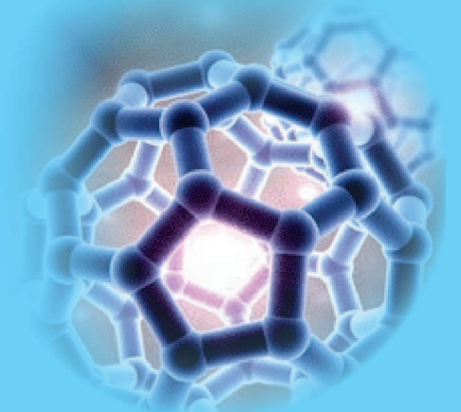


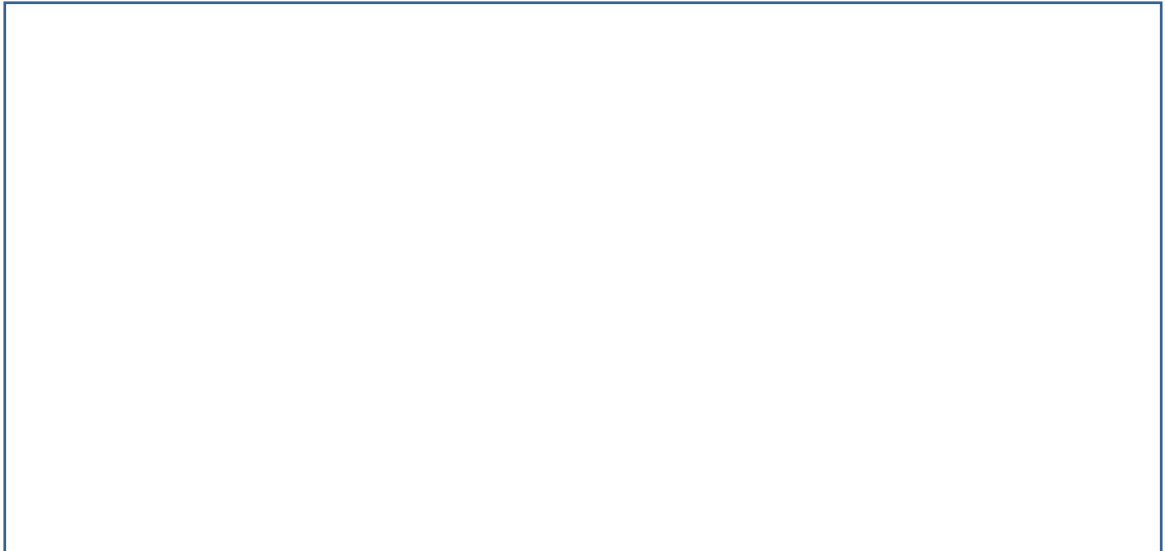
7

We do our business plan



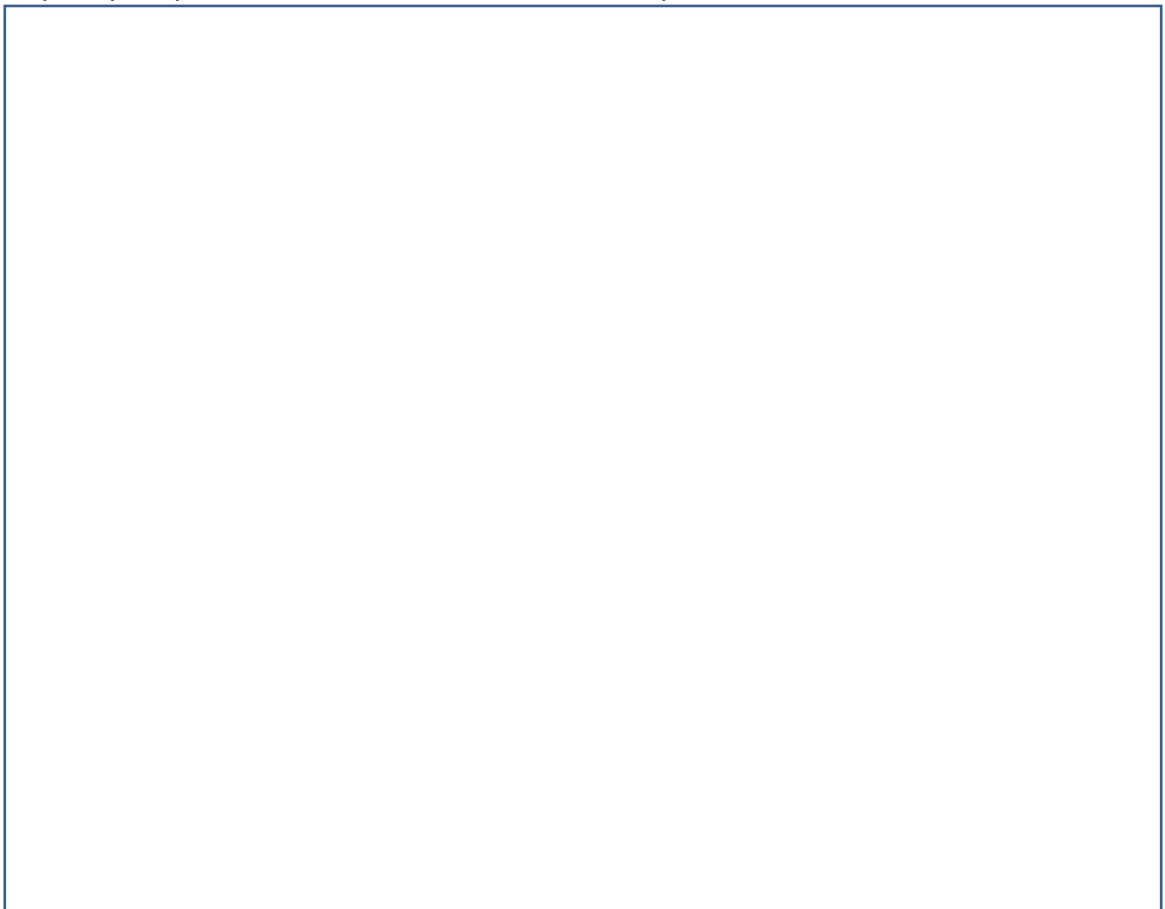
7.1. RESEARCHING THE MARKET: OUR TARGET CUSTOMERS

Describe what the profile of the people who could purchase your product is. Where to focus your promotion efforts? Use the following space to explain your descriptions.



7.2. WHAT ADVANTAGES DO WE WANT TO TRANSMIT ABOUT OUR PRODUCT?

Try to think in the advantages you want to transmit for your potential customers to acquire your product. What are the main features you want to show?



7.3. WE PLAN OUR PRODUCT MASS MANUFACTURING

You've previously calculated the cost of your prototype. Now think to manufacture a great amount of units, for instance, ten thousands. There are a lot of things you have to consider when manufacturing massively a product or a system.

The first thing you have to determine is how long your manufacturing will have to be. Calculate, based on your experience with the prototype, the time to invest in the manufacturing of a finished product and the workers to hire.

In addition, you have to consider that a manufacturing process is made in lots. This is considered as a batch process. A lot is the amount of products that are made simultaneously or in the same period of time. Once you have defined these data, you could know:

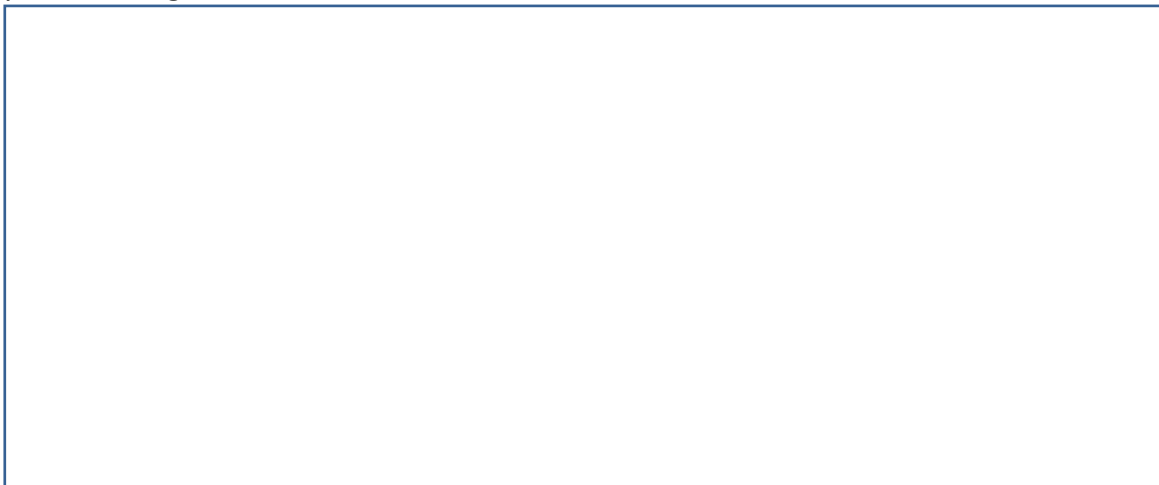
- Assembly workers and tasks distribution
- Size of the lot
- Delivery time for each lot

Once you know how many people are hired, you have to find the place where to manufacture. Search a location for your facilities, first in your town, then in towns close to yours. Ask the price of facility rents, for example a 100 m² office or small factory to allocate the work places. Look at some wider or more reduced spaces alternatives to better fit the size of your company.

With all these concepts and as many as you can imagine, meet your fellows and calculate the cost to initiate the manufacturing activities. Use the company spreadsheet to introduce costs. Finally, divide the total sum of costs by the number of units to manufacture in order to obtain the cost price of your innovative product.

7.4. WHAT IS THE ECONOMIC PROFIT WE WANT TO GET?

Try to investigate some other similar products. Get the purchase price in shops and stores and compare these prices with your innovative product cost price. These data are very useful to be able to fix your own purchase according to the margin of profit you want to get



7.5. COULD WE GET FINANCIAL SUPPORT TO IMPLEMENT OUR BUSINESS PLAN?

To carry out the implementation of a business, it's very important to consider the financial support. As you realized when planning your project, it's necessary to assume some initial costs to start the company up. Among them, you will have to pay providers who are serving the material for the first manufacturing lots, to pay the salaries of your workers and the rest of the personnel, including your wages and the payment of taxes.

In sum, you have to go to banks and credit institutions to apply for the money you need. The first is to have information about what the application for credit consists of. When ordering an amount of money, there are three essential factors: the capital you want to borrow, the interest you will be charged and finally, the repayment period. Go to a bank office for the information you may need or take the information from the online bank websites.

You can calculate by your own how much money you have to monthly give back to the bank to repay the loan. Open a new sheet in your company spreadsheet and select the appropriate formula for the repayment of a loan. Observe the example of the figure, where the repayment of a loan of 10,000 Euros has been simulated in two different periods (3 and 6 years) and using interest rates of 4% and 5%.

	Payback period	
	3 years	6 years
Money to pay back	10.000,00 €	10.000,00 €
Annual rate	4,00%	5,00%
Number of periods (months)	36	72
Monthly payment	-295,24 €	-161,05 €
Total payback	-10.628,63 €	-11.595,55 €

Answer now the following questions:

- What bank is offering better loan conditions?
- What is the annual rate offered?
- Could you assume the monthly payment to pay back the loan without compromising your profit? Access to the company spreadsheet and recalculate the costs
- What will the final price for your innovative product according the costs recalculation?