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# Business Plan - Bybasket



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42435  
Knowledge Based  
Entrepreneurship

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11<sup>th</sup> December 2009

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## Executive Summary

**Background**

Denmark is the land of bicycles and foul weather. A high proportion of bicycle riders wear helmets regularly.

**Pain**

Unfavourable Danish weather conditions easily spoil cargo transported on a bicycle. Bicycle helmets are inconvenient to carry and store in between trips. Further it is unsafe to carry and store items in a standard basket.

**Value proposition**

A bicycle basket that protects cargo in foul weather in a locked compartment what allows the user to safely store items in between trips. One such item is the bicycle helmet.

**Jury**

- Direct customers: supermarket chains in Denmark
- Indirect customers: Danish women between 20-40 years old
- Bicycle organizations

In Denmark bicycles are a common trend especially in Copenhagen. The bike helmet is also used by 15% of the population in 2008 and the tendency is still growing. Both bicycles and helmet are symbols of healthy lifestyle.

The pain for the cyclists is identified to be bad weather conditions that damage the carried items, no space for keeping the helmet and lack of safety precautions to transport and store valuable items in an open standard basket. The team has developed a new business concept which is a waterproof basket with a catchy design and a locking system. The basket will be produced with the use of polyethylene or polycarbonate and the design will be labeled as Danish Design.

The basket is mainly intended for women 20- 40 years old, which have expressed their interest in the proposed business concept. This target group has enough financial resources to afford the product's price.

Danish supermarket chains are going to be the first direct customers as the first approval from them was given. The sale forecasts for the Danish market are around 20 000 baskets after the first 3 years of introduction. The planned marketing strategy is to promote the product through in-store marketing, distribution of free samples and an attractive webpage. The competitors' analysis has demonstrated that there are no direct competitors trading in the same basket idea.

The business idea has been developed by five female founders of different nationalities and backgrounds. The company will be a private limited start-up. Missing skills and competences will be covered by hiring external specialists and an experienced CEO. There is a need to find external investors for 2.85 million DKK and consequently distribute shares. On the 4<sup>th</sup> year the company becomes a venture case.

The company will be Danish based with production in Poland and will start to sell its product in Denmark and Europe and then gradually expand to Asia and America.

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The company expects to get 9.3 million DKK revenue, 3.5 million DKK EBITA, 2.5 million DKK net-profit-loss and 1.4 cash-in-hand in the end of the 3<sup>rd</sup> year of its existence. These parameters don't include expansion on Asian and American markets.

SWOT and Porter's model have revealed potential for success. In the long-term the company is going to be one of the major global players in the market of bicycle accessories.

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## The Background

In Denmark the bicycle is a common trend. The bicycle is used by most of the people for daily journeys to move from one place to another. Especially this is true in Copenhagen where the bicycle makes one skip the car traffic and save time. Moreover recently the helmet for biking has started to be a necessary item to ride. Conscious cyclists always wear the helmet and promote the use of it. The bicycle and the helmet symbolize a healthy-life and environmental respect.

Further, most of the students own a bicycle and it is considered one of the most important belongings. All members of the group can identify themselves with this picture. That is why during an intense brainstorming the team identified the pain in the unfavourable Danish weather conditions, lack of space to transport the helmet and insecurity in transporting and keeping items in the uncovered bicycle basket.

What is missing on the market is a basket which is made of waterproof material, with a catchy design and can be locked in order to allow the cyclist to safely store his/her helmet and other items. The team wants to develop a business based on this product, taking advantage of the different competences the initiators have acquired during their study period.

### 1. Business Idea

Looking around the streets and bike paths in Denmark one can notice many women on bicycles with open bike baskets in front. The team asked itself the question “Isn’t it too boring, uncomfortable and insecure to have this kind of basket on bicycle?” A creative idea emerged “Why not to create a basket interesting in design, with possibility of safe storage of goods providing it with the lock?” To put the idea into action, the team started specifying the product requirements.

The starting point was to focus on design and an interview with Per Boelskifte, Vice President of Danish Design Council and President of Danish Design Award Jury and at the same time professor at Technical University of Denmark was conducted (appendix A1). He gave some hints considering the design and materials that could be used depending on different aspects of market. The material that is going to be used for the basket can be either polyethylene or polycarbonate, because it is cheap to buy as granules and easy to work for shape-processing.

Additionally the idea of new catchy design, labelled as a Danish Design, could be one of the main factors of the success of the product and would influence the uniqueness of the new basket. The distinguishing features of the basket are the locking mechanism, providing safety of goods and the waterproof material.

In matter of IPR (Intellectual Property Rights) the product does not bring huge technological novelty for applying for a patent. However it was decided to consider Design Protection, as the product is based on a new look.

## 2. Organization

### Mission Statement

Bybasket provides comfortable biking, the ability to distinguish yourself among the others as well as a feeling of security and uniqueness through a new concept of bicycle baskets.

### Vision Statement

Bybasket wants to be a well-known, fashionable producer of bicycle accessories in Europe and create continuous joy and confidence in everyday cycling.

### Organizational Objectives

Bybasket is aiming to:

- Constantly promote cycling and healthy life-styles
- Continue research on product development
- Start expansion to other countries in the end the 1<sup>st</sup> year
- Create profit for its owners on the 3<sup>rd</sup> year

In the future the company is aiming to become a supplier of bicycle shops, create a “design your own basket online” concept and become a more environmentally friendly company.

### Organizational Values

- Transparency and credibility in dealing with stakeholders
- Commitment to customers
- Engagement of employees through respectful working environment

## 3. Organizational Plan

### Corporate Form

The company form is limited (A/S). That guarantees protection for the founders and possible shareholders as there is no risk of loss of private funds in case of failure/law complications. It guards the team from compensation demands for unsafe product. Shares can be sold and employees can be hired without the risk that their salaries will be paid out from the founders' money. The investment of 500.000 DKK will be done, meaning that the contribution of 100.000 DKK from each team member will occur. The shares are spread equally between the founders. The need for founding either from business angles or venture capital will result in a further division of shares. The aim is that founders will have all together 51% of shares at least in the first two years of development that will enable them to have decisive power in the company.

### Founders and Organization of the Company

The company is of a product development type. Initially it is characterized as a small start-up, the organizational structure is based on functional division of roles and tasks. The founders' team is composed of five female engineers with different nationalities and backgrounds. In the appendix A2 a description of each team member with together with the CVs in appendix A13 are provided. Based on the personal characteristics of founders, the necessary traits to start a

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business were identified: producers (Alesja and Viktoria), administrator (Erika), entrepreneur (Marta), and integrator (Aleksandra).

The Spider Web in figure 1 represents the overall qualifications the founders possess.

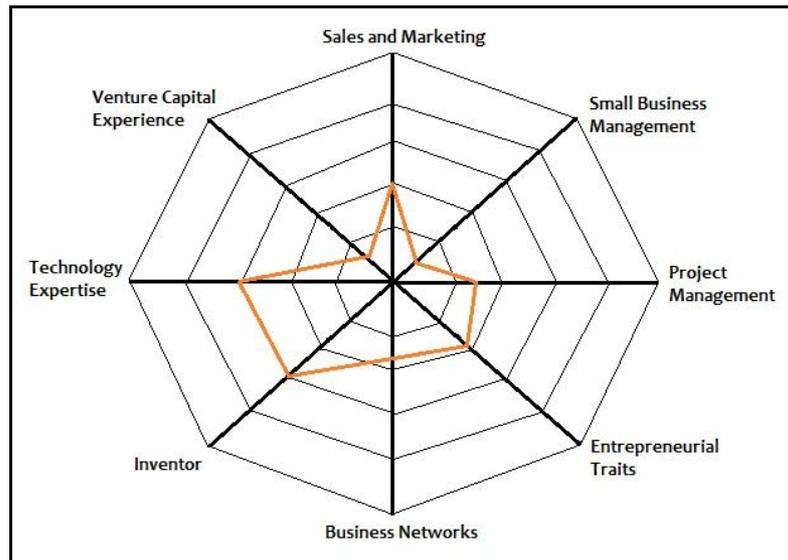


Figure 1: SpiderWeb

The organizational structure is presented on figure 2.

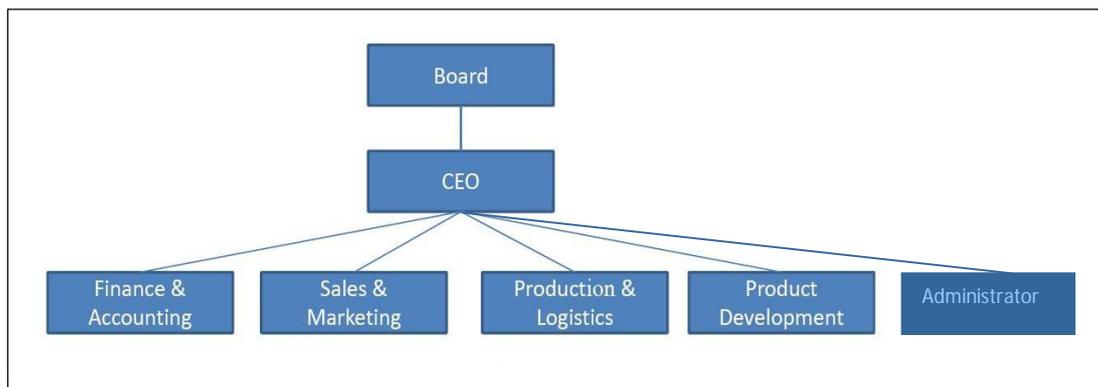


Figure 2: Organization Structure

The roles based on qualifications are indicated as follows:

- Alesja Semtsenko, Production and Logistics
- Aleksandra Lipinska, Sales and Marketing
- Viktoria Karjakina, Finance and Accounting
- Marta Duplicka, Product Development (Design)
- Erika Buonansegna, Administration

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The founders are not specialists in the functional tasks but they have a strong educational background and motivation for further training and education. The necessary knowledge and experience will expand, since the members will join networks for young entrepreneurs and use the experience of a coach, Alex Farcet, who is supporting the idea.

Additional skills are needed in the arrangement:

- The professional manager (CEO) - before funding round in order to improve the image of the company for its stakeholders. The person should be experienced in business administration and have a good financial or economic background.
- External consultancy in the area of outsourcing, as the production will be executed in Poland.
- Quality Assurance consultant to assess the product in terms of quality and safety
- Lawyer for consultancy when agreement with shareholders will be established

The board is established, which is demanded by Danish Company Law for a limited company and by the Venture Capital. The board is composed of the founders and investors. Three meetings per year are going to be conducted. The finances of the business are controlled in the functional department and on the board meetings. Each year annual report of the company is produced.

## 4. Strategic Analysis

### Social and Attitudinal Trends

The amount of cyclists in Denmark is the second highest in Europe. The highest share of the total journeys is in the country big cities. Danes have on average 3 journeys each day per person<sup>1</sup>. One of the reasons for using bikes so frequently is that Danes believe in trend of a healthy-life. The bike is preferred over a car. As found out from the interview with Allan Carstensen (appendix A3), in the society having a car is not a matter of showing the social position.

In Denmark bikes are commonly used - in particular for shopping trips, taking the kids to school, commuting or touring the countryside, recreation. Other reason is also the fact that travelling by bike is much easier and faster in the city, when people need to get fast in the morning to their work or place of study. In all those cases having the bike basket with cover and the lock can be an useful option – to hide children helmet, books, valuable things, covering food while going on the picnic, etc.

Copenhagen wants to be the most cyclist-friendly city in Europe and so cycling culture is highly promoted. From observations of everyday life it can be noticed that Denmark is all about trends and design. Especially women are design and look sensitive.

### Economic and Technological Trends

In accordance to technological developments on the market, in matter of material science the trend is to create more resistible to damages and lighter materials, which can be used in the future in the product. Another technological novelty concerns easier and more universal installing procedures for bicycle accessories, to make the product as user friendly as possible.

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<sup>1</sup> <http://www.cycling-embassy.dk/about-the-members/>

## Market Description

The initial market for the business is Denmark. The domestic consumption of bicycles during years 2003-2007<sup>2</sup> has been on a steady growth as illustrated on figure 3.

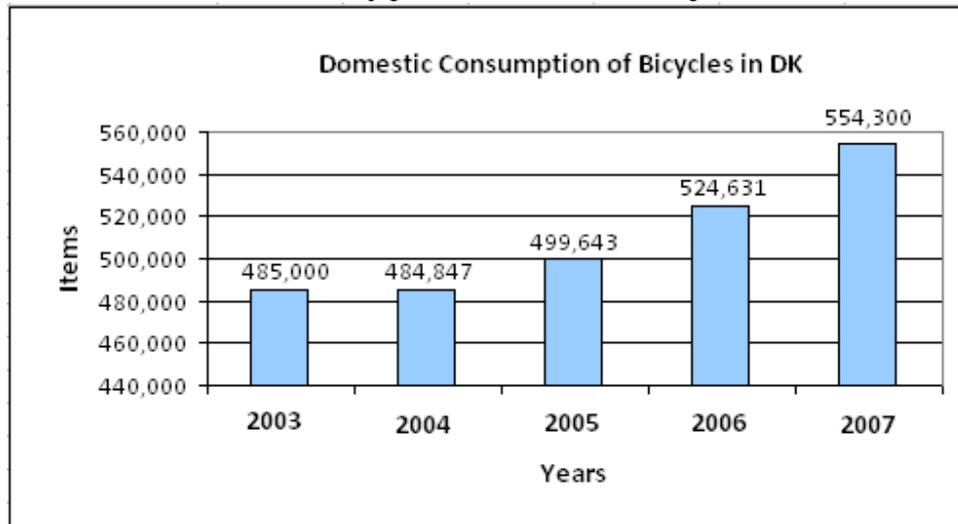


Figure 3: Domestic Consumption of Bicycles in Units in Denmark (2003-2007)

Moreover it was also found out that the bicycle helmet market in Denmark was on the rise during the last years where the percentage of cyclists wearing helmets is growing as it is shown in figure 4<sup>3</sup>.

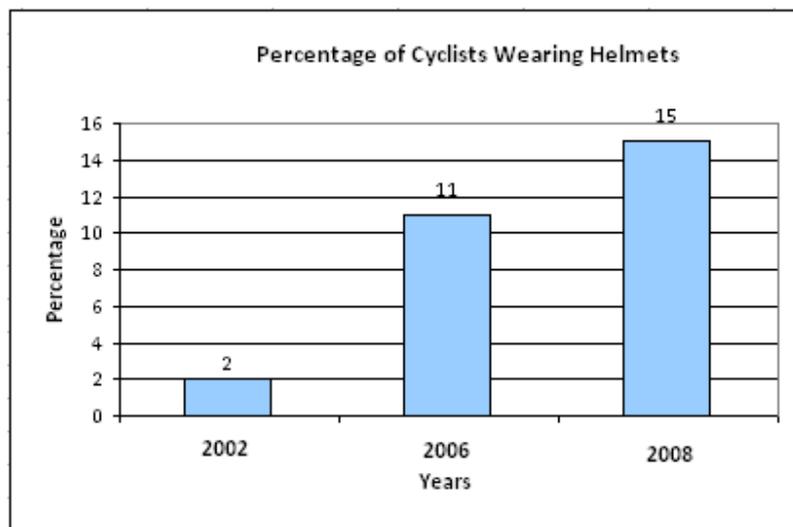


Figure 4: Percentage of Cyclists Wearing Helmets in Denmark (2002 – 2008)

The trend is growing actively especially among children and younger generation. This can be partly explained by growing number of campaigns and society concerns regarding safety for the

<sup>2</sup> <http://www.bike-eu.com/facts-figures/market-reports/3148/denmark-2007-bike-production-is-decreasing.html>

<sup>3</sup> See <http://www.sikkertrafik.dk/da/Paa%20cykel/Undersoegelser%20og%20statistik%20om%20cykelulykker.aspx>

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cyclists. Thus growing use of bicycles combined with higher percentage of people wearing helmets plays a double role of favourable market trends.

It is also interesting to mention the main destinations of the cyclists in the period of 1998-2001<sup>4</sup>. As can be seen in figure 5, most people (43%) use bicycle to reach their work and use it during their spare time (27%).

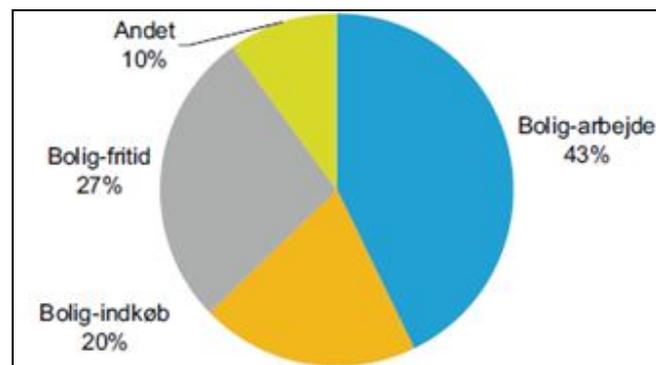


Figure 5: Segmentation of Cyclists by the Destination of the Trip (1998-2001)

The market for the bicycle baskets is considered<sup>5</sup> to be on a rise in Denmark however it's "not a stable growth. It is changing into a more practical solution. With the time the focus went more on the bikes that can carry anything so the basket is helping here much."

One of the trading obstacles the company could meet at its start is the unknown brand name that could not arouse trust in potential customers. Another obstacle could be that focus on product design would require subsequent investments. That in turns would require an increase in the final price of the product. The trading obstacles identified could be overcome by an appropriate marketing and production plan.

### Competitors Analysis

After a research the team did not find companies, which produce bicycle baskets with the same concept as the one proposed. Namely, the basket, which has a cover, can be locked, waterproof and with a fancy design. Due to this, the team decided to look at some common basket producers selling on the Danish market and to some extent satisfying the same needs of the customers. The overview of the competitors can be found in the appendix A4.

The most relevant competitors were assumed to be the following:

- **Rixen&Kaul, KLICKfix.** This German producer offers bicycle basket, which has the closest concept to the one suggested by the team. However its too simplistic design, doubts about its waterproof ability and a high price still do not confirm the status of full competitor and is assumed to serve another target group<sup>6</sup>.
- **Basil.** This company is also seen as a competitor, even though the closest produced products are willow baskets with cover, (which are definitely not waterproof), and material bags with cover, which also only partly satisfy the criteria. However the company could be

<sup>4</sup> See <http://www.trm.dk/graphics/Synkron-Library/trafikministeriet/Publikationer/2007/Cykelstrategi.pdf>

<sup>5</sup> See Appendix A3 – Interview with Allan Carstensen from DCF

<sup>6</sup> See Appendix A3 – Interview with Allan Carstensen from DCF

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seen as a future competitor as its strong side is product development, where cooperation with well-known bicycle manufacturers takes part. In addition to all, Basil is also known as bicycle retailer, and could be assumed to be useful partner in relation to distribution and future expansion of the product.

- **Ortlieb.** This producer, is also seen as a potential competitor because of its know-how in waterproof materials for bicycle boxes and baskets. However the producer is mostly oriented on sports bicycles and not the fancy design for women's bicycles. On the other hand cooperation with the company could be seen as useful for development and improvement of the investigated concept.
- **Wald.** Another basket producer, situated in the USA, who is producing metal baskets but has a good cooperation/form a clique with bicycle bags producers, e.g. Lemolo bags<sup>7</sup> or Rivbike<sup>8</sup>. This producer could be both seen as a competitor and a helping hand in knowledge sharing, however its faraway location is viewed as an obstacle. Moreover its role as a competitor is diminished by the only possibility to buy its baskets online.
- **Changzhou Fengyu Hardware Technology Co.,Ltd.** An example of the Chinese basket producers, which were found quite many on the market<sup>9</sup>, who manufacture mainly metal baskets and bicycle parts. They could be seen as potential competitors, as have already well established concepts on the market, known by everybody, and lower prices.

Based on the investigated data about competitors it is summed up that some of them could be seen as a potential threat to the new-establishing product/company. On the other hand a potential partnership can be established with some companies which will allow knowledge sharing and future expansion.

### Customer Profile

The customers can be identified in two categories:

1. Direct customers: those who are going to buy the product from the company and to sell the product to the end-customers

In order to find a group of direct customers the analysis of Danish bicycle retailers and Danish supermarket chains was conducted. The market research revealed the difficulties in introducing the new product into bicycle shops. Danish retailers have a conservative attitude. They need to be sure that the product will be successful on the market before they introduce it to the end users (appendix A6). A new product can be incorporated into the shop only if there is a special request from the customer. As a result of that strategy, the team decided to launch the product in supermarket chains.

In Denmark there are two main players on the supermarket scene: Coop Danmark A/S<sup>10</sup> and Dansk Supermarked A/S<sup>11</sup>. The first Coop Danmark A/S leads Kvickly Extra, Kvickly, SuperBrugsen, Dagli'Brugsen, LokalBrugsen, Fakta A/S, Irma A/S Irma city and NET torvet. While

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<sup>7</sup> <http://lemolobags.wordpress.com/>

<sup>8</sup> <http://www.rivbike.com/#product=none>

<sup>9</sup> [http://www.alibaba.com/showroom/bike\\_basket/--122801-----\\_.html](http://www.alibaba.com/showroom/bike_basket/--122801-----_.html)

<sup>10</sup> <http://www.coop.dk/>

<sup>11</sup> <http://www.dsg.dk/da/Pages/Forside.aspx>

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Bilka, Az, Føtex, Føtex Food, Netto, Netto Døgn, Tøj og Sko and Salling are daughter companies of Dansk Supermarked A/S.

The research has been conducted with the first giant: Coop Danmark A/S. The interview with Dany Mikkande (the category Manager in the section Bicycle and Sport for Coop Danmark A/S) in appendix A6, confirmed that supermarket chain is open for new products. The standard procedure in that case is based on several steps: the company should present a trial of the product and the manager of the supermarket chain will then conduct his subjective market research in order to assess if the product will be accepted on the market. It is a highly competitive environment, since the product may be easily replaced with another one. The main indicator is the price that should be competitive for that product range. The result of the interview was positive: even though the trial was not presented, the manager confirmed he would be very interested in the idea. The supermarkets have never sold such a product: bike basket, which is waterproof, has a cover and lock and attractive design.

The market for bike baskets is huge at the moment. It needs to be emphasized that the interview was not conducted with Dansk Supermarked since Coop would like to keep our product as a source of competitive advantage for them and something that could help them to distinguish on the market.

### 2. Indirect customers: end-users of the product

A clear advantage for the product is that the initial market is in Denmark: a country with a very well defined and developed cycling culture. To check if the new concept of the basket could be accepted by the market a web-based survey was created with the software Survey Monkey<sup>12</sup>. The survey was sent to people who live in Denmark in October and November 2009.

The total number of collected responses is 100. The survey was answered by 50 females and 50 males and the age range goes from 19 to 36 years old. The main outcomes are: there is still a room for baskets; people approve the idea of having a locked basket based on a design. The pain is identified: the rain and possibility that their things may be stolen. Moreover, the end users cannot in general identify any competitors for the product on the market. The detailed results of the survey are presented in appendix A5.

The target group was identified on the basis of the team members experience and an interview with Allan Carstensen (DCF, appendix A3). These are women age 20-40, who ride a bicycle in Denmark. The total number of women in that age is 719,531 (Appendix A7) and from these 60% is riding a bike on a regular basis<sup>1</sup>. That gives a total number of 431,719 of potential customers. According to the interview, that segment is not well served on the market and there is a strong need for an appealing design. Moreover, there is an identified trend of wearing a helmet. The new concept of a bike basket will create an added value for them both in terms of outstanding design and comfort as a storage space for helmet.

In that age range most women start their career or personal development at the same time having their own income: either SU scholarship around 4000 DKK (in case of students) or regular salary around 22000 DKK (in case of employed women). According to Danish Statistics people

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<sup>12</sup> See Appendix A5 – Survey Results

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tend to spend around 800 DKK on bike accessories (Appendix A8), so there is room on the market for such equipment. The women make independent choices and follow certain buying behaviours/standards. The buying patterns have multilevel dimensions. That either comprises thought-over items (food, everyday products) or can be spontaneous (instinct shopping). It is known that the women are in favor of the idea of 'shopping' in general. Sometimes the decisions are not based on pure rational or practical issues. "Shopping" and "buying" is regarded by women as a part of entertainment. Even though the access to the internet is common, on-line buying is not that popular, since women are then losing the idea of hunting desirable products in favorite shops.

To conclude the company will create a product that will add value to an everyday biking activity of women age 20-40.

### Porter's Model of Competitive Analysis

The competitive advantage of a business can be influenced by five of forces which determine where the power is allocated. Five Forces analysis considers the supplier and buyer power, the threat of substitutes and new entry and the competitive rivalry (appendix A9).

<b>Determinants of supplier power</b> <ul style="list-style-type: none"> <li>• High supplier concentration</li> <li>• Low switching costs</li> <li>• Product implementation from design to final realisation</li> <li>• Technical knowledge</li> <li>• Forward integration</li> </ul>	<b>Threat of new entrants</b> <ul style="list-style-type: none"> <li>• Low capital requirement</li> <li>• Economy of scale</li> <li>• Good access to distribution channels</li> <li>• Attractive industry growth rate</li> <li>• No knowledge based product</li> </ul>	<b>Determinants of buyer power</b> <ul style="list-style-type: none"> <li>• Bargaining leverage : -small number of buyers -rate of sale</li> <li>• Price sensitivity: -Difficult price negotiation -Low switching cost</li> </ul>
	<b>Rivalry among existing firms</b> <ul style="list-style-type: none"> <li>• Strong brand identity</li> <li>• No competitors with the same concept (concentration)</li> <li>• Many indirect competitors in the same product range</li> <li>• Relatively big size of indirect competitors (balance)</li> <li>• Diversity of indirect competitors</li> <li>• In-house knowledge and experience</li> </ul>	
	<b>Strong Threat of substitutes products</b> <ul style="list-style-type: none"> <li>• Difficult to have lower price of substitutes</li> <li>• Better quality of substitutes</li> <li>• Low switching cost for buyers</li> </ul>	

**Figure 6: Porter's Model**

As it is seen on figure 6, on one hand there is a single supplier for the start-up company and controls all the production, this gives him a lot of bargaining power. On the other hand in the

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Polish market many other companies can offer the same service which means it cannot be difficult to find a new supplier.

The weak position in bargaining power with buyers is temporarily relegated to the first phase of the company life-cycle. The fact that there are no direct competitors gives the company a tremendous strength. Barriers to entry the market are not strong, but substitutes cannot weaken the power of the start-up.

### SWOT Analysis

The SWOT analysis in appendix A10 provides a good framework for reviewing strategy, position and direction of a company or business proposition<sup>13</sup>. The group has performed the SWOT Analysis (figure A10) in order to find out the strengths, weaknesses, opportunities and threats of the new organization.

<b>Strengths</b> <ul style="list-style-type: none"><li>• Strong competences in the start-up team</li><li>• High motivation and dedication of founders</li><li>• Access to knowledge from experienced entrepreneurs</li><li>• Good understanding of end-customers' needs</li><li>• Ability to adjust capacity</li><li>• Insight - access to market in Poland</li><li>• Flexibility of planning</li><li>• Low production costs</li><li>• Design protection</li><li>• The company promotes cycling and healthy life-styles</li></ul>	<b>Weaknesses</b> <ul style="list-style-type: none"><li>• Little capital availability</li><li>• Outsourced production knowledge</li><li>• No entrepreneurship experience</li><li>• Not knowledge/technology intensive product</li><li>• Unknown brand</li></ul>
<b>Opportunities</b> <ul style="list-style-type: none"><li>• Market opportunities due to absence of direct competitors</li><li>• Expansion in other countries in Europe</li><li>• Partnership with competitors for knowledge sharing</li><li>• Outsource the production to Poland</li><li>• Favourable trends in the market (helmets, healthy life style, etc.)</li><li>• Online sale</li></ul>	<b>Threats</b> <ul style="list-style-type: none"><li>• Developers of new concepts</li><li>• Cannibalization</li><li>• Global economic crisis</li><li>• Competitors' price strategy</li></ul>

Figure 7: SWOT Analysis

Summarizing the SWOT analysis in figure 7, the strengths can guarantee a long term success and has evidenced many opportunities for the company. The above mentioned weaknesses are mainly concerned with the beginning phase of the business, once the company has entered in the market the brand will start to be known by the customers and the team will increase its experience and financial availability. Contingency plans can help the company to address the threats in case of occurrence.

<sup>13</sup> <http://www.businessballs.com/swotanalysisfreetemplate.htm>

## 5. Marketing Plan

It is expected to sell 20 000 baskets in the first 3 years on the Danish market and 85 000 in general on the other European countries where the company will already expand to. The price for one basket is estimated as 150 DKK and the life-cycle is around 3 years.

The words from categories: innovation, design, fashion are attractive terms for the target group. That is why the marketing strategy should emphasize these aspects of the product. The team decided to privilege three sale efforts for promoting the new basket: in-store marketing, distribution of free samples and an attractive web-page.

In all the supermarkets where the product is presented, big posters will promote the new concept. The posters will attract the attention of women and direct them to the location of the basket through the aisles. The impulse of purchasing is mainly driven by displays or posters, which are more effective than sales<sup>14</sup>. Advertising posters will create a nice atmosphere and enrich the shopping experience. Further customers will touch directly the product, be aware of the size and appreciate the exterior design. The new basket will be sold close to helmets for biking. It would be easy for the customers to understand how useful and convenient it is to have a basket where you can store the helmet once you have parked the bicycle.

Some bike baskets will be distributed for free to women, having strong networks and associations (university and/or work colleagues, family and friends). Thanks to that, other people will start realizing what value new product is bringing to their life.

An attractive webpage is going to promote the new basket and inform customers about where it is possible to buy it. The webpage will be very interactive with short movies showing the user group: women between 20 and 40. The movie will be based on story telling concept: saying why the new basket adds value to the bicycles and life. The webpage will also promote healthy lifestyle and city cycling in general.

For expansion the team members are going to travel to the countries where the product is going to be sold.

## 6. Production Plan

In the preliminary phase production was decided to be in Poland considering costs and accessible facilities. First it will be chosen a supplier that can provide the industrial and engineering design in collaboration with one of the team members with a deep knowledge in Danish Design and produce the first small batch. Then the production will be moved to a bigger manufacturer with accurate capacity to fulfil the forecasted demand and scalability of the product. Then products will be transported to Denmark by sea or over the land. COOP could help with transport and distribution among their facilities.

The main office will be placed in Denmark.

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<sup>14</sup> <http://www.floorwindo.com/more.php?id=74>

## 7. Financial Plan

The table below presents the budget on profit and loss that includes the earnings before and after interest, taxes, depreciation and amortization. The first and second years are negative but from the third year the profit constantly increases. It should be mentioned that the company becomes venture case in the fourth year however cash in hand exceeds the initial investment on the fourth year.

### Budget on Profit and Loss

DKK	2010	2011	2012	2013	2014	2015
<b>REVENUE</b>	<b>558,000</b>	<b>3,078,000</b>	<b>9,250,500</b>	<b>20,176,500</b>	<b>31,536,000</b>	<b>36,546,000</b>
<b>Headcount</b>	<b>3.1</b>	<b>3.8</b>	<b>5.9</b>	<b>12.5</b>	<b>12.5</b>	<b>13.0</b>
Rev./employee, 1000*unit/yr	0.2	0.8	1.6	1.6	2.5	2.8
<b>COST</b>						
Organisation	1,424,000	1,496,000	2,086,000	3,604,000	4,880,000	5,080,000
Rent	57,600	60,800	84,400	146,800	200,000	208,000
Production	297,600	1,641,600	3,515,190	6,128,190	9,040,320	10,476,520
Travels	90,000	80,000	115,000	200,000	260,000	280,000
<b>COSTS</b>	<b>1,869,200</b>	<b>3,278,400</b>	<b>5,800,590</b>	<b>10,078,990</b>	<b>14,380,320</b>	<b>16,044,520</b>
<b>EBITDA</b>	<b>-1,311,200</b>	<b>-200,400</b>	<b>3,449,910</b>	<b>10,097,510</b>	<b>17,155,680</b>	<b>20,501,480</b>
Interest	0	0	0	0	0	0
Tax	0	0	951,252	2,802,980	4,769,628	5,691,208
Depreciations	32,698	36,478	52,581	86,866	121,294	175,736
Amortisation	0	0	0	0	0	0
Sum ITDA	32,698	36,478	1,003,833	2,889,846	4,890,922	5,866,944
<b>NET PROFIT-LOSS</b>	<b>-1,343,898</b>	<b>-236,878</b>	<b>2,446,077</b>	<b>7,207,664</b>	<b>12,264,758</b>	<b>14,634,536</b>
<b>CASH-IN-HAND end yr</b>	<b>37,810</b>	<b>25,790</b>	<b>1,376,010</b>	<b>6,214,848</b>	<b>19,039,968</b>	<b>31,538,760</b>
Accum investments	1,450,000	2,850,000	2,850,000	2,850,000	2,850,000	2,850,000
<b>EXIT OPPORTUNITY</b>						
Price/Earnings ratio (P/E) at exit:		<b>5</b>				
Share value	<b>n/a</b>	<b>n/a</b>	<b>17,249,550</b>	<b>50,487,550</b>	<b>85,778,400</b>	<b>102,507,400</b>
Company value	<b>n/a</b>	<b>n/a</b>	<b>18,625,560</b>	<b>56,702,398</b>	<b>104,818,368</b>	<b>134,046,160</b>
<b>INVESTORS RETURN ON INVESTMENT</b> (ROI) With OR =				<b>60%</b>		: (OR = Ownership Ratio)
Yield	n/a	n/a	11,175,336	34,021,439	62,891,021	80,427,696
ROI	n/a	n/a	4	12	22	28
Venture Case?	<b>n/a</b>	<b>n/a</b>	<b>No</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>

Table 1: Budget on Profit and Loss, DKK

## Bybasket – Business Plan

It is planned to dedicate the first quarter of 2010 for product development when industrial and engineering design is performed by an external company and in the second quarter product-test is introduced to the market. When the product is proved to be attractive to the market and the first contracts with the customers are signed the company will be most probably able to attract investors on the 3rd quarter 2010.

Another issue to mention is that the logical sequence of entering into the international markets is essential to the success of the project as gradual increase in workload and more detailed market research has to be conducted. This can be viewed on the graph below where Europe is the first market to enter followed by Asia, Canada and the USA. After all the markets were entered there is a slight variation in sales that can be explained by stagnation on some markets and sales boom in the others.

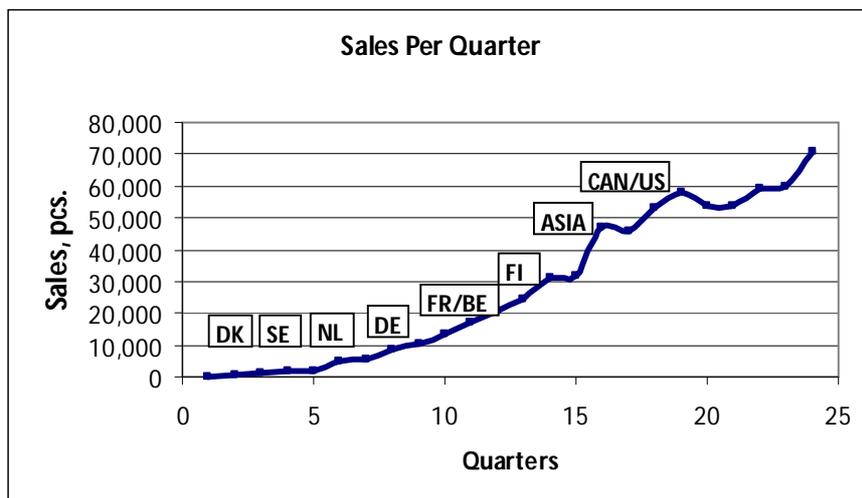


Figure 6: Sales per Quarter

Another important financial indicator is cash in hand chart that must not go negative as then the company is theoretically bankrupt. As the chart indicates there is minimal amount of cash in hand for the first 2.5 years and starts increasing dramatically afterwards.

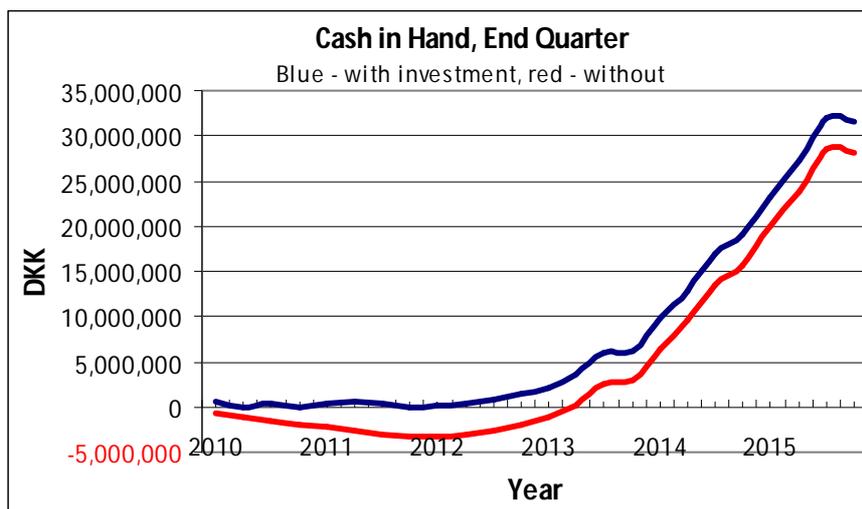


Figure 7: Overview of Cash Flow

## Bybasket – Business Plan

In order to follow value creation and financing, the company will keep in track with the creditors. The development of the investment over time is a good way to quantify values as shown in the figure below. Values owned by the company have to grow in order to reach markets where it can start to create bigger revenues. Assets may include goodwill, buildings, cars, production facilities. The company is achieving positive equity capital from the beginning and is showing sustainable growth.

### Budget on Assets and Liabilities

<b>ASSETS</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
IPR	22.790	37.913	102.324	239.463	485.177	702.943
Equipment	0	0	0	0	0	0
Debtors	0	0	0	0	0	0
Cash	37.810	25.790	1.376.010	6.214.848	19.039.968	31.538.760
Other	0	0	0	0	0	0
<b>ASSETS</b>	<b>60.600</b>	<b>63.703</b>	<b>1.478.334</b>	<b>6.454.311</b>	<b>19.525.145</b>	<b>32.241.703</b>
<b>LIABILITIES</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Loan	0	0	0	0	0	0
Creditors	0	0	0	0	0	0
Other	0	0	0	0	0	0
Equity	60.600	63.703	1.478.334	6.454.311	19.525.145	32.241.703
<b>LIABILITIES</b>	<b>60.600</b>	<b>63.703</b>	<b>1.478.334</b>	<b>6.454.311</b>	<b>19.525.145</b>	<b>32.241.703</b>

Table 2: Budget on Assets and Liabilities, DKK

## 8. Financing plan

In order to realize the project 2.85 million DKK is needed. At first the funding team of 5 founders is expected to raise 500.000 DKK and to find a pre-seed investor who would invest 750.000 DKK. Then product development and testing is done on Danish market where a proof of concept is received. Thereafter the company becomes more interesting to attract another investor, a venture capitalist, who invests 2.1 million DKK separated into 3 money injections over a period of 1 year. This results in the following ownership division:

<b>Ownership Overview</b>			
<b>Ownership, %</b>	<b>2010, 1st Qrt</b>	<b>2010, 3rd Qrt</b>	<b>2011</b>
Founding Team	62.5%	53.2%	44.3%
Investor A	37.5%	31.9%	26.6%
Investor B	0.0%	14.9%	29.1%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Table 3: Ownership Overview

Investing in Bybasket at a start-up will be profitable for the investor as already on the fourth year after the launch the return on investment would be equal to 12 what makes this company a venture case.

### Exit Opportunity and ROI

EXIT OPPORTUNITY	2010	2011	2012	2013	2014	2015
Price/Earnings ratio (P/E) at exit:		5				
Share value	n/a	n/a	17,249,550	50,487,550	85,778,400	102,507,400
Company value	n/a	n/a	18,625,560	56,702,398	104,818,368	134,046,160

**INVESTORS RETURN ON INVESTMENT** (ROI) with OR = **60%** : (OR = Ownership Ratio)

Yield	n/a	n/a	11,175,336	34,021,439	62,891,021	80,427,696
ROI	n/a	n/a	4	12	22	28
Venture Case?	n/a	n/a	No	Yes	Yes	Yes

**Table 4: Exit Opportunity and ROI, DKK**

More information about the calculations can be found in the appendix (A11 and A12).

## 9. Sensitivity Analysis

The first main parameter for a Bybasket company is the number of buyers, represented in the market shares, as it directly influences the revenues. It was estimated that the sales will start with reaching 0.3% of the target group, followed by moderate increase till it will reach the boom of 1.2%. After the period of growth the sales will start to decline while keeping decent amount of sales with 0.3% of the target group.

If any of the predicted percentage rates will decrease on 0.1%, they will directly influence the financial balance and cause negative Cash-in-hand, while at the same time the increase in market shares will lead to positive Cash-in-hand.

Another equally important point is to enter new markets twice a year, every second quarter as it highly influences the development of sales and market shares, which in their turn directly influence the Cash-in-hand and may cause its negative fluctuations.

Possible proposal to improve the situation could have been to take bigger investments however in this case the founders risk to loose the bigger share of their ownership.

## 10. The Moment of Truth

After making financial calculations it can be concluded that Bybasket product is a highly risky venture, especially during its first years. Even small decrease in sales price or in market share would lead to negative Cash-in-hand and entering new markets twice a year could also play a crucial role during the first years. Moreover it is impossible to preserve the ownership share of 51% as it was planned at first even in the best case scenario.

As one of the solutions it could be proposed to invest more money into the company; however it is found not feasible as it would be hard to find another investor who would be interested to invest more money into Bybasket business. That is why it is suggested to focus on the high-end production of the same product as it will bring higher profit margins and thus creates a more sound business, as market research has proved that there is definite interest in the product on the market.