

BYBASKET BUSINESS PLAN



42453 Knowledge Based
Entrepreneurship

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5 Liners



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

Product Description



Business Idea

“Why not to create a basket interesting in design, with possibility of safe storage of goods providing it with the lock?”

- New catchy design – labeled as a Danish Design
- Material: polycarbonate or polyethylene; waterproof
- Locking mechanism
- Design Protection



Start-up Team



Alesja

Msc in Manufacturing Engineering and Management
Producer
Experience: Logistics



Marta

Msc in Design and Innovation
Entrepreneur
Experience: Design projects



Aleksandra

Msc in Manufacturing Engineering and Management
Integrator
Experience: Sales, communication



Erika

Msc in Manufacturing Engineering and Management
Administrator
Experience: Work environment



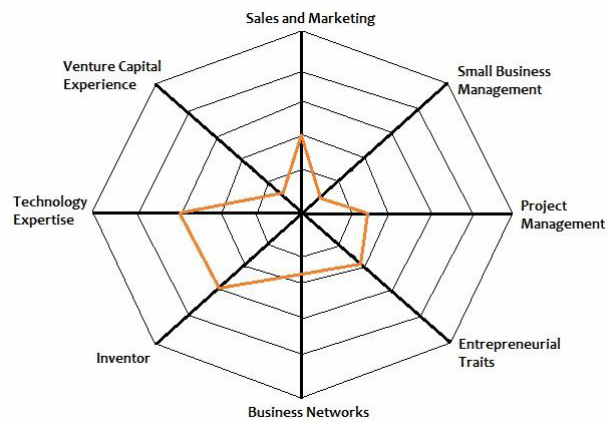
Viktoria

Msc in Manufacturing Engineering and Management
Producer
Experience: Finances

SpiderWeb



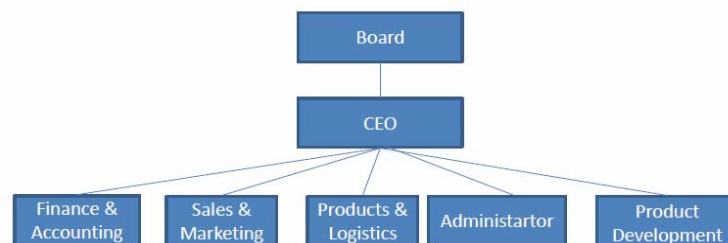
Team competences



Organization



- Corporate form
 - ▣ Limited (A/S)
- Established mission, vision, objectives and values



Market Analysis



The initial market is Denmark

- 2nd highest number of cyclists in EU
- 15% of the cyclists in 2008 used helmets
- growth of the basket market
- design and look sensitive
- interest in resistant and light materials
- friendly and universal installing procedures
- **No competitors** with the same concept



Customer Profile



- Direct customers: **supermarket chains**
COOP as 1st customer ➡ Bybasket source of competitive advantage
- Indirect customers: **women age 20-40**
800 DKK /year for bicycle accessories

Web based survey has confirmed:

- the pain
- absence of competitors
- buying interest



Marketing Plan



- 20 000 baskets in DK, 85 000 in EU in 3 years
- Estimated price 150 DKK for supermarkets
- Innovation, design and fashion
 - in- store marketing
 - free samples
 - attractive webpage



Production Plan



- Production outsourced in Poland
- Industrial design + initial batches



Bigger manufacturer

- Company office in Denmark

Budgeting and Financing

□ Capital requirements:

	Cash invested	Ownership
Founding Team	500 000	44,33%
Investor A	750 000	26,60%
Investor B	2 100 000	29,08%
Total	3 350 000	100,00%

Investments	2010		2010		2011	
	1qrt	2qrt	3qrt	4qrt	1qrt	2qrt
Investor A	750 000	0	0	0	0	0
Investor B	0	0	700 000	0	700 000	700 000
Founders	500 000	0	0	0	0	0

Budgeting and Financing

□ Budget Profit/Loss

DKK	2010	2011	2012	2013	2014	2015
REVENUE	558 000	3 078 000	9 250 500	20 176 500	31 536 000	36 546 000
Headcount	3,1	3,8	5,9	12,5	12,5	13,0
Rev./employee, 1000*unit/yr	0,2	0,8	1,6	1,6	2,5	2,8
EBITDA	-1 311 200	-200 400	3 449 910	10 097 510	17 155 680	20 501 480
NET PROFIT-LOSS	-1 343 898	-236 878	2 446 077	7 207 664	12 264 758	14 634 536
CASH-IN-HAND end yr	37 810	25 790	1 376 010	6 214 848	19 039 968	31 538 760

Budgeting and Financing

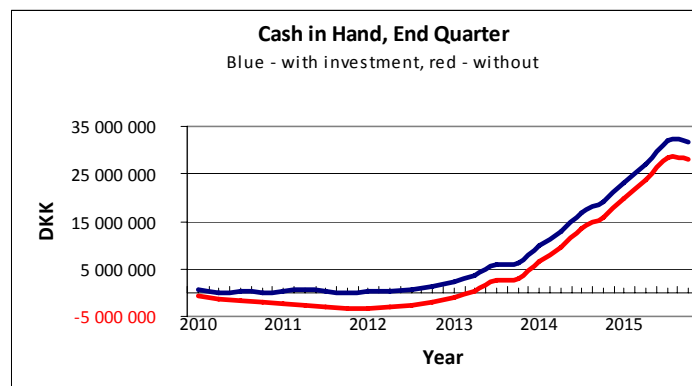
CASH FLOW

Quarter no	1	2	3	4
CASH IN				
From sales	0	0	63 000	216 000
From investor A (pre-seed)	750 000	0	0	0
From investor B	0	0	700 000	0
Loans	0	0	0	0
CASH IN	500 000	1 250 000	763 000	216 000
CASH OUT				
Salaries	406 000	406 000	306 000	306 000
Rent	16 400	16 400	12 400	12 400
Production	0	33 600	115 200	148 800
Travels	25 000	25 000	20 000	20 000
Production start-up	60 000	60 000		
IPR (R&D, design protection)	10 000	10 000	630	2 160
Initial investments	54 000	54 000		
Other	20300	20300	15300	15300
Tax				0
CASH OUT	591 700	625 300	469 530	504 660

Budgeting and Financing



□ Cash Flow



Budgeting and Financing



□ Assets/Liabilities

DKK

ASSETS	2010	2011	2012	2013	2014	2015
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
ASSETS	60 600	63 703	1 478 334	6 454 311	19 525 145	32 241 703

LIABILITIES	2010	2011	2012	2013	2014	2015
Loan	0	0	0	0	0	0
Creditors	0	0	0	0	0	0
Equity	60 600	63 703	1 478 334	6 454 311	19 525 145	32 241 703
LIABILITIES	60 600	63 703	1 478 334	6 454 311	19 525 145	32 241 703

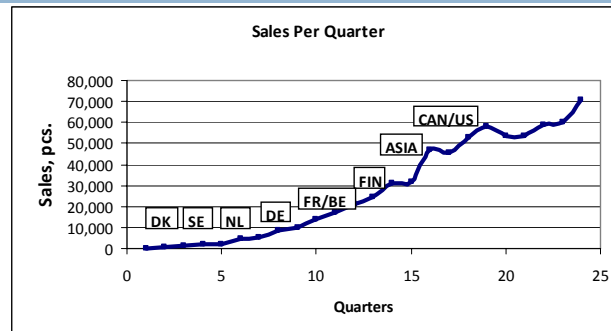
Budgeting and Financing



□ Exit

	2010	2011	2012	2013	2014	2015
EXIT OPPORTUNITY						
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 Ownership Ratio = 60%						
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

Sales Forecast



- Stable growth in sales
- Biggest markets: Asia, US and Canada – years 4 and 5
- Estimate: sell to 10% of the target group
- Sales boom reached on year 3
- Maintain a market share of 0.3% after the boom
- Total sales after 6 years: 675 000 units



Sensitivity Analysis



Main parameters influencing sales:

- The number of buyers:
 - Small decrease in percentage rates (0.1%) will cause negative cash-in-hand
- Entering new markets twice a year

Moment of Truth

- A risky venture during the first years
- Impossible to preserve ownership share of 51%

Solution:

- More capital required:
 - ▣ More investments – loose more ownership
 - ▣ A bank
- High-end version of the product
 - ▣ Higher profit margins



THANK YOU FOR YOUR
ATTENTION

Questions/Answers



1. Demand & value creation
2. Market research & analysis
3. Budgeting & financing
4. Business law & IP issues
5. Start-up strategy & business model
6. Action plan: from now to a fully established company

DEMAND AND VALUE CREATION



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Pain:



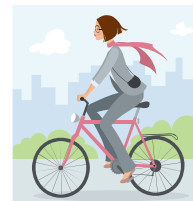
- Unfavorable weather conditions easily spoil the cargo
- Bicycle helmets inconvenient to carry and store
- Unsafe to carry items in a standard basket



Demand – End Users



- Demand safety and convenience in cycling
- The segment not served on the market
- Women 20-40 years old
 - ▣ In DK: 420 000
 - ▣ In potential foreign markets: 8 420 000
 - ▣ Sales forecast after 6 years: 675 000
- In addition: a strong need for an appealing design
- Advantage in identifying a need:
 - ▣ The founders' team is in the target group



Demand – Direct Customers



- Supermarket chains:
 - Coop Danmark A/S vs. Dansk Supermarked A/S
- They demand:
 - Products that are distinctive from what competitors offer - a source of competitive advantage
 - Low price – affordable to mass customer

Kvickly

fakta

Irma



Value Creation



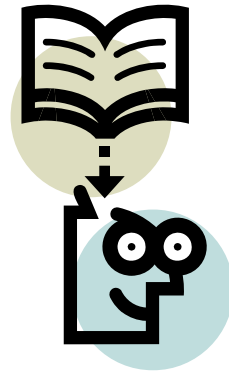
A new concept of a basket, Bybasket, creates value:

- Waterproof - protects cargo in foul weather in a closed compartment
- Locking system - safely stores items in between trips (helmet)
- Outstanding design – labeled as Danish Design

Quantifying value proposition

- Affordable price to supermarkets - 150 DKK
- Most women start career or higher education at that age
- 800 DKK/year spent on bicycle accessories
- Market analysis approves the price





MARKET RESEARCH AND ANALYSIS



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Market research process



- Local bicycle retailers
- Mark Johnsen owner of one of the most sophisticated bicycle shops in CPH
- Allan Carstensen from DCF
- Dany Mikkande category manager in COOP
- Per Boelskifte industrial designer and President of the Danish Design Award Jury
- Web based survey for bicycle users
- Online research



Market Analysis



The initial market is Denmark

Social and economical trends:

- growing number of cyclists
- healthy life style
- increase use of the helmet
- growth of the basket market
- design focus



Technological trends:

- interest in resistible and light materials
- friendly and universal installing procedures

Competitors Analysis



Competitor's Name	Country of origin & size	Proposed Products	Basket types	Closest product to our concept	Special Features	Strong sides	Information source
Riken&Kaul, KICKFIX - well-known bike accessory producer	Germany, unknown size	Metal/material/willow baskets, plastic baskets with the lock, additional bicycle equipment	11 metal, 18 material, 1 willow	Black back-basket with the cover and a lock	System of "click", allows fast and easy to fasten or release the basket	Well-known brand, experience since 1988, control of entire production process, quality, design	www.klickfix.dk , www.klickfix.com
Basil - bicycle retailer, recently started with development and production of baskets	, "a small team but performs good"	Metal baskets, material baskets (e.g. willow), other bicycle equipment	98 metal, 126 bags, 13 animals, etc.	Baskets with cover from willow, material bags with cover	Cooperation with bicycle producers for baskets' development	Experience since 1970', good logistics, product development (together with known bicycle brands)	www.basil.nl
Ortleb - waterproof bags, other equipment producer (e.g. sailing, horse-riding, bicycling, etc.)	Germany, unknown size	Waterproof bags, boxes and other accessories	Over 30 bags	Waterproof rack top box made of lightweight polycarbonate with lockable waterproof zipper	Environmentally friendly products, exclusive waterproof materials, possible to assemble bicycle online	Experience since 1982, quality oriented, know-how's in waterproof materials	www.ortleb.de
Wald - bicycle parts manufacturer	USA, unknown size	Metal baskets, bicycle parts and accessories, repairing tools	16 baskets	Metal basket with a bag inside		Experience since 1905, good clique (doing baskets and bags not from metal)	www.waldsport.com
Changzhou Fengyu Hardware Technology Co., Ltd. - manufacturer	China, unknown size	Metal baskets and bicycle parts	8 series and over 260 varieties of metal baskets	Metal basket with the metal cover	One of the largest companies who produces front basket		www.fengqiao.com

Customer Profile



Direct customers: **supermarket chains**

- need of a trial
- competitive advantage

Indirect customers: **female cyclists age 20-40**

- 430 000 in Denmark
- financial sustainability
- multidimensional buying patterns
- buying interest



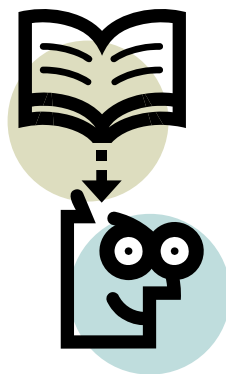
Results from PORTER's Model and SWOT Analysis



- Relatively supplier bargaining power
- Only initial buyer bargaining power
- No direct competitors
- Low entry barriers
- Difficult to substitute Bybasket



Long term success and many opportunities



BUDGETING AND FINANCING



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Budgeting and Financing



□ Capital requirements:

	Cash invested	Ownership
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Investor A	750 000	26,60%
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Total	3 350 000	100,00%

Investments	2010				2011	
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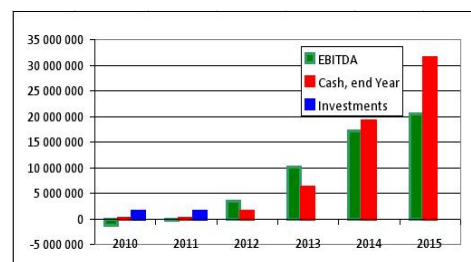
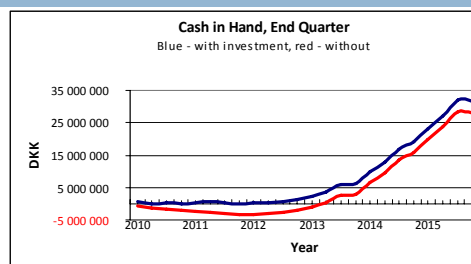
Budgeting and Financing



□ Budget Profit/Loss

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REVENUE	558 000	3 078 000	9 250 500	20 176 500	31 536 000	36 546 000
Headcount	3,1	3,8	5,9	12,5	12,5	13,0
COST						
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
Sum COSTS	1 869 200	3 278 400	5 800 590	10 078 990	14 380 320	16 044 520
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
Sum ITDA	32 698	36 478	1 003 833	2 889 846	4 890 922	5 866 944
EBITDA	-1 311 200	-200 400	3 449 910	10 097 510	17 155 680	20 501 480
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Budgeting and Financing



Budgeting and Financing



□ Production start-up Costs

DKK

Description	Engineering design	Industrial design	Mock-up	Other
External company (PL)	50 000	40 000	10 000	20 000
Total production tool costs	120 000			

□ Salaries

	Per qrt /DKK	Per month:
CEO	120 000	40 000
Finances	100 000	33 333,3
Logistics and production	100 000	33 333,3
Sales and marketing	100 000	33 333,3
Administrator	80 000	26 666,7
Design and development	100 000	33 333,3

Budgeting and Financing



□ Assets/Liabilities

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Budgeting and Financing



□ Exit

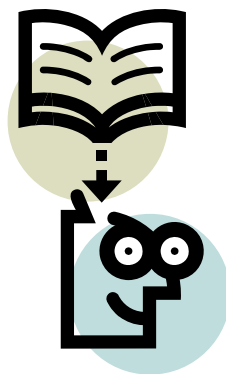
2010 2011 2012 2013 2014 2015

EXIT OPPORTUNITY

Price/Earnings ratio (P/E) at exit:	5					
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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



BUSINESS LAW AND IP ISSUES



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Business Law



- Company form: Limited (A/S)
 - ▣ Investement: 500 000 DKK
- Seller- buyer agreement:
 - ▣ The Danish Sales of Good Act
 - ▣ Convention on International Sales of Goods
- Salaried Employees Act
 - ▣ Flexicurity system in Denmark
 - ▣ Consultants: Law, Outsourcing



Business Law



- Shareholders agreements
 - Board of directors
 - Disloyalty protection
 - Dilution protection
 - Liquidation preferences
 - Drag along, tag along clauses

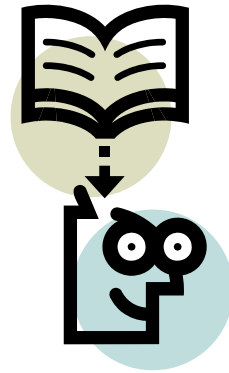
	Cash invested	Ownership
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<i>Total</i>	<i>3 350 000</i>	<i>100,00%</i>

IPR



- No patentability
 - Novel: yes/no
 - Useful: yes
 - Unobvious: no
- Design protection (Patent Office)
 - Shape and texture
- Trademark
 - Name and logo registered at the Patent Authorities





START-UP STRATEGY AND BUSINESS MODEL

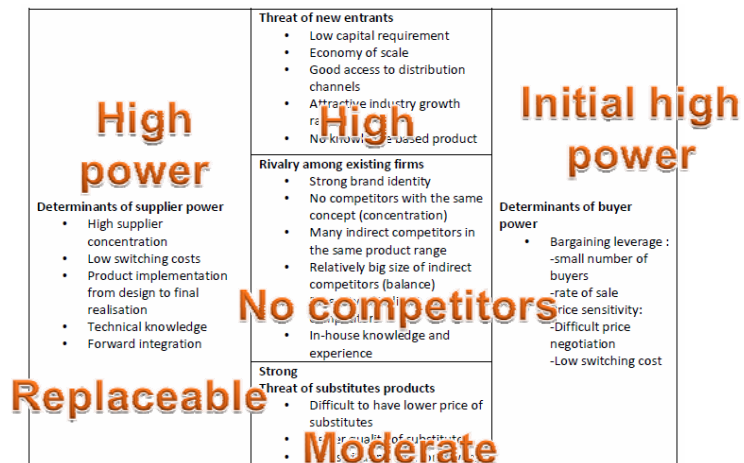


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Start-up Strategy

□ Porter Five Forces: Starting point



Start-up strategy: in the market



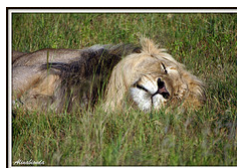
□ Hybrid of „Hand in Hand with Mr Big”

- Strategic cooperation at early stage
 - Prototype and production in Poland
 - COOP as the direct customer, distribution



□ And „The Sleeping Lion Strategy”

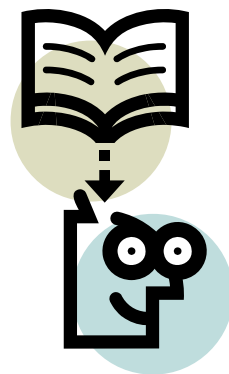
- Developed customer relations before anyone noticed



Business model



- Business plan and market analysis
- Strong, identified pain
- Strong start up team
- Product development
- Design protection
- Corporate form: limited A/S
- Pre-seed investor and two rounds of financing
- Geographical expansion
 - ▣ Every half a year



ACTION PLAN: FROM NOW TO A FULLY ESTABLISHED COMPANY



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Action plan



- Starting point
 - Strong founders team
 - Identified pain and value creation, value quantification
 - Good market research
 - First market relation with supermarket chains
 - Porter model and SWOT analysis



Action plan



- Find the pre-seed investor A
- Open a bank account and place there the money:
 - 500 000 DKK
- Register the company as Limited A/S in Danish Commerce and Companies Agency
- Rent office in Copenhagen
- Professional CEO hired
- Production and Logistics: intensive work
 - Find production site in Poland
- Sales and marketing: intensive work



Action plan

CASH!



- Design collaboration (Design Protection)
- Plan marketing strategy
- Arrange logistic issues
- Introduce product to the market
- Expand to Sweden
 - Geographical expansion every second quarter
- Find investor B!
 - 2 100 000 DKK

CASH!

CASH!



