10 or more years of education required. Schools with less prestige have lower median costs of about \$30,000 in tuition for about the same amount of time spent at the school. As reported by Dance/USA, which is an organization that provides data and research on professional dance, it was estimated that a professional dance school would cost over \$120,000 including all equipment, tuition, and fees. Top tier ballet schools for professional learning have been identified to have budgets of over \$10 million. As can be seen, including professional dance schools and academies in our target market can prove to be beneficial as their budgeting and growth proves, with high likelihood, that a sustainable model with positive cash flow can be achieved.

## **4. Market Trends**

Within dance academies market trends for our product is in social media. BUZZT will be setting trends and getting people with no dance experience at all interested in getting in on the fun to learn with our product. The dance studios industry has experienced growth over the five years to 2019, with industry revenue increasing at an annualized rate of 3.8% to 4.0 billion during the period, including and estimated growth of 1.4% in 2019 alone. There are 54,627 dance studios businesses in the US as of 2020 that we are planning to approach with our product.

## 5. Implications or Risk Factors

There are challenges and potential risks in the market's growth for any company. The main implications and risk factors like any other business in the market are competition, positioning, and pricing. There are many competitors that could capture important parts of our target market but is up to us to perform a better job than them. We are developing a brand-new product in the market for people so that they can learn by themselves with active feedback. Position wise, there are strong brands in the industry which are prominent in the minds of the consumer this raises a potential problem which needs to be addressed early on. In order to achieve our goals, we will establish a strong brand image along with dancing programs of high quality to attract new customers. Finally, pricing is the most important potential risk factor because people need to buy our product. Although the price tags for our product will be in a considerable range for a small company to make substantial profits and still be competitive, there are still pricing issues that need to be properly attended. Price sensitivity, competitive pricing, profit margins, positioning, and brand image, are all factors that need to be weighed in to effectively set our prices.

## 6. Planned Response

Our planned response to the aforementioned issues includes positioning the company within a niche market first and foremost in order to develop consumer confidence in our product. Although we offer some competitive advantage with our product, it is important to know our competitors' offerings so that we can obtain and take hold of a position within an existing market. Forming relationships with existing dance studios and academies will propel the company forward since these relationships will prove to be beneficial to the studios as well as our company. Once our first niche market is reached and satisfied with the product, BUZZT will be able to expand into other niche markets that will be able to take advantage of our technologies. These new niche markets will have higher acceptance rates and confidence levels once these new markets see the effectiveness of our technologies used in dancing.

## 7. Our Competition

**Steezy Studio:** Based in Los Angeles, CA, Steezy Studio is a primary competitor. The company has an estimated annual revenue of \$5 million. The company offers a platform for people wanting to learn on their own. Users are presented with various subscription offerings, ranging from monthly to yearly subscriptions. With a subscription, a user is given access to the large offering of videos and courses dedicated to many different types of dancing, including urban dance, hip hop, jazz funk, and more.



**CLI Studios:** Headquartered in New York, NY, CLI Studios offers services to the dance studios that they partner with nationwide. The company has an estimated annual revenue of \$2.7 million. The services and resources that CLI Studios provides to their partners are quite numerous. They help studios develop dance programs tailored to their needs, provide an online platform for partners to deliver their content and education resources via the internet, and connect the partnered studios with their professional dance network that enables smaller studios to work with developed and experienced professional educators and dancers.

## **8. Competitive Advantage**

After considering our target market and our competition, it is important to determine our competitive advantage. The main differentiating factor between BUZZT and the rest of the competition is the facilitation of our services. The device that will be manufactured by the company has high flexibility and adaptability. As previously mentioned, the company will have the opportunity to pivot into new markets once the initial dance studio market has been penetrated. The different services that BUZZT will be providing can be delivered via the same device we will be selling. Thus, our supply chain and manufacturing processes will, for the most part, remain the same assuming that BUZZT utilizes the same materials in the first iteration/version of the product. Therefore, we will be able to pass on the savings to the customers which creates value to our product. As the market share grows, the company plans to introduce newer models with updated features, services, and offerings to follow in any new technology trends that develop as time goes by.

## **IV. Product/Service Line**

### **1. Manufacturing and Development**

The products and services that are produced by BUZZT will require contracts with different companies. Firstly, BUZZT will establish partnerships with the major parts manufacturers and distributors so ensure a steady supply of the required parts and materials to build the devices. At our assembly plant rented in the city of El Paso, TX, our workers will oversee the building, assembling, and testing of the device. Quality assurance testing will ensure that the product being shipped is functional and that it exceeds our standard of quality. Any applicable government regulations and guidelines are verified to be met as well. During the first year, BUZZT will contract hire personnel as needed. Software engineers and dance instructors fall into this category. Software engineers will be contracted to develop the software required for our operations, including a company website, smartphone application, backend services, etc. Dance instructors will be contracted to develop dance programs for our company. These programs will be made available to existing customers under a subscription plan, as outlined in the next section. At initial launch, we are projecting a limited number of studio partners, which is why BUZZT will make sure that there are high quality courses available during the launch period.

### **2. Pricing Structure & Distribution**

Our pricing structure and model is based on two main components: the BUZZT physical device and the services provided by the company and its affiliates/partners. According to current market trends in the technology field, customers have higher preference towards subscription models instead of paying full price. Subscription models are very widely implemented across many markets and services, including music services, storage expansion services, gym memberships, and more. Therefore, we've determined that the best pricing structure is comprised of an upfront cost along with a monthly or yearly subscription service. Our manufacturer suggested retail price for the device will be \$99 USD; included with the purchase of the product is a one-year subscription to select courses/videos as well as access to our support services. Subscription services will be available for \$9.99 USD per month that gives the user access to their choice of courses and videos. This is the standard subscription service for both individual consumers and dance studios. Lastly, BUZZT certified partners and educators can publish their own educational content on the BUZZT platform; the educators can make these available to subscribers for free or for a fee.

Distribution requires the company to look at the supply chain. BUZZT will be responsible for reaching out and establishing relationships with the suppliers and part distributors that provide the necessary materials and components for the physical, electronic device. BUZZT will be

assembling the device in-house with trained staff and personnel to oversee the production. Once the assembled devices have undergone all rigorous testing to ensure proper guidelines and regulations are met, the devices will be packaged and delivered. The deliveries will flow via various distribution channels. Online orders can be placed directly on our website or through other e-commerce sites such as Amazon. Initially, BUZZT will be focused on online retail. BUZZT will add more distribution channels as the product gains traction and market share to meet the demand of the clients and customers.

### **3. Advertising and Customer Outreach**

BUZZT will allocate a substantial amount of money for advertisement and promotion. Through the company's advertisement efforts, BUZZT aims to deliver the value that the novel product will be offering. The reasoning behind a substantial advertisement budget is so that the company can successfully penetrate the initial niche market. Coordinated marketing campaigns will be delivered via online means and through dance studio/academy contacts throughout the first year. Reaching our primary contacts in the industry ensures that we establish trust and confidence from the dance industry. This will increase the value of our brand image in the eyes of existing dancers. As for our online marketing campaigns, BUZZT aims to gain as much exposure as possible to the right people. During the first year, BUZZT will target existing dancers and people that are interested in learning how to dance. Therefore, our marketing plan involves buying targeted ads that will be delivered via Google AdSense for broad advertisement across the World Wide Web. Marketing campaigns will be planned and delivered via popular social media networks such as Facebook, Instagram, Twitter, and Reddit. Another potential partner is a popular chat service known as Discord. They've added a feature for online dance learning in light of the COVID-19 pandemic. They've evaluated that the demand for such a service has risen. As such, BUZZT will seek a partnership with Discord and other online learning websites, including competitors such as Steezy Studio. Long lasting partnerships will prove to be beneficial in terms of sustainability of our business model and in keeping a positive brand reputation. Additionally, BUZZT is planning to attend high profile conferences in the technology and dance industries. BUZZT aims to present at the Computer Entertainment Show (CES) where many companies from around the world gather to showcase the latest technologies that they are working on. Here, we will be able to showcase our technology and perform live demonstrations. Attending CES is an important milestone for the company due to the high amount of mainstream media coverage which will help us gain customer and market awareness.

## V. Financial Projections

The following are the financial projections for the first five years of operation of the business. The Cost of Goods Sold, Profit and Loss Statement, and Cash Flow Statement are shown below.

### 1. Cost of Goods Sold

TOTAL COST OF GOODS SOLD - COGS			
YEAR	TOTAL WAGES/YEAR	TOTAL PARTS COST	GRAND TOTAL - COGS
1	\$ 60,825.60	\$ 78,344.64	\$ 139,170.24
2	\$ 101,376.00	\$ 313,378.56	\$ 414,754.56
3	\$ 243,302.40	\$ 626,757.12	\$ 870,059.52
4	\$ 364,953.60	\$ 1,253,514.24	\$ 1,618,467.84
5	\$ 527,155.20	\$ 2,507,028.48	\$ 3,034,183.68

### 2. Profit and Loss Statement

PROFIT AND LOSS STATEMENT - YEAR 1		
ITEM	Y-1	%
Revenue	\$ 316,768.32	100.00%
Cost of Goods Sold	\$ 139,170.24	43.93%
Gross Income	\$ 177,598.08	56.07%
Expenses	\$ 245,344.00	77.45%
Depreciation	\$ 17,520.00	5.53%
Operating Income	\$ (85,265.92)	-26.92%
Interests	\$ 30,000.00	
Taxable Income	\$ (115,265.92)	-36.39%
Income Taxes	0	0.00%
Net Profit	\$ (115,265.92)	-36.39%

PROFIT AND LOSS STATEMENT - YEAR 2		
ITEM	Y-2	%
Revenue	\$ 1,456,963.20	100.00%
Cost of Goods Sold	\$ 414,754.56	28.47%
Gross Income	\$ 1,042,208.64	71.53%
Expenses	\$ 596,088.00	143.72%
Depreciation	\$ 17,520.00	1.68%
Operating Income	\$ 428,600.64	29.42%
Interests		
Taxable Income	\$ 428,600.64	29.42%
Income Taxes	\$ 128,580.19	8.83%
Net Profit	\$ 300,020.45	20.59%

PROFIT AND LOSS STATEMENT - YEAR 3		
ITEM	Y-3	%
Revenue	\$ 3,293,706.24	100.00%
Cost of Goods Sold	\$ 870,059.52	26.42%
Gross Income	\$ 2,423,646.72	73.58%
Expenses	\$ 1,119,136.00	128.63%
Depreciation	\$ 21,520.00	0.89%
Operating Income	\$ 1,282,990.72	38.95%
Interests		
Taxable Income	\$ 1,282,990.72	38.95%
Income Taxes	\$ 384,897.22	11.69%
Net Profit	\$ 898,093.50	27.27%

PROFIT AND LOSS STATEMENT - YEAR 4		
ITEM	Y-4	%
Revenue	\$ 6,587,412.48	100.00%
Cost of Goods Sold	\$ 1,618,467.84	24.57%
Gross Income	\$ 4,968,944.64	75.43%
Expenses	\$ 1,012,080.00	62.53%
Depreciation	\$ 26,470.00	0.53%
Operating Income	\$ 3,930,394.64	59.67%
Interests		
Taxable Income	\$ 3,930,394.64	59.67%
Income Taxes	\$ 1,179,118.39	17.90%
Net Profit	\$ 2,751,276.25	41.77%

PROFIT AND LOSS STATEMENT - YEAR 5		
ITEM	Y-5	%
Revenue	\$ 13,174,824.96	100.00%
Cost of Goods Sold	\$ 3,034,183.68	23.03%
Gross Income	\$ 10,140,641.28	76.97%
Expenses	\$ 957,424.00	31.55%
Depreciation	\$ 24,670.00	0.24%
Operating Income	\$ 9,158,547.28	69.52%
Interests		
Taxable Income	\$ 9,158,547.28	69.52%
Income Taxes	\$ 2,747,564.18	20.85%
Net Profit	\$ 6,410,983.10	48.66%

### 3. Cash Flow Statement

	CASH FLOW				
	Y1	Y2	Y3	Y4	Y5
INITIAL BALANCE	0	\$ 316,768.32	\$ 526,708.77	\$ 1,352,522.27	\$ 4,130,268.52
<b>INCOMING CASH FLOW</b>					
EQUITY (1)	\$ 355,714.24	\$ -			
LOAN (1)	\$ 200,000.00	\$ -			
REVENUE	\$ 316,768.32	\$ 1,456,963.20	\$ 3,293,706.24	\$ 6,587,412.48	\$ 13,174,824.96
<b>TOTAL INCOMING CASH FLOW</b>	<b>\$ 872,482.56</b>	<b>\$ 1,773,731.52</b>	\$ 3,820,415.01	\$ 7,939,934.75	\$ 17,305,093.48
<b>OUTGOING CASH FLOW</b>					
INVESTMENTS AND INITIAL EXPENSES					
ASSETS	\$ 87,200.00	\$ -			
INITIAL EXPENSES & W. C.	\$ 398,514.24	\$ -			
<b>TOTAL INVESTMENTS &amp; I E</b>	<b>\$ 485,714.24</b>	<b>\$ -</b>			
<b>COST OF GOODS SOLD</b>		\$ 414,754.56	\$ 870,059.52	\$ 1,618,467.84	\$ 3,034,183.68
<b>TOTAL EXPENSES</b>		\$ 596,088.00	\$ 1,119,136.00	\$ 1,012,080.00	\$ 957,424.00
LOAN AMORTIZATION	\$ 40,000.00	\$ 80,000.00	\$ 80,000.00	\$ -	\$ -
INTERESTS	\$ 30,000.00	\$ 27,600.00	\$ 13,800.00	\$ -	\$ -
INCOME TAXES		\$ 128,580.19	\$ 384,897.22	\$ 1,179,118.39	\$ 2,747,564.18
<b>TOTAL OUTGOING CASH FLOW</b>	<b>\$ 555,714.24</b>	<b>\$ 1,247,022.75</b>	\$ 2,467,892.74	\$ 3,809,666.23	\$ 6,739,171.86
<b>FINAL NET BALANCE (2)</b>	<b>\$ 316,768.32</b>	<b>\$ 526,708.77</b>	\$ 1,352,522.27	\$ 4,130,268.52	\$ 10,565,921.62

## 4. Discounted Cash Flows

DISCOUNTED CASH FLOWS						
	Y1	Y2	Y3	Y4	Y5	TOTAL CASH FLOW
FINAL NET CASH FLOWS	\$ 316,768.32	\$ 526,708.77	\$ 1,352,522.27	\$ 4,130,268.52	\$ 10,565,921.62	\$ 16,892,189.50
Y-1 DISCOUNTED CASH FLOW	\$ 253,414.66					
Y-2 DISCOUNTED CASH FLOW	\$ 337,093.61					
Y-3 DISCOUNTED CASH FLOW	\$ 692,491.40					
Y-4 DISCOUNTED CASH FLOW	\$ 1,691,757.99					
Y-5 DISCOUNTED CASH FLOW	\$ 3,462,241.20					
<b>TOTAL DISCOUNTED CASH FLOWS</b>	<b>\$ 6,753,767.17</b>					

## 5. Dividend Payouts

DIVIDEND							
	EQUITY	Y1	Y2	Y3	Y4	Y5	TOTAL 5-YEAR
INITIAL OWNERS	76.31%	\$ 169,207.06	\$ 281,350.25	\$ 722,472.26	\$ 2,206,251.60	\$ 5,643,962.70	\$ 9,023,243.86
INVITED INVESTORS	23.69%	\$ 52,530.76	\$ 87,345.89	\$ 224,293.33	\$ 684,936.37	\$ 1,752,182.44	\$ 2,801,288.79
TOTAL	100.00%	\$ 221,737.82	\$ 368,696.14	\$ 946,765.59	\$ 2,891,187.96	\$ 7,396,145.13	\$ 11,824,532.65
CONTINGENCY FUND		\$ 95,030.50	\$ 158,012.63	\$ 405,756.68	\$ 1,239,080.56	\$ 3,169,776.48	\$ 5,067,656.85
TOTAL CASH FLOW		\$ 316,768.32	\$ 526,708.77	\$ 1,352,522.27	\$ 4,130,268.52	\$ 10,565,921.62	\$ 16,892,189.50

## 6. Exit Strategy

According to our projections and calculations of the discounted cash flows and dividend payouts, we are prepared to offer 24% equity ownership of the company for a \$400,000 initial investment. As our dividend payouts suggest, investors can expect a return on investment of 700%. Our exit strategy involves the buyout of investor stock at \$2.8 million.