

BPES COURSEWORK COVER SHEET

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STREAM NUMBER/DAY	Stream 1 (Monday)
GROUP NUMBER	Group 4
COURSE	Entrepreneurship Business Plan Competition
COURSEWORK TITLE	SportsConnect Business Plan Report
TUTOR	Ed Egan/ Markus Perkmann
WORD COUNT	4972

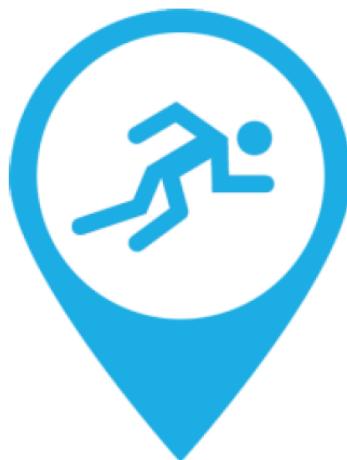
SUBMISSION DATE	30 January 2015
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**Imperial College
London**
BUSINESS SCHOOL

SportsConnect

Business Plan



BPES ENTREPRENEURSHIP – JANUARY 2014

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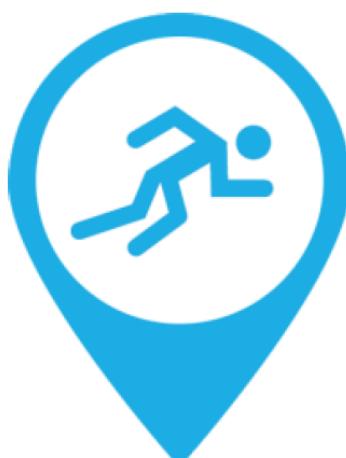
Executive Summary

The sports application industry is one of the fastest growing markets, with huge potential moving forwards. The facility booking app market in particular is incredibly fragmented with no clear dominant player having emerged. The SportsConnect team has observed an information problem exists between recreational sports players and leisure facilities. There is an excessive length of time spent organising a group together and then booking an available venue.

SportsConnect believes that a solution to this would simplify and encourage the playing of group sports. The team has developed a free and simplistic mobile application to allow users to create and book events at their local sports venues, as a solution to this problem. The main objective is to create a network for sports players to meet new people. Value is added by offering a method to organize an event and split the costs quickly and efficiently. The team has found at a first glance, that there is a target market size of over 700,000 players in London alone.

Having carried out significant market analysis in the area, a clear business model has been implemented. This describes the core business functionality taking a macro perspective of the essential operations. The app will be initially launched on the Apple and Android app markets. SportsConnect have additionally planned their growth strategy and expansion plan after the initial launch of the application in London. Freedom to operate has been ensured and this has been combined with the detailed marketing and sales vision for the future. A financial costs and revenues breakdown has been carried out and possible exit strategies considered.

After proving that there is sufficient demand for our product, SportsConnect would like to ask for a sum total of £150,000. It is strongly believed that the business will produce a significant return on investment within three years, based on detailed analysis in the financial section of this report.





1. Value Proposition

1.1 Problem Introduction

The SportsConnect team has observed the lack of a functional social community between sports players. Currently, players rely on friends or clubs to participate in sport activities. Disconnected sport entities are solely connected to players via word of mouth or Internet searches. Booking is a very slow process and it is difficult to find like-minded people to join in. UK based start-up company, SportsConnect, has designed a solution that creates a social platform for sport players, through which members can form groups and book courts.

1.2 The Product

The SportsConnect mobile app is a free community platform to connect sport players around the city. A user is able to use the app once they register an account and provide direct debit details for booking payments. These details will be saved on secure company servers (1).

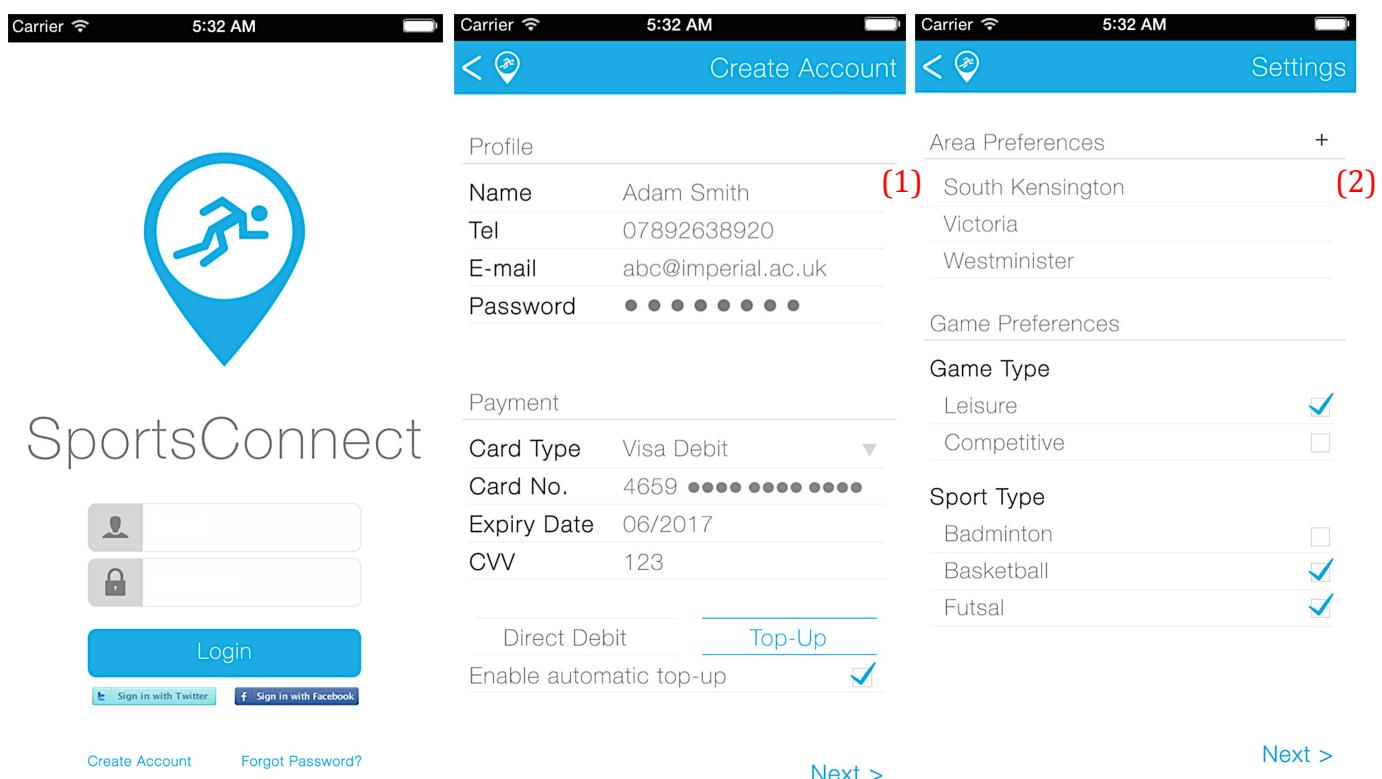


Figure 1: Screenshots of the SportsConnect Mobile Application

Once logged on, users can look for sport players with similar interests by creating or joining events. Events are displayed as a list based on the users



location and sporting preferences (2). A user can choose to join an event, and by doing so, agree to help split the booking cost (3).

When creating events, the app suggests available venues according to user preferences. The user can define the time, location, the exact sport, and the minimum or maximum number of players to attend the event. After submitting this information, other users can join the event. A warning message appears if an event is created within the cancellation period of a facility. The creator is informed that by booking this slot they must be prepared to pay the total cost, if no other player joins the event.

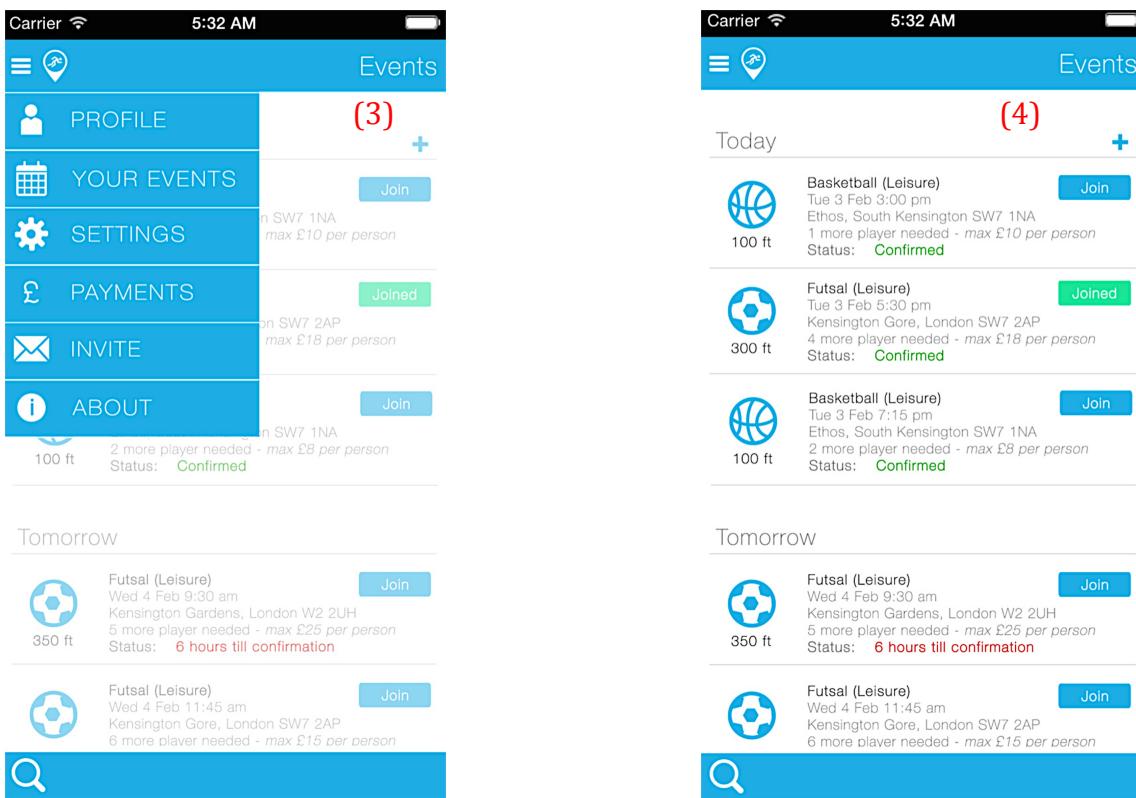


Figure 2: Screenshots of the Events Page within the SportsConnect Application

Users are able to select to play with new players or with friends only. There is also an in-built chat function within an event, so players do not need to share contact information.

Once an event is created, (4) SportsConnect will pay the booking deposit to the sport centres. If the minimum number of players required is not reached before the cancellation period, SportsConnect will cancel the booking and claim back the deposit. This will occur unless the event is formed within a cancellation period, in which case the creator bears the risk of paying the total fee alone. If the minimum number of players is achieved, the event is confirmed and booking costs will be withdrawn from the players. Payments are handled within the app, so users are all debited individually.



2. Market Analysis

2.1 Target Market

The target market for SportsConnect is men aged 18-25 who recreationally play sports. This target market was determined by both governmental and market survey statistics. The market research was carried out by interviewing people found playing in public courts and parks and also through an online survey. (*See Appendix – Determining Target Market*)

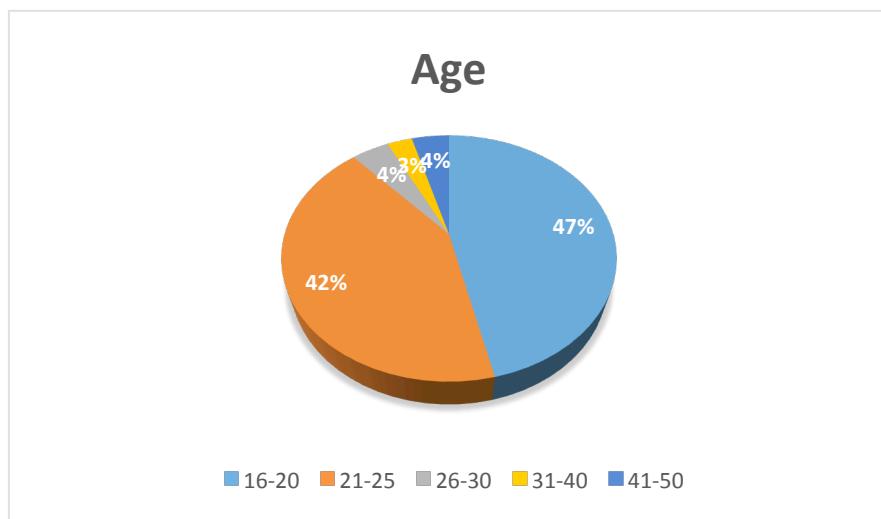


Figure 3: The Age group results from the Market and Online surveys

Governmental statistics show that this target age range is the largest size in comparison to other age groups in the sports domain. On average 54.7% of people, aged 16-25, participate in a sport once a week, for 30 or more minutes. This is compared to the 31.4% averaged across all other ages.¹

The fitness industry is a growing market, with an expected 11% growth in this sector by 2020². With growing campaigns to promote physical wellbeing, there has been an increase in people recreationally playing sports aged 14-25. Last year alone, over six months, 150,000 new 16-25 year olds started recreationally playing sports³.

¹ United Kingdom. Sport England. *Once a Week Participation 16+*. N.p.: n.p., n.d. APS8 Q2. Web. 28 Dec. 2014. <<http://www.sportengland.org/research/who-plays-sport/>>. 2013-2014 Regional Participation

² Johnson, Simon. "State of the UK Leisure Industry - A Driver for Growth." *State of the UK Leisure Industry: A Driver for Growth*. Business in Sport and Leisure, June 2012. Web. 22 Jan. 2015.

³ Riach, James. "Sport England Relief after Figures Show 15.6m Adults Play Sport Once a Week." *The Guardian*. The Guardian, 12 June 2014. Web. 22 Nov. 2014.



2.2 Preliminary Survey

The market survey carried out in public courts showed that over half of SportsConnect users would ideally play with 1-3 more players when playing non-scheduled sports. Additionally, 57% of interviewees play sports 3-5 times a month.

Several candidates indicated that they would like to be able to register teams and compete with friends. They would also be more likely to pay for bookings and use the app if they could compete in gathered teams. Two interviewees wanted to know if the app was already available, whilst three more emphasised that it was essential to be able to play with friends.

SportsConnect noted that players came to the courts with one or two friends and were open to meeting others once there. Additionally, no one interviewed was on a formal team, and choose to play recreationally because they were uncomfortable with the skill or time requirements associated with joining a team. After analysis, the key sports were defined to be basketball, badminton and 5-a-side football. (*See Appendix – Market Survey Results*)

2.3 Feedback from Expert Witnesses

SportsConnect interviewed two expert witnesses. The Sports Participation Experience Officer from a university gym and an Assistant Manager at a community sports centre.

Jenni Philips from Ethos Gym said that Ethos is the most well equipped university gym in London. While they are busy due to the high level of demand from internal societies, other university gyms would be a viable option. However, she highlighted the usual strict cancellation policy at universities. Stating that they charged regardless of cancellations, to avoid financial losses.

The second witness, Bosco C. from Chiswick Community School Sports Facility recommended the mylocalpitch website to find sports venues to work with in London. This website connects thousands of sports centres throughout London. He explained that racket-sports left most of the sports hall empty, due to few bookings. Their two squash courts were so underutilised that they converted them into a gym.

Neither witness had a mobile app, although booking online or by calling the centres was possible. They both agreed a mobile application was the next step, particularly with new digital native generation. Similarly, both Jenni and Bosco said that from their experience, targeting small team sports, with 2-4 players per session would be optimal. This confirmed the information gathered from the market surveys.



2.4 Market Sizing and Segmentation

From the surveys, a pessimistic estimate shows that 28.3% of existing recreational sports players, would form the target market and that 3% of this user base would become regular users. (*See Appendix – Market Size for more detailed calculations*)

Extrapolating these results, SportsConnect has a target market of 706,820 users for the first stage of the launch, targeting Greater London specifically. This is based on the statistic that within London, 36.7% or 2,497,600 people play sports for more than half an hour, at least once a week⁴. From calculations, SportsConnect predict that there will be 21,200 actual users of the application. More realistically, approximately 25,000 users are expected within London after year 3.

Analysing general UK statistics, a target market of 4,426,686 exists based on 15,642,000 candidates throughout the country as a whole⁵. Thus, as a minimum there are 133,000 expected app users. This is the forecast for the second stage of expansion throughout the UK. More realistically, we estimate around 160,000 users throughout the UK. These estimations are for the number of users after three years.

3. The Business Model

Figure 4 outlines the predicted cost and revenue streams for SportsConnect. The primary costs are the servers, as the booking fee cash is used to cover the booking deposit costs. SportsConnect will use booked servers for the initial phases and will acquire their own servers when customer size exceeds 2000 users. Purchasing servers will reduce long-term costs and limit reliance on other partners.

Revenue is generated when the firm has reached a sufficient size. With a large enough user base, SportsConnect can obtain a small percentage of cash from users on each booking, or via discount deals negotiated with sport centres.

The main distribution channel is via various app stores. Thus the target market must own a smartphone. Most importantly, SportsConnect needs customers to trust their services, and know that they will provide the promised event booking, as well as fair distribution of booking costs. Only through repetitive successes can a service charge be implemented. The technology market landscape is also always changing and early adopters can be used to gain useful feedback on the app.

⁴ United Kingdom. Sport England. *Once a Week Participation 16+*. N.p.: n.p., n.d. APS8 Q2. Web. 28 Dec. 2014. <<http://www.sportengland.org/research/who-plays-sport/>>. 2013-2014 Regional Participation

⁵ United Kingdom. Sport England. *Once a Week Participation 16+*. N.p.: n.p., n.d. APS8 Q2. Web. 28 Dec. 2014. <<http://www.sportengland.org/research/who-plays-sport/>>. 2013-2014 National

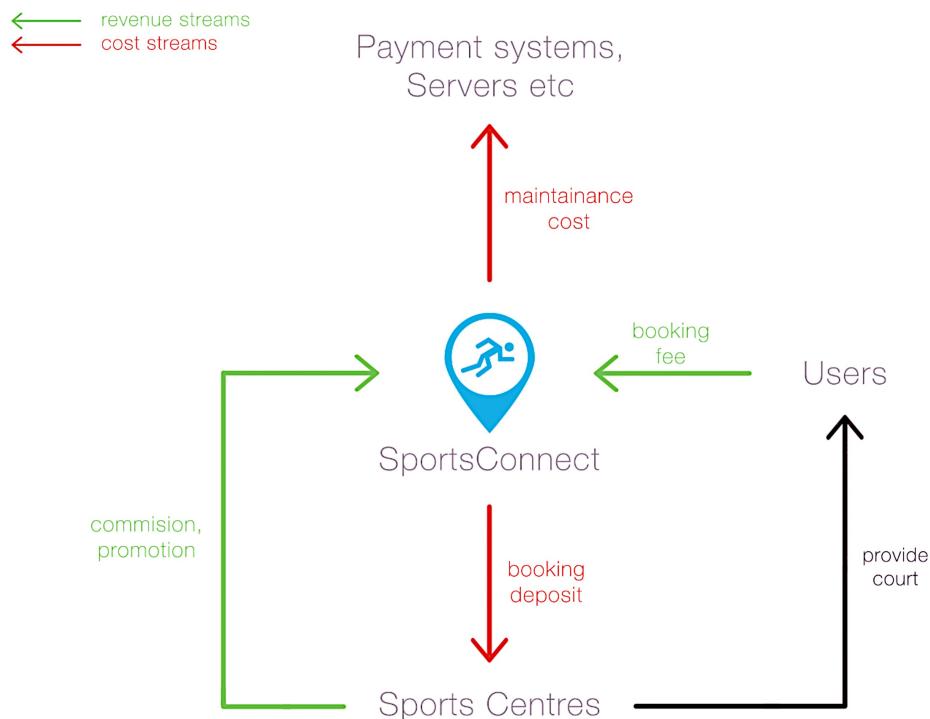


Figure 4: The SportsConnect Business Model

Lastly, the team must build rapport with sport centres. Since the app books via centre websites, SportsConnect is not reliant on cooperation to function. However, as the sports centres are part of the revenue stream, the company relies on many customers using the facility to negotiate discounts with centres.

4. Operations Growth Strategy

SportsConnect categorises its growth operation into 5 phases as shown in *Figure 5* below. The first phase, product development, involves raising capital, trademarking the logo, making prototypes and testing the App functionality.

SportsConnect estimates that this phase lasts approximately 6 months. Next, the product is launched into the market. This testing will last at least 2 months. From the finance section, the service will be offered for free at this stage. If it runs successfully, a full-scale launch will be used to generate income. Phase 3 involves collaboration with more sport facilities in London to increase the number of customers. The aim is to acquire enough bargaining power to be able to charge commission on every booking transaction by the end of year 2.

SportsConnect will then expand into a new market. This will be done through spreading to other parts of UK and also to the EU within the fourth year. However, new competitors may be found on entering the EU market. Lastly, the industry structure shifts, via the acquisition of other smaller competitors in



order to accelerate expansion and reduce foreign competition. Finally, entering the global market is scheduled for year five.



	Year 1		Year 2		Year 3		Year 4		Year 5	
Raising capital										
Trademarking logo										
App development/testing										
App pilot launch										
Full scale launch										
Run App with promotions as the source of income										
Scaling within London										
Run App by charging 3% commission as the source of income										
Expansion to other parts of UK										
Expansion to EU										
Global Expansion										
New industry structure (Merging. Acquisition)										

Figure 5: Gantt chart showing the operational growth strategy for SportsConnect

5. Marketing and Sales

While most of the target market will have access to the distribution channels via the app store, promotion will be necessary. The SportsConnect marketing and sales strategy is focussed on their first-mover advantage. By entering into alliances with sports facilities, SportsConnect are deterring centres from negotiating with any new entrants to the field.

In order to spread SportsConnect, the app will be advertised through Imperial College London and the past schools of the team members. Discounted services will be provided to early customers, such as one free booking for an event per registered customer. Offering these reductions should help the app become widespread.



SportsConnect will also spend £46,500 building brand awareness through communication channels:

- Fliers and posters distributed to areas local to sports facilities.
- Targeted online advertising on sports websites, to gain market traction and attention from the target market.
- A website to describe the application with the possibility of expanding into an online forum community dedicated to sports.

This strategic marketing approach will allow us to expand quickly and build a large customer base. Through rapid expansion, SportsConnect can establish market presence within the early months and ensure market success.

6. Industry Analysis

6.1 Current Industry Positioning

SportsConnect will be launched into the app market on Android, Apple and Windows platforms. The app market itself has over 2 million apps on offer since July 2014, spread between several platforms. (*See Appendix – Mobile Application Market*)

However, not all of these apps are competitors. Analysis must focus on the apps within the sports industry. When looking at this sector, only 2.67% of the Apple app store in January 2015 was dedicated to Sports apps, as seen in *figure 6* below⁶. Acknowledging that this is still a huge number, the perspective must be narrowed even further, by analysing sports booking facility applications.

It is then evident that this is a fragmented market with no apparent dominant company, as seen more clearly in *section 6.2*. This is important for SportsConnect when entering an existing market that is in its emerging phases. The sports mobile application industry is also growing in size. (*See Appendix – Mobile Application Market*) This implies that the market has not reached maturity and there is room for improvement.

⁶ "Apple: Most Popular App Store Categories 2015 | Statistic." *Statista*. Statista, 2015. Web. 1 Jan. 2015.

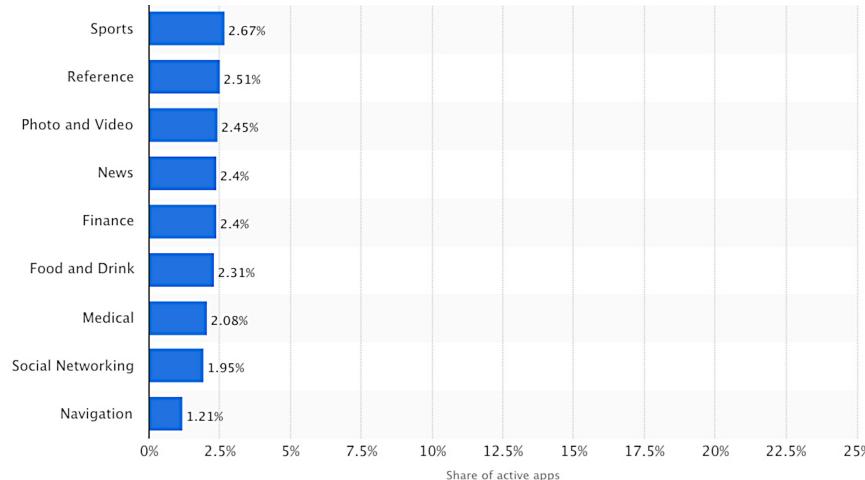


Figure 6: The breakdown of active apps grouped by Category in the Apple App Store

6.2 Industry Competitors

SportsConnect have established key players within the sports booking market who may act as industry rivalry to the service. The following are viewed as competition:

- Sports facility booking websites
- Applications that encourage group sport or have active sporting communities
- Applications that carry out a similar function but are based in different countries and may try to expand their market.
- Applications that exist in the UK and are looking to grow further. SportsConnect sees these companies as their largest threat.

Name	Established Market Location	Type of Service Offered	Cost	Ease of Use	Sports Facilities Connection	Payment Through Company	Notes
Sporty	Norway and United Kingdom	App on Apple Store	Free	Simple	No	N/A	Only login using facebook
Mylocalpitch	London	Sports venue booking website	Free	Simple	Yes	No – mainly a search function	Over 1000 London venues
Let's Play App	Netherlands	App on Apple Store	Free	Simple	No	N/A	Similar to Sporty
Spontacts	Germany and Switzerland	App on Android and Apple Stores	Free	Moderate	No – users organise	No	No sports focus, all cultural activities
SportsConnect	United Kingdom	App on Apple, Android and Windows stores	Free	Simple	Yes	Yes	Sports community focus

Figure 7: Comparison of the main competitors within the industry sector



Figure 7 indicates possible substitute companies and how they compare to SportsConnect on essential features.

From *Figure 7*, there are websites that provide information on venues and there are mobile applications, which gather people to play sport, but there is no connection between these functionalities. It is possible that SportsConnect could partner with mylocalpitch and utilise the venue information on their website.

Thus SportsConnect has a unique selling point in that it solves a facility booking information problem and also creates a social sporting community.

7. Protection

7.1 Trademark and Trade Name Registration

SportsConnect has a trademark and trade name, both of which are categorised as Intellectual Property (IP). These assets will be registered via the Community Trade Mark system. The mobile application name will be registered at the United Kingdom Intellectual Property Office. These registrations serve as security to avoid future conflicts.

7.2 Freedom to Operate

SportsConnect and its associated software will be developed by the company using external open source codes. This avoids any infringement of third party IPs, particularly those relating to copyrights. Therefore there should not be any IP-related barriers to enter the target market. To confirm this, the company will consult a legal expert, thereby ensuring that there is freedom to operate.

7.3 First-Mover Advantage

The SportsConnect entry strategy exploits its first-mover advantage through accelerated growth in the early stages of development. During this time, alliances will be formed with Sports facilities in order to increase market dominance. This creates barriers to entry for any new competitors, as it limits the impact they would have on the market. In the Application market sector, once a dominant player has emerged, it becomes difficult for newer start-ups to compete with it. This strategy therefore removes the need for a patent.



8. Finances

8.1 Start-Up Costs

8.1.1 Application Distribution £124

The app needs to be published on software distribution platforms for the users to download it. The chosen distribution channels are the Apple App Store and Android's Google Play store. These are the most popular platforms sharing 90% of the market. Publishing the application costs £99/year⁷ on the App Store and £25⁸ total on Google Play.

8.1.2 Hosting/Servers £1,560

A server is required to process information on the available sport facilities, store the created accounts or events and handle data traffic. Initially, a hosting company will suffice, then after 2000 users, a company owned server will be purchased.

Hosting Company (below 2000 users)

Overall, a total cost of £30/month plus £20/month every 200 users⁹ is expected to ensure a service of quality at all times.

Dedicated Server (above 2000 users)

An initial one-time cost of around £5,000 is required for the hosting equipment plus £200/month of estimated server maintenance¹⁰.

8.1.3 Payment Service

For users to top-up their accounts and book their venue, a payment service with interface is necessary. An external payment service provider will be used at the start. Later this will change to a personalised payment service, as the number of transactions grows.

External Payment Service Provider

This service requires no setup cost, but charges a cost per transaction, which depends on the provider. Overall, a cost of 3% plus 20p¹¹ per transaction is expected.

Internal Payment Service

Switching to an internal payment service requires a one-time cost of £3,500 to set up a merchant account and payment gateway plus £1,000/month of administration fees. However, the cost per transaction is reduced to 2% plus 10p¹².

⁷ "Apple Developer." *IOS Developer Program* - Apple, n.d. Web. 29 Jan. 2015.

⁸ ."Get Started with Publishing." Google, n.d. Web. 29 Jan. 2015.

⁹ "High Performance Dedicated Servers & Expert Engineers - Fasthosts." *High Performance Dedicated Servers & Expert Engineers - Fasthosts*. FastHosts, n.d. Web. 3 Jan. 2015.

¹⁰ "High Performance Dedicated Servers & Expert Engineers - Fasthosts." *High Performance Dedicated Servers & Expert Engineers - Fasthosts*. FastHosts, n.d. Web. 3 Jan. 2015.

¹¹ "Our Fees : - PayPal UK." *Our Fees : Simple, Straight Forward, No Surprises - PayPal UK*. PayPal UK, n.d. Web. 2 Dec. 2014.

¹² "Compare UK Payment Processors." *Com.* "Get Started with Publishing." Google, n.d. Web. 29 Jan. 2015.



8.1.4 Marketing

The total cost for printing and targeted online advertising is expected to be around £6,500/year. However, for the first year, by paying for one free booking for the first 2,000 users at estimated booking cost of £20, an additional £40,000 costs incur.

8.1.5 Legal/Lawyer Fees

While legal infringement is extremely unlikely, copyright infringement must be assessed. Moreover, to study and determine the sports facilities cancellation period policies, lawyers will be consulted, resulting in a one-time cost of £6,000.

8.1.6 Booking Deposit

A substantial amount of readily available cash is crucial. This depends on the number of pending events at any given time. It is necessary in order for the newly created event to be booked. SportsConnect estimates this to be £20 per user. Assuming an initial potential customer base of 2000 users, a booking deposit of £41,000 is required (to be safe).

8.1.7 Human Resources

Initially, wages, rent or computing/furnishing are unnecessary. However, as the company develops, headquarters with furnished offices, team positions and salaries will be established.

Salaries

One Managing Director (£30,000/year), one Finance Director (£25,000/year), one Marketing Director (£25,000/year), two Software Developers (£20,000/year) and two Sports Facilities Coordinators (£20,000/year).

Rent

The management and development teams will operate from four linked offices. Taking the average rent for office space as £1,500/month, the annual office rent cost is expected to be £72,000.

Computing/Furnishing

Assuming a one-time initial furnishing cost of £4,000 per office, the total cost is £16,000 for this.

8.2 Costs and Revenues Estimation

8.2.1. Year 1

The service will be offered for free during this period. These early customers will be the innovators and early adopters on the Market Diffusion Curve. Thus, a negative profit will be generated for this period. The payment service and hosting server will be handled externally.

8.2.2 Year 2

As the bargaining power of the sports facilities starts to decrease, they will be more lenient in providing discounts to SportsConnect on booking the courts.



This will occur as SportsConnect starts to become the main source of revenue for their business. This gives a positive gross profit for the year while offering the same prices to customers. As a result, the users' growth and thus profit growth will stay constant. The payment service and hosting servers will be handled internally to reduce long-term costs. Small wages will also be distributed to employees conditional on performance.

8.2.3 Year 3 & Onwards

Here a significant market share has developed thus reducing the bargaining power of users. From this point, 3% commission will be charged on every booking transaction without significantly deterring customers. Combined with the discounts from the sports facilities, this will further increase profits. Headquarters will in London and furnished office space will be rented to continue the development of the business. Wages will be increased based on company performance.

8.3 Profit and Loss Statement and Profitability Ratios (Realistic Case)

	YEAR 1	YEAR 2	YEAR 3
Sales	360000	2160000	5562000
Cost of Sales			
Payment to Gyms	360000	1800000	4500000
Payment Service	22800	79200	201240
Gross Profit	-22800	280800	860760
Expenses			
Legal	6000	0	0
Marketing	46500	6500	6500
Payment Admin	0	12000	12000
Servers	1560	2400	2400
Servers Depreciation	0	1000	500
App Distribution	124	99	99
Furnishing Depreciation	0	0	3200
Office Rent	0	0	72000
Payroll	0	80000	160000
Net Profit	-76984	178801	604061
Interest	0	0	0
Tax	15396.8	35760.2	120812.2
Dividends	0	0	120000
Profit & Loss b/f	0	-92380.8	50660
Profit & Loss c/f	-92380.8	50660	413908.8



Gross Profit Margin/%	-6.3	13.0	15.5
Net Profit Margin/%	-21.4	8.3	10.9
Asset Turnover	13.5	11.3	9.4
Current Ratio	2.7	6.1	5.7

8.4 Estimated Cash Flows

Cash Flow from Operating Activities	YEAR 1	YEAR 2	YEAR 3
Net Cash Sale	360000	2160000	5562000
Cost of Sales			
Payment to Gyms	-360000	-1800000	-4500000
Payment Service	-22800	-79200	-201240
Change in Account Receivable	-40000	-200000	-400000
Change in Account Payable	120000	146619.2	191279.2
Depreciation Charges	0	-7500	-19800
General & Administrative Expenses	-54184	-101999	-256699
Change in Provision	-1000	-5000	-10000
Change in Operating Profit	0	-93380.8	44660
Net Cash Flow from Operating Activities	2016	19539.4	410200.2
Cash Flow from Investing Activities			
Net Cash Flow from Investing Activities	2016	19539.4	410200.2
Cash Flow from Finance Activities			
Dividends	0	0	-120000
Net Cash Flow from Finance Activities	2016	19539.4	290200.2
Net Increase in Cash Equivalent	2016	19539.4	290200.2
Net Increase in Cash Equivalent at the Beginning of the Period	0	2016	21555.4
Net Increase in Cash Equivalent at the End of the Period	2016	21555.4	311755.6

8.5 Financial Statements Summary (Realistic Case)

	YEAR 1	YEAR 2	YEAR 3
Profit & Loss (Realistic)			
Gross Profit	-22800	280800	860760
Net Profit	-76984	178801	604061
Profit & Loss Account	-92380.8	50660	413908.8
Financial Position (Realistic)			
Total Assets	73016	294039	793000.2
Total Capital	57619	258279	672188
Total Liabilities	15397	35760	120812.2
Total Capital & Liabilities	73016	294039	793000.2



8.6 Break-Even Analysis

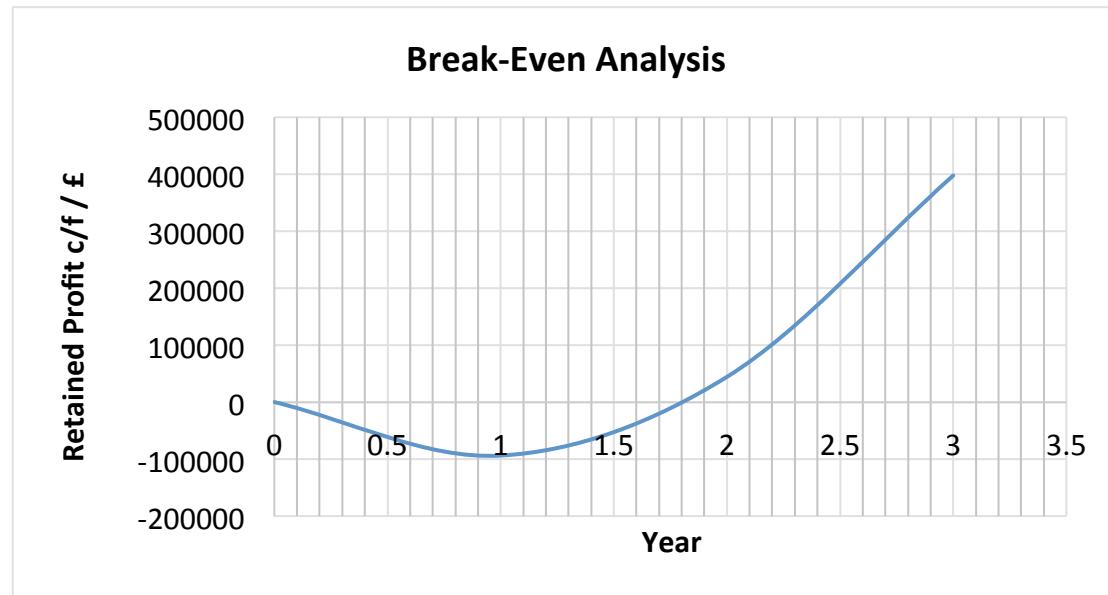


Figure 8: A graph plot of the SportsConnect expected earnings as a function of time

Based on the realistic scenario, SportsConnect will take approximately 1 year and 9 months to breakeven.

9. Funding Requirements

The required funding will depend on a pessimistic, realistic or optimistic scenario. However, it will be diluted over two years with two different capital injections: one to cover start-up costs and expected negative gross profit and a second in the second year to sustain business growth. For the first year, the following worst-case requirements are determined:

	YEAR 1
Legal	46,000
Marketing	6,500
Payment Admin	0
Servers	1,560
Servers Depreciation	0
App Distribution	124
Furnishing Depreciation	0
Office Rent	0
Payroll	0
Total Expected Expenses	54,184



Expected Assets	
<i>Increase in Booking Deposit</i>	40,000
<i>Dedicated Server</i>	0
<i>Internal Payment Service</i>	0
Total Assets	40,000
Expected Gross Profit (worst case)	-34,200
Total Requirements	128,384
Total Planned Investment	150,000
Safety Margin	21,616

Therefore, we require an initial capital injection of at least £130,000. However, to account for taxes and negative eventualities we plan on requesting a total start-up investment of £150,000 (giving a worst case safety margin of £20,000).

The second capital injection in year 2 will depend on the results obtained in year 1. In the optimistic scenario, another £150,000 investment to sustain the business growth, while in the pessimistic scenario an injection of only £60,000 will be enough (since SportsConnect would have fewer users).

The funding is summarised below:

	START-UP	AFTER 1 YEAR
Planned Investment	150,000	60,000-150,000

10. Risk Assessment

Even in the pessimistic scenarios, the business should produce enough profit to pay dividends by the end of year 3. However, in case the business fails, investor losses are heavily mitigated.

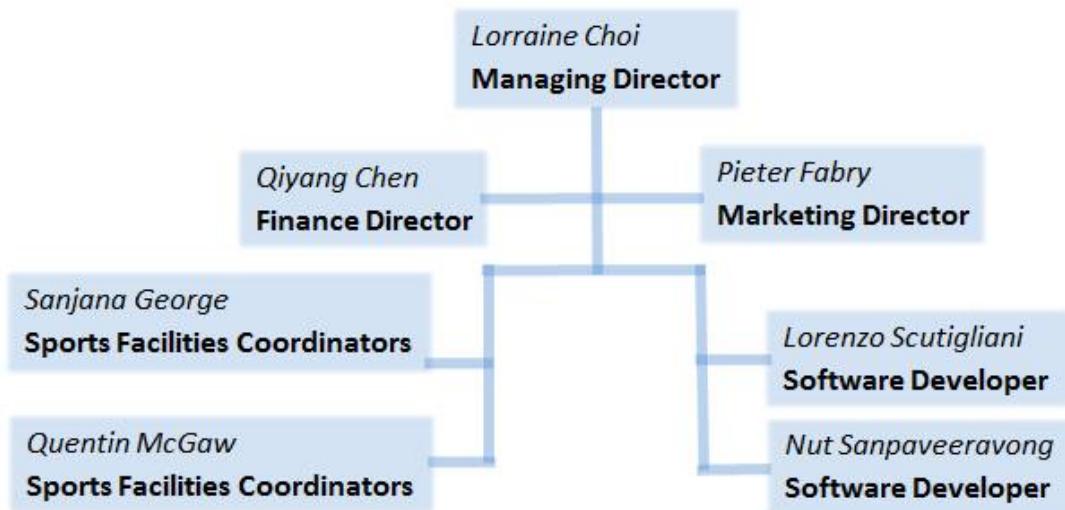
Firstly, the investment is diluted over two years. So if the business fails to progress in year one, then its development can be stopped in year two, without further investment.

Then, approximately half of the start-up investment is in current assets. So even if the business completely stops, half of the initial investment can be immediately recovered. This is true since the project is financially designed to be debt free and therefore avoids bankruptcy, particularly in year 1.

Finally, the remaining half of the investment can be salvaged, by charging commission to the users, or via a trade sale.



11. The Team



POSITION	MEMBER NAME(S)	COMPENSATION
Managing Director	<i>Lorraine Choi</i>	£30,000 per year
Finance Director	<i>Qiyang Chen</i>	£25,000 per year
Marketing Director	<i>Pieter Fabry</i>	£25,000 per year
Sports Facilities Coordinators	<i>Sanjana George, Quentin McGraw</i>	£20,000 per year for each
Software Developers	<i>Lorenzo Scutigliani, Nut Sanpaveeravong</i>	£20,000 per year for each

The team is from seven different countries giving a diverse range of perspectives, however a strong entrepreneurial spirit and engineering background connects us. When SportsConnect consider international expansion, this will be an advantage to consider. Additionally, there is a wide range of skills within the group, with able programmers being placed in the software development roles.

The team of seven members will build a viable product and commercialize it for the first three years. After this point, when the application gains market traction, further recruitment will be needed. The requirements for year 3 are:

Role	Objective
2 Sports Facilities coordinators	Coordinate with more gyms to handle customer volume
3 Database engineers	Manage customer database efficiently
2 Mobile developers	Enhance the app functionality



12. Exit Strategy

The primary exit strategy is via a trade sale. Realistically, SportsConnect aims to sell after five years. At this time, the market value of the company is estimated to be £1,000,000. In a pessimistic case, investors would be repaid by year three.

After five years, the firm would be sold to over-arching booking companies based on the statistics of the SportsConnect user base. Firms such as '*mylocalpitch*' or '*XN Leisure*' may be interested. They are market leaders today in venue information and were recommended by the witnesses interviewed.

If a new entrant manages to dominate the market before SportsConnect and is similar in nature, then a trade sale could be offered to this company. Here SportsConnect will sell at the minimum price to cover any debts.



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- 11.** "Our Fees : - PayPal UK." *Our Fees : Simple, Straight Forward, No Surprises - PayPal UK*. PayPal UK, n.d. Web. 2 Dec. 2014.
- 12.** "Compare UK Payment Processors." *Com*." Get Started with Publishing. Google, n.d. Web. 29 Jan. 2015.
- 13.** *See Appendix* Styles, Kirsty. "7 in 10 People in the UK Now Own a Smartphone | Mobile Marketing Magazine." *Mobile Marketing Magazine*. Mobile Marketing Magazine, 24 June 2013. Web. 28 Dec. 2014.
- 14.** *See Appendix* Dipika. "WhatsApp versus BBM: The Diffusion of Innovation." *Brand Review*. Brand Review, 01 June 2014. Web. 23 Jan. 2015.
- 16.** *See Appendix* Melania Calinescu. "Publication: Unveiling the Secrets behind App Store Category Dynamics | Blog | Distimo." *Distimo*. Distimo, 27 Mar. 2014. Web. 28 Jan. 2015.



Appendix

Determining Target Market

SportsConnect interviewed people playing at public courts via a primary data survey. Every candidate of the 15 interviewed was aged 16-25. These results agreed with those from the online survey. Both results corresponded to government statistics, as described in the Business Plan section on the Target Market.

This target market decision was not solely based on market size estimations. This audience is generally less wealthy and unlikely to be gym members. Thus it is more likely that this market would prefer to use facilities for a one-off event, as SportsConnect provides.

Market Size

A second survey of 50 people was carried out, from which 89% were within the target range. 18% of candidates played sports with a team, meaning that 82% played the sport recreationally. 36% would choose public courts as their preferred venue, so SportsConnect estimated that 30% of recreational sports are played in free public spaces. Though this is a pessimistic value that assumes that no team organised sports are played in public spaces. Sports that cannot be played in a facility with 2-4 players were eliminated at this stage. 85% of people were playing sports in a public location as opposed to a leisure centre (of those people who were not on a sports team).

85% of people aged 16-25 own a smartphone¹³, which must be factored in. Furthermore, survey results showed that 40% of the time, organising a sports event takes over an hour. This leads to a final pessimistic estimation of 28.3% of users based on already existing sports players (not accounting correlation for pessimistic value). In reality, SportsConnect hopes to extend the application beyond existing sports players, and hence making this statistic the lower bound.

The percentage of the target market that will use the app is speculation. SportsConnect has based this result with the survey results showing that 24% of users organise an event on their phone (usually through Whatsapp). Roughly 60% of those users are looking for a different method to use. Finally, in the interviews 2 of the 15 people asked for the app on the spot, so there was a further pessimistic reduction of 80%. (*See table below*)

Pessimistic (No Correlation assumed)	
Recreational Sporting Percentage	82%
Preferred Venue	30%
Realistic Target Sports	85%
Target Market Size	21%

¹³ Styles, Kirsty. "7 in 10 People in the UK Now Own a Smartphone | Mobile Marketing Magazine." *Mobile Marketing Magazine*. Mobile Marketing Magazine, 24 June 2013. Web. 28 Dec. 2014.



Means and Organisation preferences	15%
Estimation from Primary Survey	20%
Actual User From Target Market	3%

An optimistic percentage can be calculated as a 20% increase to the pessimistic scenario. This was decided by including the correlation between preferred venue and the realistic target sports.

The table below shows a calculation of the number of estimated users. Calculations are done based on the assumption the market is too saturated at 95% of product diffusion curve. The product diffusion estimate is determined based on the time taken to implement each stage, as well as considerations to Whatsapp application diffusion curves in early years¹⁴.

Market for London

Market Size:	706,820		
Breakdown	Realistic (3.6% total)	Pessimistic (3% total)	Product diffusion estimate:
Year 1	3,947	3,347	15%
Year 2	11,842	11,157	35%
Year 3	25,000	21,200	45%

Expanding this for all of the UK, the same product diffusion curve no longer applies. As with most mobile apps, word of mouth or “popularity” significantly speeds processes.

Market for UK

Market Size:	4,426,686		
Breakdown	Realistic (3.6% total)	Pessimistic (3% total)	Product diffusion estimate:
Year 1	50,520	42,000	30%
Year 2	92,631	77,000	55%
Year 3	160,000	133,000	10%

¹⁴ Dipika. "WhatsApp versus BBM: The Diffusion of Innovation." *Brand Review*. Brand Review, 01 June 2014. Web. 23 Jan. 2015.



Market Survey**Gender:**

Male Female Prefer not to say

Age:

<20 21-25 26-30 31-35 36-40 40-45 46-50 51+ Prefer not to say

Do you own a smartphone:

Yes No

Sports you enjoy:

Football Rugby Cricket Tennis Badminton Other

If Other, please specify:**Is this your usual sports venue:** Yes No**If No, please specify your usual venue:****How many friends are you with today:**

1-2 3-4 4-7 8+

How many people were you hoping to play with today:

2-3 3-4 4-7 8-11 12+

How long did it take to organize this event?

30-60 minutes 1-2 hours 2 + hours Multiple Days

Where do you generally play your preferred sport:

Leisure Centre Public Courts Parks College/Work Facilities

How often do you play your preferred sport per month?

1-2 3-4 4-7 8+

How did you organize this event?

Text Email Facebook App

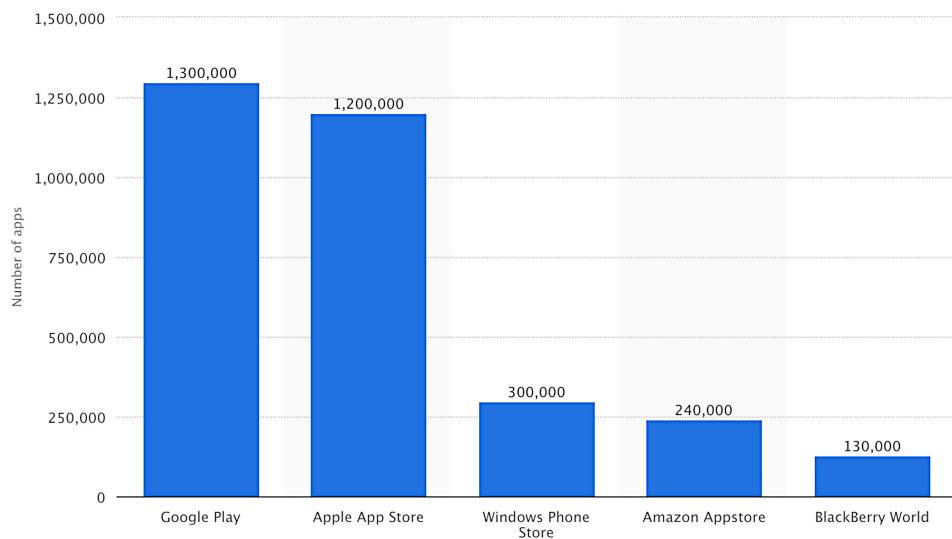
If App, please specify:**Do you play for a team?**

Yes No

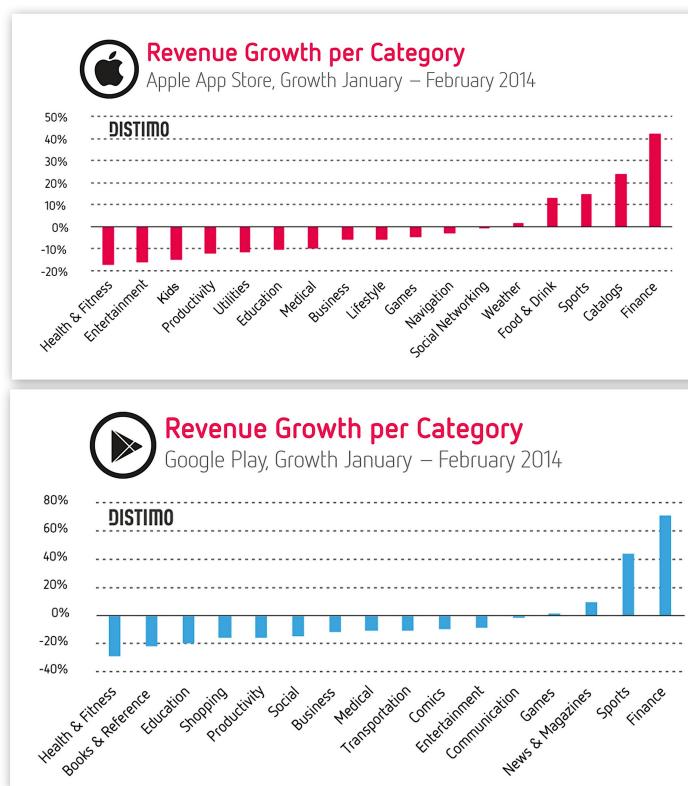
If Yes, whereabouts do you play?



Mobile Application Market

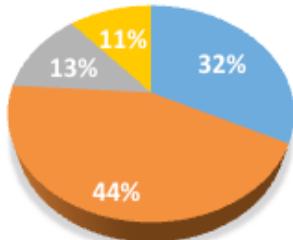


The above graph indicates the usage of various app stores¹⁵, while the below graph¹⁶ indicates the revenue growth of the Sports App category in both the Apple and Android stores.

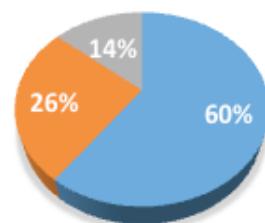


¹⁵ "Apple: Most Popular App Store Categories 2015 | Statistic." *Statista*. Statista, 2015. Web. 1 Jan. 2015.

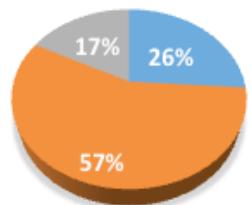
¹⁶ Melania Calinescu. "Publication: Unveiling the Secrets behind App Store Category Dynamics | Blog | Distimo." *Distimo*. Distimo, 27 Mar. 2014. Web. 28 Jan. 2015.

**Market Survey Results****Organisation Method**

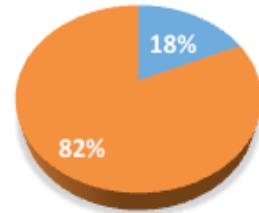
■ In person ■ Facebook ■ Text ■ Whatsapp

Organisation Duration

■ 30 to 60 minutes ■ 60 to 120 minutes ■ Multiple days

Frequency Per Month

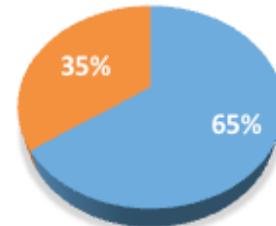
■ 1 to 2 ■ 3 to 5 ■ 6 to 8

Team Player?

■ Yes ■ No

Smartphone

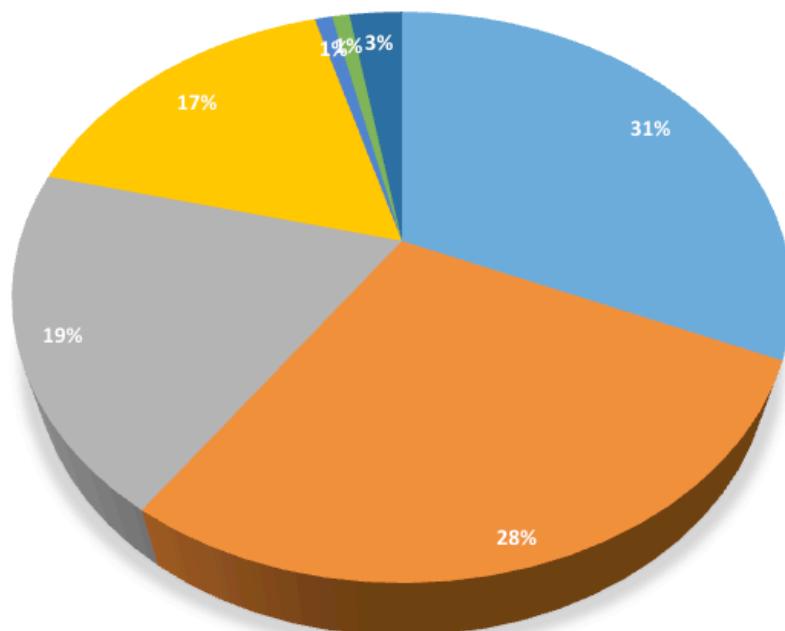
■ Yes ■ No

Gender

■ Males ■ Females

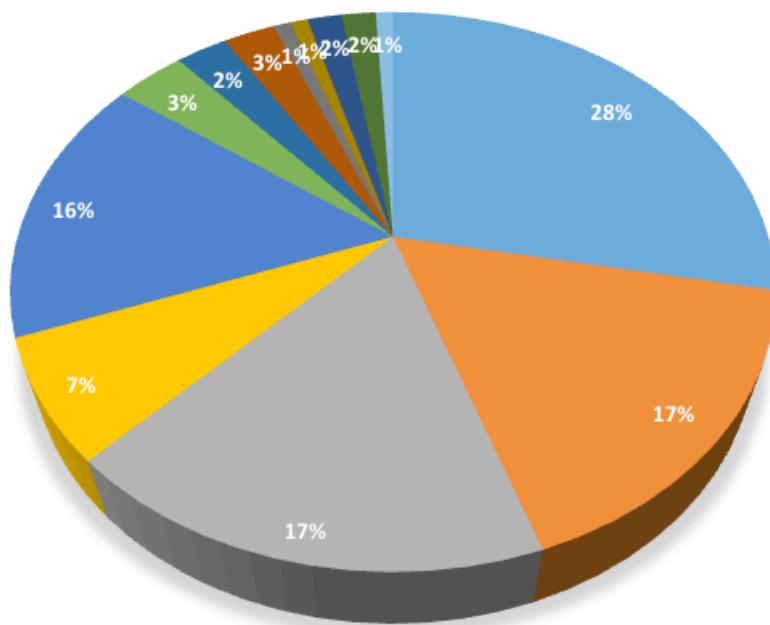


Preferred Venue



■ Leisure centers ■ Gym ■ Park ■ Public court ■ Work facilities ■ School facilities ■ Other

Preferred Sports



■ Football ■ Basketball ■ Tennis ■ Volleyball ■ Badminton ■ Swimming ■ Baseball
■ Cricket ■ Muay Thai ■ Rowing ■ Yoga ■ Climbing ■ Rugby



Expert Witness Discussion Questions

While the meeting with the expert witness was more of a discussion than an interview, definitive answers to the following questions were obtained:

- 1. What is your method of getting customers to book the facility?**
- 2. Do you have an app?**
- 3. Can you book online?**
- 4. Do you discount or have an extra charge for online booking?**
- 5. Would you need a username/id for booking?**
- 6. How fully booked is your sports hall?(%)**
- 7. What activities is the sports hall used for?**
- 8. How do you allocate time slots?**
- 9. Is this information available on a public website?**
- 10. What is your cancellation policy?**
- 11. Do you know if many other sports halls are in a similar situation?**

12. Additional Information

Finance Results

The estimated number of regular customers for different scenarios:

	YEAR 1	YEAR 2	YEAR 3
Pessimistic Case	1000	6000	15000
Realistic Case	2000	10000	20000
Optimistic Case	3000	14000	25000

Pessimistic Case: Profit and Loss Statement

	YEAR 1	YEAR 2	YEAR 3
Sales	180000	1260000	3893400
Cost of Sales			
 Payment to Gyms	180000	1050000	3150000
 Payment Service	11400	46200	140868



Gross Profit	-11400	163800	602532
Expenses			
<i>Legal</i>	46000	0	0
<i>Marketing</i>	6500	6500	6500
<i>Payment Admin</i>	0	12000	12000
<i>Servers</i>	1560	2400	2400
<i>Servers Depreciation</i>	0	1000	500
<i>App Distribution</i>	124	99	99
<i>Furnishing Depreciation</i>	0	0	3200
<i>Office Rent</i>	0	0	72000
<i>Payroll</i>	0	80000	160000
Net Profit	-65584	61801	345833
Interest	0	0	0
Tax	13116.8	12360.2	69166.6
Dividends	0	0	120000
Profit & Loss b/f	0	-78700.8	-29260
Profit & Loss c/f	-78700.8	-29260	127406.4

Pessimistic Case: Statement of Financial Position

	YEAR 1	YEAR 2	YEAR 3
Non-Current Assets			
<i>Internal Payment Service</i>	0	3500	3500
<i>Servers</i>	0	5000	5000
<i>Servers acc. Depreciation</i>	0	-1000	-1500
<i>Furnishing</i>	0	0	16000
<i>Furnishing acc. Depreciation</i>	0	0	-3200
Current Assets			
<i>Booking Deposit</i>	20000	120000	300000
<i>Bank</i>	64416	76899	68812.2
Total Assets	84416	204399	388612.2
Capital			
<i>Initial Capital</i>	0	71299	192039.2
<i>Profit & Loss Account</i>	-78701	-29260	127406.4
<i>Capital Injection</i>	150000	150000	0
Total Capital	71299	192039	319445.6
Current Liabilities			
<i>Tax</i>	13117	12360	69166.6



Total Liabilities	13117	12360	69166.6
Total Capital & Liabilities	84416	204399	388612.2

Realistic Scenario: Statement of Financial Position

	YEAR 1	YEAR 2	YEAR 3
Non-Current Assets			
<i>Internal Payment Service</i>	0	3500	3500
<i>Servers</i>	0	5000	5000
<i>Servers acc. Depreciation</i>	0	-1000	-1500
<i>Furnishing</i>	0	0	16000
<i>Furnishing acc. Depreciation</i>	0	0	-3200
Current Assets			
<i>Booking Deposit</i>	40000	200000	400000
<i>Bank</i>	33016	86539	373200.2
Total Assets	73016	294039	793000.2
Capital			
<i>Initial Capital</i>	0	57619	258279.2
<i>Profit & Loss Account</i>	-92381	50660	413908.8
<i>Capital Injection</i>	150000	150000	0
Total Capital	57619	258279	672188
Current Liabilities			
<i>Tax</i>	15397	35760	120812.2
Total Liabilities	15397	35760	120812.2
Total Capital & Liabilities	73016	294039	793000.2

Optimistic Scenario: Profit and Loss Statement

	YEAR 1	YEAR 2	YEAR 3
Sales	540000	3060000	7230600
Cost of Sales			
<i>Payment to Gyms</i>	540000	2550000	5850000
<i>Payment Service</i>	34200	112200	261612
Gross Profit	-34200	397800	1118988
Expenses			



<i>Legal</i>	46000	0	0
<i>Marketing</i>	6500	6500	6500
<i>Payment Admin</i>	0	12000	12000
<i>Servers</i>	1560	2400	2400
<i>Servers Depreciation</i>	0	1000	500
<i>App Distribution</i>	124	99	99
<i>Furnishing Depreciation</i>	0	0	3200
<i>Office Rent</i>	0	0	72000
<i>Payroll</i>	0	80000	160000
Net Profit	-88384	295801	862289
Interest	0	0	0
Tax	17676.8	59160.2	172457.8
Dividends	0	0	120000
Profit & Loss b/f	0	-106061	130580
Profit & Loss c/f	-106061	130580	700411.2

Optimistic Scenario: Statement of Financial Position

	YEAR 1	YEAR 2	YEAR 3
Non-Current Assets			
<i>Internal Payment Service</i>	0	3500	3500
<i>Servers</i>	0	5000	5000
<i>Servers acc. Depreciation</i>	0	-1000	-1500
<i>Furnishing</i>	0	0	16000
<i>Furnishing acc. Depreciation</i>	0	0	-3200
Current Assets			
<i>Booking Deposit</i>	60000	280000	500000
<i>Bank</i>	1616	96179	677588.2
Total Assets	61616	383679	1197388.2
Capital			
<i>Initial Capital</i>	0	43939	324519.2
<i>Profit & Loss Account</i>	-106061	130580	700411.2
<i>Capital Injection</i>	150000	150000	0
Total Capital	43939	324519	1024930.4
Current Liabilities			
<i>Tax</i>	17677	59160	172457.8



Total Liabilities	17677	59160	172457.8
Total Capital & Liabilities	61616	383679	1197388.2

Pessimistic Scenario: Financial Statements Summary

	YEAR 1	YEAR 2	YEAR 3
Profit & Loss (Pessimistic)			
<i>Gross Profit</i>	-11400	163800	602532
<i>Net Profit</i>	-65584	61801	345833
Profit & Loss Account	-78700.8	-29260	127406.4
Financial Position (Pessimistic)			
Total Assets	84416	204399	388612.2
Total Capital	71299	192039	319445.6
Total Liabilities	13117	12360	69166.6
Total Capital & Liabilities	84416	204399	388612.2

Optimistic Scenario: Financial Statements Summary

	YEAR 1	YEAR 2	YEAR 3
Profit & Loss (Optimistic)			
<i>Gross Profit</i>	-34200	397800	1118988
<i>Net Profit</i>	-88384	295801	862289
Profit & Loss c/f	-106061	130580	700411.2
Financial Position (Optimistic)			
Total Assets	61616	383679	1197388
Total Capital	43939	324519	1024930
Total Liabilities	17677	59160	172457.8
Total Capital & Liabilities	61616	383679	1197388