

# Dissertation

*OndaOla*  
*Surfboards*

Business Plan: OndaOla Surfboards.

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# **BUSINESS PLAN / PLAN DE EMPRESA: OndaOla SURFBOARDS**

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## **ABSTRACT**

The purpose of this dissertation is to present a business plan based on a real case: a surfboard e-commerce. The report analyses the environmental factors and the facts that suggest an opportunity to enter the market. We will see a complete breakdown of the activity from the early design to the post-sales service, setting a commodity chain that integrates all kind of business activities as cost accounting, logistics or sales representation. The paper is much based on the product and the commodity chain rather than in the analysis of the economic and financial performance, since the project is viewed from a sole trader perspective with limited resources and time.

## **RESUMEN**

El propósito de este trabajo es presentar un plan de negocio basada en un caso real: una tienda online de tablas de surf. El documento analiza los factores del entorno y los hechos que sugieren la oportunidad de entrar en el Mercado. Veremos un completo desglose de la actividad desde los diseños iniciales hasta el servicio postventa, estableciendo un modelo productivo que integra todo tipo de actividades empresariales como lo son la contabilidad de costes, la logística o la delegación de ventas. El proyecto está más enfocado en el producto y el modelo productivo que en el análisis de resultado de los rendimientos económicos debido a que es visto desde la perspectiva de un autónomo con tiempo y recursos limitados.

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# ***1. INTRODUCTION***

## ***1.1 Project presentation***

The aim of this document is the presentation of a personal business project and the analysis of its technical and economic viability and feasibility.

In the recent years, surfing has increased its popularity among the Spanish and European population. As a proof, many camping-sides host Surf-camps during the summer months throughout the Spanish coast.

The business opportunity I present in this document is based on the online sale of safe, fashionable and economic surfboards.

Every single beginner that attend his/her first class for the first time, understands quickly two main things: First, surfing is a very hard and risky sport. Second, beginner equipment is far from those rocking suits and designated boards that celebrities wear and ride in their pictures. When people finish their surfing courses, try to purchase a cool surfboard to show-off in their pictures. But sooner or later they find a great handicap: Surfing equipment is surprisingly expensive and when you find something beneath 400€, is not fashionable at all.

The product, at the end of the day, will allow beginner surfers to use a safe board, designed as a professional board would look like.

## ***1.2 Business description***

The main premise of the project is the design, promotion and sale of cheap and fashionable surfboards.

The design, production, logistics and online retailing will be the main four areas to be analysed. Considering that building up an entire factory to produce goods in mass wouldn't be feasible for our current economic situation, the production will be externalised to a foreign OEM (Original Equipment Manufacturer) manufacturer.

Therefore, the business will consist on **designing** fashionable models of surfboards so that we can **import** those models from a foreign manufacturer. Once the product is in our warehouse, we'll put efforts in **selling** it in specific markets that will make us save money on shipping and promotional costs.

### ***1.3 Time horizon***

The amount of time a project takes depends on several unpredictable facts and circumstances. In the studied case, I count with specific periods of time due to processes that cannot be skipped: The lead time of production or the time it takes to set up a website. In contrast, some duties as the promotion campaign or the seasonal peak to take the most of the sales effort, are hard to mark off.

Given that the production will be externalised, we depend on the supplier and the courier company. The lead time of production of the requested suppliers is 15 days to produce a minimum order quantity of 100 units. Depending on the shipping method, the delivery at the home airport can take 7 days by air freight, or 15 by sea freight.

Therefore, the time an order takes to be placed at our warehouse is 22 to 30 days if no adverse circumstances occur (stagnation at customs, supplies loses or damage).

The creation of a responsive website nowadays doesn't take more than one week due to the existence of intuitive website creators as Wix or 1&1 Mi Web. These tools result in a quick and professional finish that performs well in case of Online Shop retailing. The amount of time invested will lead to better results regarding visual web marketing, payment tool, blog entries, original pictures, product pictures, promotional videos, etc. At the end, the website will be the way to promote the product and must be in constant updating.

Last but not least, we need to choose one specific moment to launch the product. Obviously, the interest in surfboard by customers will increase in summer.

If we consider all the mentioned constrains, we can build the following matrix:

1. Start of the project: September 2.017.
2. Lead time of production and shipment: 22 to 1 month.
3. Web creation time: As much as possible, it's a continuous process.
4. Seasonal Peak: From June to September.

#### **Conclusions**

The first months will be devoted to the establishment and accomplishment of legal requirements, the bargaining of prices with the supplier, the purchase of necessary assets, contract of external services and warehouse search. This step will conclude on

the 31<sup>st</sup> of December 2017, when the commercial activity starts and all the legal requirements are met.

In January 2018, the quality of products must have been checked with samples. From that moment, the creation of website and the promotional campaign project must be started.

Finally, the promotional campaign will be launched in May 2018 and the product in June 2018.

## ***1.4 Value Added***

Per Porter, competitive advantage is a function of the obtained efficiency by firms in order to manage its value system and drive it through a higher value added in the final product. In this process, differentiation is critical.<sup>1</sup> Thus, differentiation in surfboard construction can be based on three features: quality, use, design.

Differentiating in quality is something that requires years of practice and is requested only by the most demanding surfers. However, not every people practice surfing throughout the year and won't pay more than €300 for a surfboard. Most people search for a functional, good looking surfboard at a reasonable price. Therefore, it's more reasonable to search for differentiation in the other two features: use and design.

The competitive advantage is picking up a product it already exists, add fashionable designs and sell it at cheaper prices than conventional surfboards.

## ***2. Environmental analysis***

### ***2.1 PEST Analysis***

#### ***2.1.1 Political factors***

The political factors that take part in this business are those affecting the correct performance of international trade and commercial activity.

On the one hand, China's stability during the last 30 years can be threaten by the independence process of Hong-Kong.<sup>2</sup> Instability derived from Chinese Army occupation of ports and strategic trade could mean the migration of Cargo companies

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<sup>1</sup> PORTER, M.E. (1990): *The Competitive Advantage of Nations*, Free Press, New York, 1990.

<sup>2</sup> ECONOMIST (2007): *Truth, justice and the Chinese way*

that are nowadays covering the China-Europe maritime routes, what may delay deliveries and endanger products.

On the other hand, a similar process in Catalonia could threaten the legal status of the Autonomous Region. The hypothetical independence of this region may drop down the ‘exports’, given the absence of regulatory framework, potential political and physical barriers derived from a sudden excision from Spain, Euro-Zone and European Union.

## 2.1.2 Economic factors

It is important to differentiate the different nature of indicators that are important for the proper operation of business.

Credit Availability in Spain for the first quarter shows an upwards trend both for lineal and interannually growth. This represents a more convenient scenario compared to the

*Table 1: Euro-zone private sector financing during the first semester 2017*  
(European Central Bank)

<b>C 4. Financiación al sector privado en el área del euro (1)</b>				
	Saldo	Tasas de variación interanual		
	Marzo 2017 (mm. euros)	Enero 2017	Febrero 2017	Marzo 2017
<b>Financiación al sector privado</b>	<b>12.981</b>	<b>2,7</b>	<b>2,6</b>	<b>3,2</b>
<b>Préstamos</b>	<b>10.759</b>	<b>2,2</b>	<b>2,0</b>	<b>2,4</b>
<b>Familias</b>	<b>5.461</b>	<b>2,4</b>	<b>2,4</b>	<b>2,6</b>
<i>Compra de vivienda</i>	<i>4.086</i>	<i>2,7</i>	<i>2,8</i>	<i>3,0</i>
<i>Crédito al consumo</i>	<i>629</i>	<i>4,6</i>	<i>4,2</i>	<i>4,7</i>
<i>Otros préstamos</i>	<i>746</i>	<i>-0,9</i>	<i>-1,0</i>	<i>-1,2</i>
<b>Sociedades no financieras</b>	<b>4.332</b>	<b>1,7</b>	<b>1,4</b>	<b>1,6</b>
<b>Aseguradoras y fondos de pensiones</b>	<b>113</b>	<b>-8,6</b>	<b>-11,4</b>	<b>3,8</b>
<b>Otros intermediarios financieros</b>	<b>852</b>	<b>5,1</b>	<b>4,4</b>	<b>5,2</b>
<b>Valores distintos de acciones</b>	<b>1.430</b>	<b>7,1</b>	<b>6,8</b>	<b>8,6</b>
<b>Acciones y participaciones</b>	<b>792</b>	<b>2,6</b>	<b>3,6</b>	<b>4,4</b>

(1) Activos de las instituciones financieras monetarias (IFM).

last five-year period, where credit was much more restricted. The availability of credit is important to the offset of liquidity needs required.

Another indicator that is key for operations and forecasting of liquidity needs is exchange rate of the currencies that take part in the transaction. The currencies to be analysed are the US dollar (USD), the Hong Kong (HKD) Dollar and Euro (EUR)

Although the production is carried out in the Cantonese Region (Main-land China) the company’s headquarters are located in Hong Kong and so is the currency they use. However, they invoice in USD, which is a stronger and more stable currency against euro.

It is worthy to highlight that invoicing in USD secures a stable trade through two strong currencies, although it doesn't exclude currency risk derived from the fact that HKD is the manufacturer home currency. This is so, as budgets may vary along big movements in HKD/USD exchange rate.

In October, the EUR/USD exchange rate was 1.1757, which is a good figure from an European importer's point of view. However, it is also important to mention that Hong-kongese exporters didn't benefit from the HKD exchange rate, as their currency is more devaluated than it was in 2016.

Tabla de HKD a USD

5 Oct 2016 00:00 UTC - 4 Oct 2017 15:45 UTC  
HKD/USD close:0.12810 low:0.12778 high:0.12896



Tabla de EUR a USD

5 Oct 2016 00:00 UTC - 4 Oct 2017 15:47 UTC  
EUR/USD close:1.17574 low:1.03905 high:1.20366



Figure 1: Hong-Kong Dollar – U.S. Dollar exchange rate since October 2017 (XE.com)

Figure 2: Euro – U.S. Dollar exchange rate since October 2017 (XE.com)

## 2.2 Porter's four forces analysis

### 2.2.1 Threat of new entrants

There's a moderate threat of new entrants due to low economic entry barriers to the retailing business model. It would be necessary to differentiate between the proper barriers of entry to a retail model, and the barriers to surfboard shaping business model.

The retail sector has low barriers to incoming businesses, depending on the scale of sales. The investment can be limited to warehouses and stock control, but no transformation of goods is carried out. Because of this fact, small retailers just add a mark-up to the final product for placing it in each place. However, specialized retailing is something that requires whether a substantial knowledge on the specialized ground, or a very differentiated and accepted product by clients.

That's is why I don't consider threat of new entrants to be too high. Despite of being a business model with low entry barriers, it is difficult to reach the customer and offer a product of choice. In addition, barriers become vigorous when business model is based on design and manufacture and the presented business model possess some characteristics of the last.

### ***2.2.2 Threat of substitute***

The threat of substitutive products is low. Surfing requires surfboards, and brands evolve as trends in the sport change. It could be said that other water sport could be a source of competence based on substitution, although no water sport is as popular as surfing. In fact, in case kitesurfing or windsurfing gained a substantial rate of supporters, the designs would be ready to be adapted.

### ***2.2.3 Bargaining power with suppliers***

The prices applied by supplier are relatively high and far from the target price. Being a SMEs ordering from a original product manufacturer is not easy. The business model omits the common figures of wholesaler and distributor, and this implies an added risk to the manufacturer. As orders become more frequent and in bulk, the brand will gain consistency and power over the supplier, pulling down manufacture prices.

### ***2.2.4 Industry Rivalry***

With the aim of obtaining a representative number of potential competitors, a web-search based research was carried out (Appendix 1). The methodology includes an analysis of surf-shops by provinces and the presence of online stores related to surfing.

From the data analysed, it can be said that the level of rivalry is high where the number of surfing supporters is higher (Spanish north coast, Algarve, Lisbon, West Andalucía or Barcelona).

However, the analysis also showed a low rate of rivalry among e-commerces. The presence is still low, and leaded by foreign companies.

Whereas the number of surf-shops in the joint count of Spain and Portugal add up to around 1,300, the presence of on-line surf-shops is limited to 58; besides, only 32 of those on-line stores sell surfboards.

### **3. *Market Analysis***

#### **3.1 *Introduction to Market Analysis***

The surfboard market is continuously growing all over the world. Surfing is a sport, but most of surfing riders assume it's a way of life. Surfing is surrounded by an original culture created since its origins based on health, fun and life pleasure. Therefore, newcomers adhere to both a sport and life-style.<sup>3</sup>

The process of surfboard manufacturing has been traditionally very manual. These hand-crafted boards are produced and customised individually by *shapers*. For that reason, when surfing started growing, the need of a mass production was absorbed by companies. For that time, shaping surfboards was an art rather than a production process. The solution was providing shapers with bigger factories, new materials and employees, associating its firm with the shaper.

The monopoly of these companies that gathered the best shapers was compound by Quiksilver, Billabong or O'neill. In the Spanish context, Pukas is a brand that gathers more than 15 shapers with owned factories.

The fact that small manufacturers assume customised orders and big companies specialises in high level sport performance product, result in pieces with an excessive margin over cost. In fact, the average price of surfboards on the major online surf shops is €450 for SurfDome.com and €400 for Surfstitch.com.

However, some brands as Odysea, established in USA, have started an innovation process. Two decades ago, when massive beginner classes started to fill beaches, new surfboards were born. Foam boards were born to keep safe beginners from crashes. Moreover, the fact of being made of foam, enlarged the lifespan of the asset, which was beneficial for the Surf school.

Large, heavy, ugly and sloping boards were not suitable for those who had a higher level. Yet, the materials used were cheap and the fact of not having to brush and cut wooden or hard plastics material, was optimal for an industrial production.

In 2015, the firm designated smaller models of foam boards with fresh designs, creating a new trend.

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<sup>3</sup> ESPARZA, D. (2011). De Hawaii al Mediterráneo: La génesis del surf en España.

### 3.2 *Market Size*

Online retailing allows customers from any place to purchase products that often aren't available in a local market place. Every single person who's able to surf the internet can view your website and buy your products.

Unfortunately, the probability of those users to come across the website is low, as there are thousands of websites specifically devoted to surfboards. Moreover, a good online retailing website requires a precise control of the language from the geographical market. Another determining factor is the easiness to make business between countries, the barrels and shipping costs.

For that reason, the business will be focused, but not limited to Spanish and Portuguese market.

The population of both Iberian countries is 46,468,102 and 10,309,573 inhabitants respectively for Spain and Portugal (including its overseas territories). They are the two heading European countries by number of surfing spots list and receive thousands of tourists from the rest of Europe searching for sun, good weather and waves.

Regarding the interest of Spanish population about surfing, the Comité Superior de Deportes revealed that in the time series 2002-2012, surfing licenses increased from 1065 to 23069 (+2166%).<sup>4</sup>

Portugal, on the other hand, lead the European Surfing Federation with 32 Top Competitors out of 60. These statistics also reveal that in the European Surfing Federation, the Top 60 Competitors come from Portugal, France, Morocco and Spain.<sup>5</sup>

It is difficult to forecast how many people practice surfing in specific territories. Officially, the International Surfing Association suggests that over 23 million people all over the world practice surfing and The Economist rise this figure above 30 million people. In Spain, the 2015 Habits on Sport Survey carried out by the Ministry of Education, Culture and Sport revealed that 479,320 people went surfing that year (2,3% of the people who practice sport during 2015).

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<sup>4</sup> COMITÉ SUPERIOR DE DEPORTES (2015):.

<sup>5</sup> EUROPEAN SURFING FEDERATION (2016): *EuroSurf 2016 Ranking*

Given that Surfing trips started to rise up some locations over other traditional in terms of visitors, Cantabria's Government together with Comité Superior de Deportes launched the Competitiveness Plan of Surfing Tourism for Spain in 2009.

Since then, evaluation of economic impact revealed that surfing was yearly responsible for € 3,8 millions in just one single location, Ribamontán al Mar.

In conclusion, surfing grows and grows in Spain at an average rate of 5% annually according to Federación Española de Surf. Fact that implies the growth on popularity of surfing among European and Spanish people and demand for equipment.

### **3.3 *Market Characteristics***

The surfboard retailing market can be featured by the distribution channel and its consequences on the leadership of the market.

On this market, there are two kinds of distribution channels: direct, long and short channels.

- As it was explained in the Market Analysis section, surfboard shapers are rudimentary handcrafters that accumulate the know-how of surfboard building. They frequently own a small workshop and surf shop in a given location. This channel would be direct and although the removal of intermediaries should decrease the price, it's the other way around. The reason is the customized building by orders and the low production quantity.
- The long channel is produced when a third company is involved. These third companies (i.e. Quicksilver, O'neill, Pukas, Lost) design the surfboards, allowing a mass production to local or bigger manufacturers. The cost of production is lower, although the big firms get a big margin of it. Moreover, usually these firms are wholesalers, meaning that the product will be spread through local retailers who also get a margin.
- More recently, many plastic producers in China, India or Malaysia have adapted their factories to the production of surfboards. The new trend allows a minimum production cost at the expense of a significant drop on quality (due to the lack of experience). Apart from the lack of quality, the logistics problem arises, what also increase the unitary cost for retailers. This channels is short, as we depend on the manufacturer, the retailer and consumer.

In conclusion, channel distribution is much linked to the Porter's proposition of three possible strategies for leadership. The direct distribution is focused on differentiation on quality and customization, while the long distribution channel is focused on quality and availability on the market. Availability is the quality of a product to be in stock or ready to sell. Finally, the production on developing countries approaches a leadership on cost strategy.

### **3.4 Segments analysis.**

*'There appear to be many reasons why formal recognition of market segmentation as a strategy is beginning to emerge. One of the most important of these is decrease in the size of the minimum efficient producing or manufacturing unit required in some product areas.'* (Smith, 1995)

Segmentation is a necessary tool to understand our clients. We need to divide the market into segments to detect how to attack them through the satisfaction of their needs. The market can be segmented in many ways, although I selected the most representative: segmentation by surfing expertise.

Expertise can be divided into: Beginner level, Intermediate level, High level and Expert level.

The beginner level may concentrate those people who are taking classes. They don't dare to go surfing alone and safety is the priority.

The intermediate level gathers those people that have been surfing for some years but can't face big waves and they don't completely manoeuvre the board as they wished. Stationary surfers in summer are part of this group, who's priority remains in safety and entertainment.

The two groups above compound the biggest portion inside of the surfing population. Besides, the highest level is restricted to those people who practice surfing all year long. Obviously, people who reside in seaside locations end up acquiring a higher level of surfing. They use to be more discriminating regarding quality of boards or even design. This group use to keep abreast of new trends and new designs that are launched to the market.

The expert level arises from the last one and differs on the reasons to practice surf. This group gathers associated athletes to federative competitions. Surfing represents a

competition sport for them and they search for quality products while safety barely matters.

Surfing practice, as many disciplines, depends on one product: the surfboard. The performance and ability to catch waves is determined by its physics. The premise is clear: the longer the board, the easiest to catch a wave and stand up. At the same time: the longer the board, the harder to manoeuvre once you caught the wave. For this reason, expertise level is meaningful since the marketing point of view: The product must be crafted in different sizes so that every surfer can choose between them.

## ***4. Commodity Chain***

The commodity chain is the combination of factors that result in an output. These factors may be the transformation of goods or services and the addition of value on the value chain. In practice, a production system integrates all the activities that a company needs to produce an output, either from industrial or commercial origin.

### ***4.1 Brief Description of the process.***

The business is responsible for the **design** of the surfboards. For that, computer sciences must be applied using programs as Photoshop. I will personally be in charge of the different designs that will be restored in the successive releasing of campaigns.

The design is sent to a supplier of surfboards, preferably a **manufacturer**. It will be needed to contrast that the supplier gathers the enough security requirements for avoiding cheats.

When the order is already arranged, **logistics** take part on the chain. Depending on the chosen supplier, the shipping will be possible via sea, air and land or a combination of the different factors. The size of the freight will optimize the unitary cost, so the number of units produced and the shipping possibilities must be thought as an indivisible unit. As part of the logistics activity, **clearance of customs** and red paper is another duty that can be either externalised or tight under control.

Next step is finding a **warehouse** that meets our stock and try to minimize the **cost per unit in stock**. Due to the initial size of the project, a modest and accessible warehouse near Zaragoza is easy to find.

The commercial activity starts now, when the product is shown to the customers. The website will be our main sales and contact point. With the aim of developing a website, analysing the different function that it will perform is key, since I am not a web developer. The cost of websites varies depending on the number of features it has. As an example, getting an own domain, allow different possibilities for online payments, or access to data are some features that endure the cost.

In addition, the website needs professional pictures of the product in order to promote them and secure a nice first view of the surfboards. The website represents the brand as a whole, so it must remain clean and updated.

Finally, an express shipping company must be contracted for finishing the sale and a post-sales service policy must be implemented for securing a clean image of the brand.

## **4.2 Design**

The designs are a critical point in the business activity. They represent the product and catch the attention of the customers either in the website, in adverts and once it's used on the beach.

The software used is going to be *Gimp*. The software is free, as it is under the **GNU General Public License (GNU GPL or GPL)**. Apart from benefiting from the cost, it also allows a constant updating on features made by the community. It's a real alternative to Adobe Photoshop, which license can suppose an important cost.

Inspiration on design will come from contrast with competitors' design, fashion trends in surfing in that moment or own proposals by me.

This part of the process is something that requires time cost rather than monetary cost.

## **4.3 Suppliers**

Searching a supplier in a foreign country required a deep research in the past. Thanks to online platforms, the search and contact has been simplified. However, an incorrect search can lead to swindles and the possibility to come across with fraudulent suppliers.

Alibaba, GlobalSources or IndiaMart are some of the most famous platform for the search of manufacturers.

The indicators that secures a real and reliable supplier can be the number of operating years in the system, the level of details they request for your product or the bank

account they provide for payment purposes (It always has to be an enterprise bank account and not a personal account).

In this case, I started conversations with many suppliers from Alibaba and Global Resources. Finally, the candidates that I considered they had the best technology together with accessible piers, were Chinese.

The selected company to start business with was *D&J Sports International Limited*, established in Hong Kong, China. They own several factories in Guandong Province, which means a complete access to the different airports and maritime ports of Cantonese area and Hong Kong. This is useful in order to have alternatives when shipping containers from different locations, as fares vary.

Furthermore, this company is an OEM. The acronym stands for Original Equipment Manufacturer and means that the manufacturer only produces for external brands that contract their services.

During the conversations, we established the qualities for the product and a sample was ordered, in order to check the specifications of the surfboard.

The manufacturer proposed a higher price than the target we applied for. However, they admitted that once a big order was arranged, conditions may change.

*Table 2: Manufacturing costs depending on quantity ordered (Source: Own, based on information provided by supplier)*

	Number of Units		
	One Sample	30	100
USD \$	146	146	130
EURO €	124,79	124,79	111,11

This is a FOB (Free on Board) price, which includes the OEM product requested by us, a set of three plastic fins and one leash. In addition, the package and the freight allocation on board is also included.

#### **4.4 Shipping**

After production, we can carry the goods by several means of transport. The fares of specific mean of transport are convenient depending on the freight.

The freight is measured in cubic metres and kilograms, also known as volumetric weight. This is a calculation that freighters use to assign the *unit load* to the available space. We refer to unit load to the groupage of goods that must be sent.

Containers are the most common used unit loads, as they are easy to ship by sea, air, rail and road. We call intermodal transportation to the combination of modes of transportation that make possible the shipping of a unit load from one pier to another.

I will analyse in this section the unitary cost of shipping freight from the Cantonese Area to Zaragoza.

### ***Express Courier***

These enterprises are responsible for carrying the freight from the departure pier to the destination. Their delivery time are shorter compared to other shipping companies, as they use planes for covering long distances and therefore, it's quite more expensive than sending big container by sea.

DHL, FedEx, UPS or TNT are the most famous courier companies and they are present all over the world. Normally, they are used for shipping individual boxes, pallets or sets of pallets. They are safer and reduce drastically red paper, as they invoice the deriving costs of customs clearance.

The chosen company was DHL for having the most transparent information in its website. The company sends directly the product from Hong Kong to Zaragoza's Airport (ZAZ), so the price is reduced compared to other Spanish cities.

The quoted price was 145€ without customs clearance and 250€ with custom clearance for a dimensioned box 182cm - 50cm - 7cm (height – length - width).

Deserves to be mentioned the fact that this price is charged individually for each box or pallet. There exists the possibility to group individual pallets containing several boxes,

### **Largest containership operators, 2017<sup>[43]</sup>**

1. **Maersk Line** – Denmark
2. **MSC** – Switzerland
3. **CMA CGM Group** – France
4. **COSCO** – China
5. **Evergreen Line** – Taiwan
6. **Hapag-Lloyd Group** – Germany
7. **Yang Ming** – Taiwan
8. **OOCL** – Hong Kong
9. **Hamburg Süd** – Germany
10. **MOL** – Japan

**Figure 3: List of largest containership operators in 2017 (Alphaliner)**

though the final price is calculated again from the volumetric weight. Thus, there's no difference between the two options but the easiness of handling.

I conclude that Express courier is the last option for shipping products coming from mass production. This solution is the most convenient when samples are arranged as the minimum volume for shared containers is 35,31 cubic feet (1 cubic meter), what is much above 145€.

### **Freight Companies**

Taking into account that the invoice is priced under FOB conditions, we must arrange the delivery to the warehouse in Zaragoza separately. Free on Board price includes the production, the packaging, the clearance of customs of the local country, handling and allocation of the freight “on board” or on the ship that will transport the goods.

The operators that are illustrated in the left-hand side of the page are the main operators in 2017.

During the process of comparing between the main operators and how to operate with them, I found difficulties deriving from unwillingness to disclose information about real fares. I found in the internet many people recommended *iContainers* for SMEs logistics operation.

The advantage of this company respect to others, is the instant availability of information about fares and bookings.

Commonly, shipping fares are bargained between the Containership company and the contractor. This leads to convenient prices for companies with a large record of big tons of freight, but inflated prices for companies that doesn't expect to ship regularly.

Yet, *iContainers* have standard fares which you can book immediately through the website. The founders remark that the website works as a travel agency (EFE EMPRENDE, 2017).

In some extent, we externalised the bargaining of prices to *iContainers*, saving time and money.

**Table 3: COST OF CARRYING SHARED OR ENTIRE CONTAINERS WITH iContainers. (Source: Own, based on iContainers prices)**

HONG KONG PORT - ZARAGOZA iCONTAINERS QUOTATION						
Feets	Capacity	Freight	Cost	Price/Unit	Comments	Feasibility
LCL (Shared)	100 uts	50	1.114,00 €	22,28 €	FLEXIBLE	MATCH WITH DEMAND
LCL (Shared)	100 uts	100	1.114,00 €	11,14 €	ECONOMIC	
20 ft	280 uts	50	2.567,00 €	51,34 €		
20 ft	280 uts	100	2.567,00 €	25,67 €		

#### Limitations of EOQ (Economic Order Quantity) Formula

Economic order quantity (EOQ) is a decision tool used in cost accounting. It's a formula that allows calculating the optimal quantity to be ordered for a given product. The calculation is designed to minimize ordering and carrying costs.

Yet, one of the most important assumptions in this EOQ formula, is to be fully aware of demand. Despite of knowing which is the exact demand, the formula also ignores the picks of sales, fact that may account for big failures in case of a seasonable products.

## **4.5 Stock**

The process we detailed in the last section is crucial to understand the stock and inventory strategy. We need to take into account that the cost of placing an order is much higher than the cost of maintaining a small warehouse.

According to Gaither, one of the most important reasons to keep inventory instead of implementing a JIT (Just in time) system, is the cost of place of orders.<sup>6</sup>

For better or for worse, SMEs and sole traders find difficult to implement a Just in time system because the demand is uncertain and the cost of placing orders is high compared to the cost of warehouse maintenance.

### **Warehouse rent**

The optimal warehousing solution would be contracting the specific meters I need. Guardatodo is a warehouse centre in Zaragoza, where you can rent different kind of small warehouses depending on your needs. Yet, it can be uncomfortable when dispatching the products to your shipping courier, as the loading gate is shared between more clients and it's not directly connected to the owned warehouse.

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<sup>6</sup> GAITHER, N. FRAZIER, G. (2000). *Administración de producción y operaciones*.

On the other hand, there are warehouses allocated near the highway in modern complexes as Empresarium, different companies in PLAZA (Plataforma Logística Plaza), Cogullada, etc. Keeping in mind that the orders are going to be of a minimum of 50 surfboards, a 20 m<sup>2</sup> lumber cannot be rented. The main disadvantage of these warehouses is the minimum storing capacity they have. They all offer no less than 150 m<sup>2</sup>, what can result in a high price for the starting volume of sales.

In conclusion, I found a convenient warehouse in Polígono Empresarium that can meet price and space requirements. It would cost 300€ per month and all expenses are included but electricity consumption rate.

### **Stock system**

One of the advantages of stocking surfboards, is the saving of space. Basically, they can be stocked unboxed or boxed. The advantage of disposing the unboxed product, is the capacity of saving empty gap between the product and the package itself. As you can see in the image, surfboards are disposed vertically along the walls, showing the whole product.

The disadvantage of disposing the product in such a manner, is the time cost of packaging and keeping the box in perfect conditions before dispatching the product.

On the other hand, the boxed system allows a quicker picking, handling of the product and saving of time.

## ***4.6 E-commerce***

On-line shop or E-commerce are terms that appeared no more than 10 years ago, in hand of platforms as Amazon or Ebay. They evolve in big retailer networks selling in a sole website.

However, big companies would take some more years in incorporating to this kind of business. The problem in incorporating their products directly to these websites was a matter of brand and image.

At this point, big companies as Nike, Adidas, Zara or Apple, incorporated to this segment. The advantage, apart from the cutting of commissions, was the brand and image management through the website. It was a new type of showroom. These companies dispose of big budgets and the fixed costs of paying IT professionals overtook the commissions from Ebay or Amazon.

From 2010, having a website started to be compulsory for any trader that wanted to expand his business, though not all of them were computer technician or graphic designers. To create a website or more specifically an online shop could and can cost around €10.000.

For that reason, solutions as PrestaShop, WordPress, Shopify, Wix or 1&1 appeared in the market. They were tools to create websites and e-commerces more easily and accessible to people without computer skills.

Nowadays, this kind of solutions are cheap and provide support at any time. The fees currently fluctuate between €5-€150 per month, which make them very competitive in contrast to fees that a computer technician may request for his services. Given the size of our business, it postulated since the beginning as the only possible solution. You can see below, a comparison of the companies' fees and their services:

Finally, attending to the value for money and opinions of the above solutions, we choose Wix, as the online services supplier. More specifically, the E-commerce fee: €16,49 per month. This price includes free access to a customized domain, unlimited images from Wix, online payment methods, 24/7 assistance, invoices, tax management, orders management tool and the possibility to create forms and surveys.

The main advantages are:

- To incorporate a unique web design customizable along time.
- The variety of online payment methods available.
- The automatic changes that the application makes on the mobile website, what is called 'responsive website'.
- The ability to analyse customer's data, how they react, at what time and from which part of the world.

#### ***4.7 Customer's Shipping***

While international shipping of freight can be performed in several manners, the transportation from the warehouse to multiple addresses must be done by an express courier. This is so, as the delivery must be done as soon as possible, individually and in the safest way.

The companies involved in this kind of activities are the same that were named in the *4.4 Shipping* section. Although prices can be more expensive than Correos or Seur, I think that creating a long-term relationship with DHL can lead to future discounts and benefits.

The shipping prices vary depending on the track itinerary, though I found that the most expensive shipping would cost €25 (VAT included) from Zaragoza to Faro (Portugal). Here is one of the research's limitations: the fact of not owning a real courier account, make us to search prices via a one-order platform.

## ***4.8 Post-sales Services***

Post-sales services bear upon support and warranty of the product. Support is traditionally linked to IT products and not manufactures, although I will create a support e-mail account in order to help as much as possible to the customers in topics such us usage and maintenance.

Regarding to warranty or complaints, there will be another e-mail account. The warranty will cover the optimal arrival of the product, which means it assures that the product will stay in perfect shape at the time of delivery.

This is to say, that we'll be responsible for possible damages on the product whereas it's a manufacturing defect or suffers damages on shipping.

In order to arrange a complaint for damages, it would be requested:

- Receipt of the courier indicating the delivery day.
- OndaOla invoice or sales ticket and letter of complaint within 3 natural days after delivery day.
- Enough clear pictures that proof the damage and evidence of absence of use.

If the above information is gathered and it meets the requirements, a return order will be arranged with the courier at 0 cost for the customer.

Aiming to avoid courier malpractice, every single reference in the warehouse will be photographed before dispatch. The aim of this practice is asking for responsibilities to the courier company in case of multiple negligence cases along the time.

## ***5. Marketing Mix***

### ***5.1 Product***

Product is a marketing term that refers to any combination of material or immaterial characteristics that satisfies the necessities of group of clients or one single customer.

For that reason, describing a product is easier when all the features have been analysed. The set of characteristics may be divided in Use, Core building and Design.

#### ***5.1.1 Use***

The use of a product is the reason to be crafted and commercialized. The use satisfies the needs of the customers and justifies the transaction (apparently, nobody would purchase a product without any value added). Surfboards are useful for riding waves. More specifically, they are floating platforms which together with the necessary drive of a human being, can ride towards the wave path.

#### ***5.1.2 Core Building***

The building of a surfboard can be of multiple finishes, but they always have a common structure: a long and narrow board made of any floating material. Every year, shapers incorporate new materials that allow surfboards having better performance in water.

Traditionally, surfboards are built from 4'5" feet to 9' feet (141 cm- 280 cm) long. Depending on the total volume of the surfboard, the craft serves for different kind of waves and style within surfing.

The usage of shorter boards requires higher experience, as they are used on bigger waves and the surfing style use to be quite more acrobatic than traditional surfing.

Intermediate boards suppose a mid-step between beginner boards and short-boards. These boards are called minimals, minimalibús, or evolutive.

The long-boards can be either for beginners and experienced surfers depending on the building. Long-boards for experienced surfers are longer and narrower than beginner boards. Moreover, long-boards are hard, while beginners use soft boards.

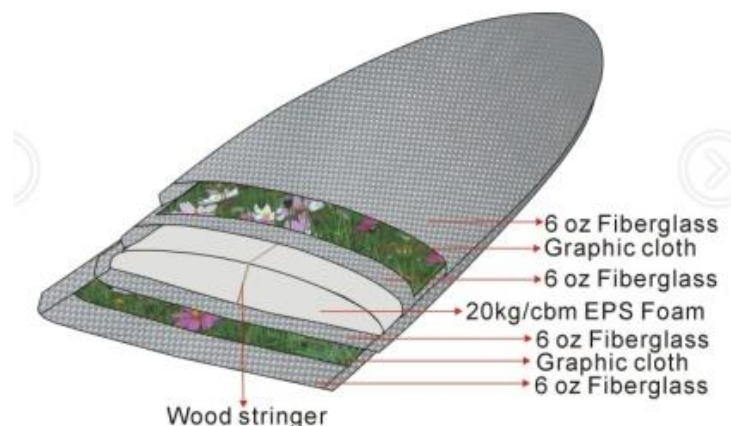
**OndaOla products** are a hybrid between beginner softboards and shortboards. Despite of being shorter boards than common softboards (5 feet to 7 feet), they have a great floatability.

The advantage of this building lies on floatability, safety, versatility and price. It's ideal for people who want to progress on surfing. Its soft core makes it safer than other surfboards, what is ideal for intermediate users and even children. In addition, the shorter building and incremented floatability, allows surfing a bigger range of waves.

Lastly, the price of production is lower than traditional boards due to cheaper materials.

On the other hand, these surfboards will never be used for competitions. The excess of floatability make them slow and less manoeuvrable. Moreover, in big waves, “dive” technique is impossible to apply, which is very dangerous when avoiding waves you don't want to ride.

Softboards, ranged from 5 to 7 ft are crafted on EPS foam with an alongside flex wood stringer called nerve. The most graphic difference of this kind of surfboards from the others is the soft surface, which absorbs crashes and keeps feet gripped to the board.

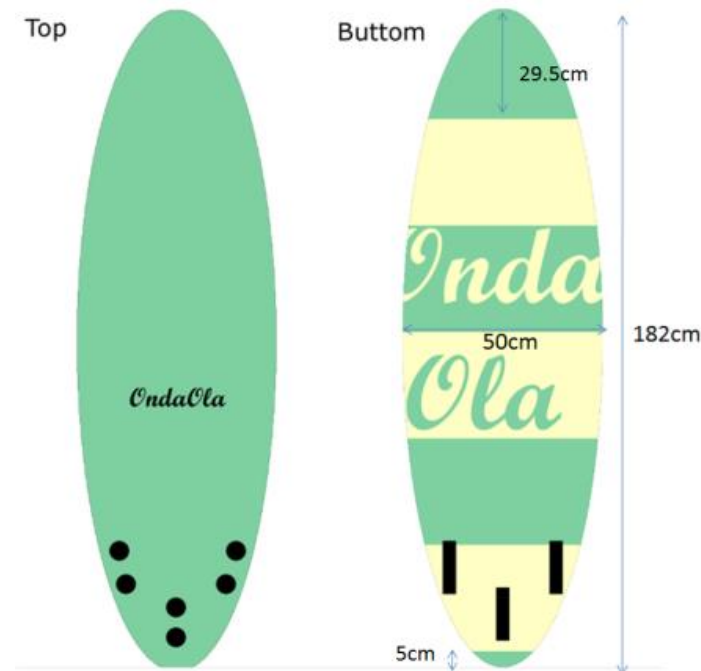


*Figure 4: Cross-section of OndaOla surfboards. Materials used for its manufacturing (Source: Supplier commercial team)*

### **5.1.3 Design**

The design will consist of two parts: top and button side. The top side is soft, and therefore, design is limited to monochromatic logos that are painted after-production of the surfboard. By contrast, the button side can be fully printed as required. The sheet that is allocated at the button is thin and can be printed in many colours.

One of the most important features of one product is the tangibility of the product. In our case, surfboards are pure tangible assets. This characteristic is key for all the coming operations in the commodity chain, as logistics, storage and package intervene.



*Figure 5: Guahira model Surfboard design using GIMP  
(Source: Own)*

## 5.2 Promotion

According to Diccionario de Marketing by Cultural S.A., the Communication is a marketing mix element that serves to inform the market and persuade of the products offered by companies.

Among the tools that this Marketing Dictionary points out as proper from promotion, I will analyse three of them: Publicity, Sales Promotion and Sales force.

### 5.2.1 Publicity

This tool includes every type of promotion that is carried out by a third party for communication, presentation, and exposition purposes if there is remuneration for such a duty. Publicity can be used to inform customers about new products, prices, deals, corporate image, etc.

The brand website will be the main platform to inform about the brand, the company and deals. Provided that a physical sales point is not available, I need the customers to resort to a “material place” where they can feel they are getting information directly from the seller.

The website will inform directly about all the products, history of the brand, mission and vision, special deals, delivery terms & costs, payment methods, refund policy and privacy policy. Ultimately, it will be a tree trunk from where different “branches” (publicity campaigns) will redirect their message.

Publicity campaign have been made traditionally via TV, radio and billboards. Nevertheless, in the last 10 years, it changed. Now, the best opportunities to be promoted reside in the most visited websites and apps in the internet: Facebook, Google, Youtube and Instagram.

### Facebook Ads

Apart from providing better prices, Facebook ads take the whole screen of the screen in all devices for the campaigns. They are promoted as a new post, instead of showing them as a differentiated section of the app and website. This is key for letting the potential customer to have a flash on our product even before entering the website.

A Facebook ads campaign price depends on variables such as objective, geographical market, number of total people interested on the topics your ad is related to and the like.

Fortunately, the tool is designated in such a manner that the price willed to be paid for the campaign seems to be an input, while total clicks in the ad would be an output. It allows to budget your campaign since the beginning, so that you know how much audience you approximately will get.

**Table 4: FACEBOOK ESTIMATION OF VISITS AND CONVERSIONS GIVEN DIFFERENT LEVELS OF INVESTMENT (Source: Own, based on Facebook information)**

Daily Input	Monthly Input	Monthly Output			
		Min visits	Max visits	Min Conversions	Max Conversions
€/day	€/month				
10	300	66000	390000	90	600
20	600	96000	600000	150	870
30	900	126000	780000	210	1110

## **Influencers Publicity**

Another way to approach the potential customer is to promote your product indirectly through a person who is followed by a notably amount of people in social media platforms. These followers have daily contact with what influencers post in Facebook, Youtube or Instagram. The main advantages of promoting the product through these group of people are:

- Flexibility in payment (in kind, in cash, presents, discounts, etc)
- Segmentation of publicity: Some influencers are uniquely known in certain circles, what increment sales conversion rate per euro invested.
- In general, it's cheaper than any other mean.
- The use of these product by influencers shows a stronger brand image, as they seem to be already used by lots of people.

These influencers are going to be contacted and offered a free surfboard if they promote the product on video or post. Some of the most known influencers may refuse the offer, although they will be contacted in the future when cash flows horizon allows to make a better bargain.

### **5.2.2 Sales promotion**

Sales promotions are part of the five main tools for promotion itself. It has to do with a close bargain between the customer and the dealer. In some extent, this strategy would be allocated after the customer found the product.

Sales promotion has been traditionally carried out in-store in retailing sector. Thus, the promotion couldn't surpass the unitary cost of placing the product in-store. To make matter worse, the uncertainty of sales pull ups the failure probability of the promotion, consuming space in the warehouse and opportunity cost deriving from showing other products. Fortunately, this could be avoided through an on-demand business model.

Keeping in mind this information, I focused the sales promotion strategy in two lines: online retailing and online on-demand bookings.

- 1) Online retailing will follow the traditional retailing business model in which the product is in-stock and ready to sell. The pricing for this kind of transaction would

be higher than the second sales promotion strategy due to the augmented risk deriving from maintaining the product in-stock and the probability of not being sold.

- 2) Online on-demand booking will consist on a price discount of a product for a limited number of units and date. The product will appear on the website with a count-down clock pointing out how many units are left on the promotion. The book of one unit guarantees the delivery of the product within 2 months with a 50% off the original price.

The requirements for ordering the surfboard would be to pay in advance 50€ at the booking date. The advantage of this promotion is the great impact it has on the saving of resources on finance, logistics, and sales effort.

### 5.2.3 *Sales force or Personal selling*

*'The process of person-to-person communication between a salesperson and a prospective customer, in which the former learns about the customer's needs and seeks to satisfy those needs by offering the customer the opportunity to buy something of value, such as a good or service.'*

Cant & van Heerde (2004)

It's worthy to mention that personal selling changed when ITs were incorporated into the selling management. Thus, cold door selling was replaced by telemarketing and mailing. CRM (Customer relationship management) is a set of processes that allows the company to deal with interactions with customers. However, B2B activities are hard to manage through a CRM system, so sales representation or direct sale must be carried out.

As a result, the sales force strategy will consist on two approaches:

- CRM (Customer relationship management): In practice, it's an online application that allows to analyse who entered the website and what this person desires. This process can be automated through expensive solutions by Oracle or Microsoft, although the scale of the project suggests to limit the resources to Wix apps and less automated solutions. Wix apps segment the customer that visited the website by region, gender and age, what is key in order to adjust the product to the public. Furthermore, newsletters and blogs will allow to gather e-mail accounts that

together with registration forms, will return more information about the customers. Offers and special publicity can be directly sent to the customers once a profile has been updated to the database.

- **B2B (Business to Business) solutions.** Although the targeted customer is the final consumer of the product in an online retailing context, Surf Shops and Surf Camps deserve our attention. They are customers which use to order in bulk to wholesalers, although sometimes they also contact with retailers. For this reason, I will promote my product by e-mail and phone, arranging personal meetings. Moreover, a section for Surf Camps will be included on the website for inquiries.

### 5.3 *Price*

*'The price can be set to maximize profitability for each unit sold or from the market overall. It can be used to defend an existing market from new entrants, to increase market share within a market or to enter a new market.'*<sup>7</sup>

Gregson (2008)

The pricing strategy aims to enter the product into the market and to increase the market share once the introduction has taken place.

Aiming to increase the market share and enter the market as leaders in price, the combination of three pricing tactics can be applied: Differential Pricing and High-Low prices, decoy pricing, cost plus pricing

Cost plus pricing implies analysing which is the unit cost and adding a mark-up or margin of profit over that cost. The unit cost depends on the amount of product imported from the supplier.

- **Online on-demand booking products** have a fewer unit cost after all: € 178 (Including VAT & sales equalization tax). The mark up would be around 20,78 % over the unit cost. As a result, the sale single piece would be priced at **€215**.
- **Online retailing products** are costly to maintain, as the sales effort and warehouses costs are higher. A way to approximate the unit cost of stocking products would be dividing the rental cost by average number of units sold one

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<sup>7</sup> GREGSON, A. (2008 ). *Pricing Strategies for Small Business*.

month. This would allow to add the unitary cost of stocking products. Specifically, considering that the expected sales per month in this promotion would be around 10 units (10% of minimum sales according to Facebook ads), the unitary cost to add up to the price is €35.

Now the total unitary cost would be €213. The cost-plus pricing strategy followed in the last promotion (20,78% mark-up) will push the price up till €258. Yet, running a traditional retailing business is riskier and require higher liquidity, what self-defeats the price leadership I want to approach. Decoy pricing strategy should be considered to deviate the maximum amount of sales to the first promotion: Online on-demand booking.

Decoy pricing consist on stablishing a profit margin so high sales focus on the low margin product. I consider a 50% mark-up enough to cover the risk and deviate attention to the convenient product. The price would be **€320**.

## **6. *Legal Research***

The legal concept that the entity or person may choose must be based on the advantages the law can provide to the shape of the project ahead. Thus, after analysing the necessities of the company, it's critical to analyse which legal form may adapt better to the circumstances.

The main factors to be concerned about are:

- The initial investment on assets is below € 5,000.00
- The main activity is much defined. The job is described as Importer and Retailer.
- No employees will be needed.
- The volume of sales and activity characteristics suggest that a simplified accounting will save time that can be invested in other activities.
- The risk profile of the entrepreneur is risk adverse. Financial leverage will be avoided and so the debt obligations.

After analysing the different options, the choice is to establish myself as a soletrader (Spanish: Empresario Individual).

The reasons that suggest this legal concept is the optimal are mainly three:

- 1) The risk adverse profile. Despite of the fact that a limited company can protect the personal assets from an entrepreneur, the set of costs of maintenance and setting can be tedious to a business model which volume of sales is low and it's completely managed by one person. The riskier the entrepreneur's profile, the riskier the business it engages with. For that reason, if low risk operations are carried out, there's no reason to think we'll need a legal protection to our personal assets.
- 2) The set of incentives and cut offs provided nowadays by the Government. At this moment, the social security contributions for unemployed people whose age is less than 30 years are:
  - a) 80% off from minimum contribution during the first 6 months.
  - b) 50% off from minimum contribution during the next 6 months.
  - c) 30% off from minimum contribution during the next 18 months.

In nominal terms, the contributions would be €54.82 €137.05 and €191.87 throughout the next two years and a half.

- 3) The VAT (Spanish: IVA) declaration model cannot be applied, as the activity doesn't gather the requirements. Instead, sales equalization tax system must be applied for all the sole traders subject to the epigraphs that concern with retailing activities.<sup>8</sup>

However, a simplified accounting through the Simplified Direct Estimation can be performed in order to calculate the Income Tax (Impuesto de renta de personas físicas in Spanish legislation).

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<sup>8</sup> According to [agenciatributaria.es](http://agenciatributaria.es), based on its web consult centre

## 7. *Expenses*

In this section I will specify the different costs arising from setting up and running the business. Since the purpose of this section is setting the basis for following financing ratios and indicators, Social Security contributions are included too.

### 7.1 *Common Expenses to both products*

#### 7.1.1 *Variable costs*

The calculation of the variable costs depends on three main items: manufacturing, shipping and delivery to customer.

- 1) Surfboard Manufacturing

*Table 5: UNIT COSTS (Source: Own)*

Unit Cost	Unit Cost VAT + SET* + Custom
€ 111,11	€ 140,00

- 2) Shipping from Hong-Kong to Zaragoza (33 days delivery).

HONG KONG PORT - ZARAGOZA iCONTAINERS QUOTATION					
Feets	Capacity	Freight	Cost	Price/Unit	Total VAT + SET + Custom
LCL (Shared)	100 uts	50	€ 1.114,00	€ 22,28	€ 28,07
LCL (Shared)	100 uts	100	€ 1.114,00	€ 11,14	€ 14,04

*Table 6: SHIPPING COSTS TO WAREHOUSE (Source: Own, based on iContainers quotation)*

- 3) Shipping from Zaragoza to customer: € 20.00 through DHL (VAT included).

#### 7.1.2 *Fixed Costs*

- 1) WIX E-Commerce Website: 196.28€ per 1 year (VAT & SET included).
- 2) Modelling fee: € 94.02

- 3) Patent and Brand: €144.58<sup>9</sup>
- 4) Telephone and Internet:
- 5) The budget for publicity amounts to €5,100 per year. The payment is carried out in monthly instalments of €309.91 and €619.83 (VAT & SET included).
- 6) Social Security Contributions:

Year 2017: €1,140.3

- From January to June: €53
- From July to December: €137.05

Year 2018: €2,302.44

From January to December: €191.87

**Total Fixed Costs attributable to both products for 2017: € 11,174.88**

## ***7.2 Specific Expenses for Online Retail System***

- 1) Rent of warehouse: €375 (VAT & SET included) per month. Total: €4,500.

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<sup>9</sup> Oficina Española de Patentes y Marcas (2017): Tasas y Claves del año 2016

## 8. *Feasibility Analysis*

The aim of this section is to show how I forecasted sales and to analyse the match between forecasted demand and my own liquidity. In my opinion, the feasibility of the project lays in the fact that economic result is reasonable and proportional to economic position. Therefore, the activity must generate profits till a certain level in which I can assume the obligations incurred.

### 8.1 *Sales forecast*

In this section, I will explain how I calculate the forecasted amount of sales and which are the underneath reasons to proof such an attempt. Obviously, a more accurate research would be needed to obtain a more reliable forecast, although the expected sales volume would not be enough to pay off the outsourcing cost.

There are three constraints on my approach:

- 1) Total people who go surfing in Spain: 479,320<sup>10</sup>
- 2) Range of conversions through publicity, according to the information provided by Facebook Ads.
- 3) Season peaks and Supplying Capacity.

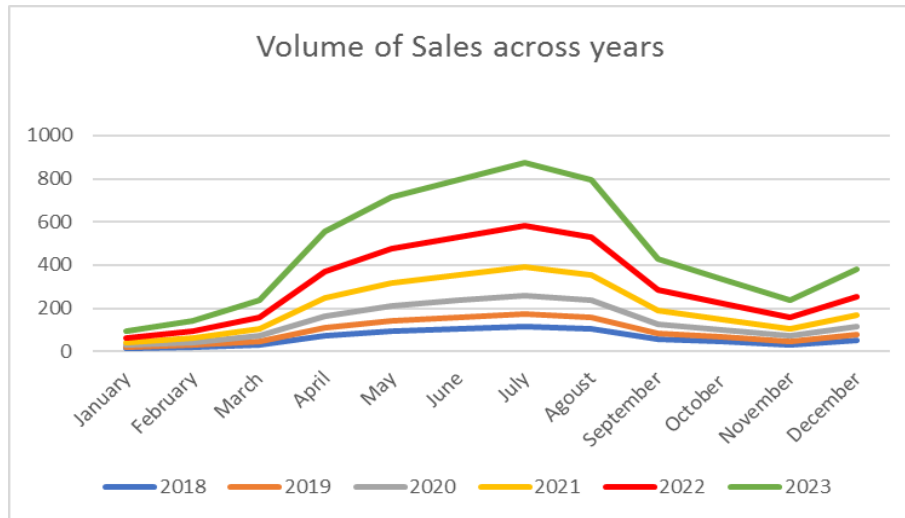
The total people that went surfing last year, should be an indicator to not surpass an unrealistic market gap. Aiming to obtain a realistic market share, it must be much lower than dividing the whole market by the number of brands operating in Spain and Portugal.

According to the information provided by Facebook, investing 300€ in ads may result in 90 to 150 conversions per month. However, this minimum and maximum may vary throughout coming years. As can be seen in *Figure 6*, I established a striking peak on sales during the months of June, July and August; and a general drop down of percentages for the rest of the year with minima on winter months. It should be underlined that I also included a peak of sales on Christmas, due to the old tradition of buying presents.

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<sup>10</sup> Centro de Investigaciones Sociológicas (2015): Encuesta de los hábitos deportivos de los españoles

**Figure 6: Volume of sales forecast presented by month and year. (Source: Own)**



Respect to the evolution of sales, I imposed a 70% accomplishment of the minimum conversions for the first year followed by successive 50% interannually increases, so that the presented scenario was less optimistic than offered numbers.

**Table 7: ESTIMATED EVOLUTION OF NUMBER OF PIECES SOLD (2018-2023) (Source: Own)**

Year	2018	2019	2020	2021	2022	2023
Units sold	739	1,109	1,663	2,495	3,742	5,613

As a matter of fact, selling products in two different ways implies analysing how much sales of each modality must be accomplished to cover both sources of costs. The breakeven point analysis carried out shows that at least 123 booked units and 46 in stock units must be sold in order to cover the joint costs.

The split of common fixed costs on each modality was thought as the percentage of what they represent for the whole activity. Since I expect 70% of my work will be driven to manage the booking system, I allocate the same percent of the common cost allocation to that system. As a result, adding the rest of individual costs turns out a break-even point that is very close to the percentage of activity I imposed.

*Table 8: Break-Even-Point analysis (Source: Own)*

	FC	VC	Price	BEP	Proportion
<b>Booking System</b>	€ 5.042,72	€ 174,04	€ 215,00	123	73%
<b>Retail System</b>	€ 6.661,16	€ 174,04	€ 320,00	46	27%

## 8.2 Cash Position

The cash-flow statement was carried out taking into account cash-based operations and excluding amortization or depreciation of assets. The split of the statement into months allows a quick recognition of peaks of activity and the resources needed to achieve the placing of the product at the right moment.

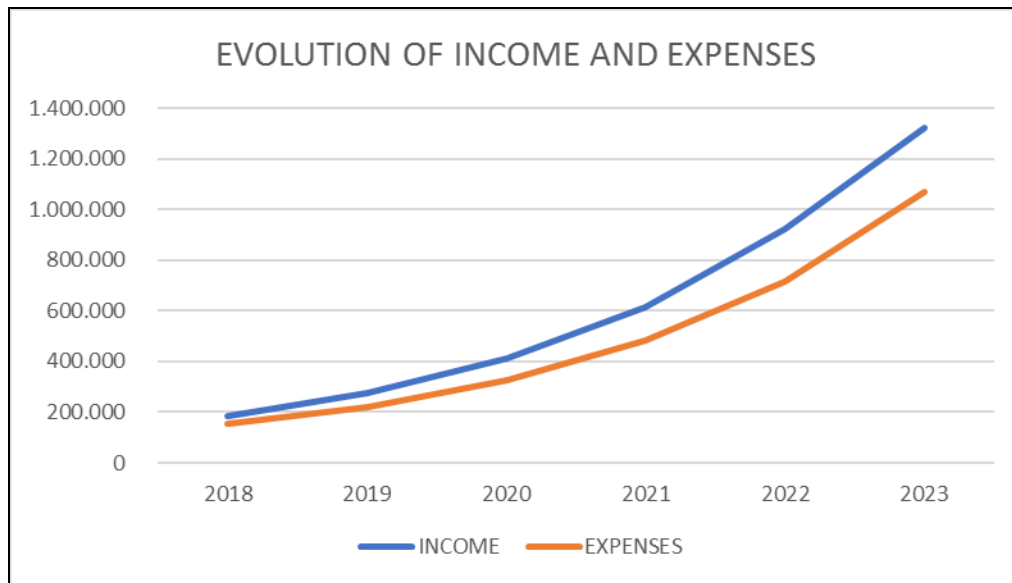
The volume of sales considered for this analysis amounted € 182,903. being the only source of income. Another important aspect is the initial investment to fund liquidity for the first operation.

*Table 9: FORECAST OF CASH-FLOW STATEMENT (2018): Quarterly disclosure*

*(Source: Own)*

Fiscal year begins:	Startup	JAN-MAR	APR-JUN	JUL-SEPT	OCT-DEC
<b>Cash on Hand</b>	<b>15.000</b>	<b>14.855</b>	<b>11.433</b>	<b>22.522</b>	<b>33.198</b>
<b>Cash Receipts</b>					
Cash Sales		15.776	67.541	68.527	31.059
Total		15.776	67.541	68.527	31.059
<b>Total Cash Available</b>	<b>15.000</b>	<b>30.631</b>	<b>78.974</b>	<b>91.049</b>	<b>64.257</b>
<b>Cash Paid Out</b>					
Purchases (merchandise)		14.094	42.000	42.000	14.000
Container Shipping		1.404	4.212	4.212	1.404
Website		196	0	0	0
Advertising		930	1.550	1.859	930
Delivery of goods		1.260	5.460	5.544	2.512
Rent		1.125	1.125	1.125	1.125
Telephone & Internet		30	30	30	30
<b>Total</b>		<b>19.039</b>	<b>54.377</b>	<b>54.770</b>	<b>20.001</b>
<b>Cash Paid Out (Non P&amp;L)</b>					
Patent	144,58				
Social Security Contributions		159	159	411	411
IRPF		0	1.917	2.669	2.129
<b>Total</b>	<b>145</b>	<b>159</b>	<b>2.076</b>	<b>3.080</b>	<b>2.541</b>
<b>Total Cash Paid Out</b>	<b>145</b>	<b>19.198</b>	<b>56.452</b>	<b>57.851</b>	<b>22.542</b>
<b>Cash Position</b>	<b>14.855</b>	<b>11.433</b>	<b>22.522</b>	<b>33.198</b>	<b>41.716</b>

The most important budget allocations for the period are the purchases of finished product and logistics. The costs follow an exponential growth (*Figure 7*) linked to sales growth, what is very common in on-line retailing business due to the low investment in fixed assets (lack of production means, low levels of stock, etc.). Due to the high percentage of variable costs, the implementation of economies of scales is difficult and may depend on bargaining bulk discounts and stock management.



*Figure 7: Evolution of income and expenses (2018-2023) (Source: Own)*

## 9. Funding

I contemplate two possibilities: Investing my own assets and earnings or borrowing funds from the bank. The cash flows deriving from the first scenario has been already showed in *Cash-Flows*. For that reason, I will first explain the second scenario and then, I will compare both.

Funding is necessary for liquidity. The business doesn't require a first disbursement to invest in long-term assets, but for supplies and business daily expenses. For that reason, we'll ask to the bank for liquidity financing. As the supplier has a strict policy on payment, (30% at order, 70% before delivery by transfer), credit account and a loan can be a feasible solution. However, it's the availability of information and the current ICO programmes what makes a bank loan to be the optimal option. Furthermore, liquidity need sticks out at the first stages of the operation.

The loan would be asked to Banco Sabadell, for a total amount of **€15,000** that will finance the incurred expenses during the first month. The APR (Annual Percentage Rate) must include all the commissions that Banco Sabadell could charge. For that reason, we can assume that the monthly instalments would amount to €339. (*Appendix 6*).

The cash-flow evolution during the credit life suggests a slump in the total cash owned at the end of the year. However, it is interesting to see how interests make taxes decrease. The total interest to be paid during 2018 amount to € 4,068.00 while the net cash-flow difference is € 3,110.00.

**Table 10: FORECASTED CASH-FLOW EVOLUTION IF OWN RESOURCES ARE INVESTED (2018-2021) (Source: Own)**

	Set Up		2018		2019		2020		2021
<b>In-flows</b>	€	15.000	€	182.903	€	273.319	€	409.979	€ 614.968
<b>Out-flows</b>	€	-	€	156.187	€	218.094	€	323.336	€ 481.231
<b>Total Cash-Flow</b>	€	15.000	€	26.716	€	55.225	€	86.643	€ 133.737

**Table 11: FORECASTED CASH-FLOW EVOLUTION IF THE LOAN IS GRATED (2018-2021) (Source: Own)**

	Set Up		2018		2019		2020		2021
<b>In-flows</b>	€	15.000	€	182.903	€	273.319	€	409.979	€ 614.968
<b>Out-flows</b>	€	-	€	159.297	€	219.282	€	324.179	€ 481.731
<b>Total Cash-Flow</b>	€	15.000	€	23.606	€	54.037	€	85.800	€ 133.238

The figures suggest that borrowing money from Banco Sabadell is a feasible option, as IRR (232%) is much higher than the interest rate I imposed in the calculation of Present Value. However, investing my own resources is much cost efficient since it scores both higher NPV and IRR.

**Table 12: NPV AND IRR INDICATORS FOR BOTH SCENARIOS : INVESTING OWN RESOURCES AND BORROWING (Source: Own)**

	Own resources	Loan	Dif
<b>Net Present Value</b>	€ 261.047,99	€ 254.512,26	€ 6.535,73
<b>Internal Rate of Return</b>	314%	298%	15%

## 10. Sensibility Analysis

I will analyse the effect of exchange rate switches on revenues. The supplier demand payment in \$ USD, denying being paid in ¥ CNY. It's worth highlighting that the bank address is Hong Kong, what offers a higher credibility in guarantees. In order to facilitate the analyse, I added all the commissions charged by the bank in the resulting exchange rate.

**Table 13: EFFECTS OF EURODOLLAR FLUCTUATION OVER UNIT COSTS AND MARGINS**  
(Source: Own)

EXCHANGE RATE		Factory Unit Cost	Shipping Cost	Total Unit Cost	Booking Margin	Retail Margin
Current	€/ \$ = 0.85	€ 140,00	€ 34,04	€ 174,04	€ 40,96	€ 145,96
Drop Down	€/ \$ = 0.82	€ 135,37	€ 34,04	€ 169,41	€ 45,59	€ 150,59
Rise	€/ \$ = 0.88	€ 144,96	€ 34,04	€ 178,99	€ 36,01	€ 141,01

**Table 14: EFFECTS OF EURODOLLAR FLUCTUATION OVER PRODUCTION COSTS, OPERATING MARGIN AND EBIT (YEAR 2018)** (Source: Own)

EXCHANGE RATE		Production	Commercial Margin	2,018 Profit
Current	EUR/USD = 0.8547	€ 112.094,00	€ 70.809,00	€ 33.631,64
Drop Down	EUR/USD = 0.82	€ 108.297,52	€ 74.605,48	€ 37.371,90
Rise	EUR/USD = 0.88	€ 115.964,60	€ 66.938,40	€ 29.704,82

Table 13 shows an eventually appreciation of the Euro currency over the American dollar, may lead in a decrease on the units of euro paid for a single dollar. For that reason, cost would drop down in an eventually appreciation of Euro, pushing up the EBIT (Earnings before interest and taxes).

Concluding, the stronger the EUR/USD exchange rate, the higher the Commercial margin. Since the product will be sold in the Euro-zone, it's not interesting to analyse how will exchange rate affect in exports.

## 11. *Income Statement*

The Income Statement that I prepared for 2018 is based on figures that I forecasted on sales and expenses sections. The figures that appears on it reflects the capacity of the product to generate high revenues with a relatively low number of sales (739). On the other hand, it also shows the incapacity to stick out from a linear growth pattern due to the high percentage of variable costs, which implies a low marginal profit for each additional unit sold.

The level of inventories was calculated with 61 remaining units that might remain in stock at the end of December and its value is the gross price of its manufacturing: € 111.

*Table 15: FORECAST: Income Statement Summary for the year 2018 (Source: Own)*

<b>A) CONTINUED OPERATIONS</b>	<b>2018</b>
1.Revenue	€ 182.903,00
a) Sales	€ 182.903,00
2. Finished goods inventories variation	€ 6.771,00
4. Supplies	-€ 112.094,00
a) Consumption	-€ 2.019,00
6. Personnel expenses	-€ 1.140,30
b) Social Security contribution	-€ 1.140,30
7. Other operating expenses	-€ 36.093,28
a) External services	-€ 36.093,28
<b>A.1) PROFIT BEFORE INTERESTS AND TAXES(1+2+3+4+5+6+7+8+9+10+11)</b>	<b>€ 40.346,42</b>
<b>A.2) NET FINANCE INCOME (12+13+14+15+16)</b>	<b>€ -</b>
<b>A.3) PROFIT BEFORE TAX (A.1 + A.2)</b>	<b>€ 40.346,42</b>
17. Tax	-€ 6.715,08
<b>A.4) PROFIT FROM CONTINUED ACTIVITIES (A.3 + 17)</b>	<b>€ 33.631,34</b>
<b>A.5) PROFIT FOR THE PERIOD (A.4+18)</b>	<b>€ 33.631,34</b>

The structure of the summary of the Income Statement reflects clearly the absence of amortisation. It is a fact that non-monetary investment will be made at the initial stages of the business, but then I come across with valuation matters.

The laptop to be allocated in the asset line was already bought in the year 2011 for €570, which reduces the chances to be justified as an asset for exclusive business purposes.

I consulted with *HERNANDEZ MANRESA S.L.*, an Aragonese local consulting company, if this investment was subject to amortization and they replied:

‘ ...

- 1) Every single investment is subject to annual amortisation independently of their previous destination, owners and use.
- 2) The amortisation of an asset considers the previous amortisations, so the valuation of the asset decreases.
- 3) The base of the item is 570€ to amortize in a maximum of 10 years.
- 4) Treasury in practice, use to assess carefully those investments which valuation is beneath €300.

*In conclusion, we don't suggest the amortisation of the already used asset, since its valuation is uncertain and the benefits from its tax relief doesn't lead to a great impact over taxes. Moreover, a misinterpretation by professionals of the public treasury could be punished with fines that completely offset and overpass the benefits from its relief.'*

For that reason, I didn't include the amortisation of personal belongings previously with a non-professional use, although they are necessary assets that allow the daily running of the business. Those belongings include also the smartphone.

## **12. Balance Sheet**

Although Spanish legislation doesn't require the preparation of a balance sheet when a sole trader enters the Simplified Direct Estimation tax system, it can help to have a clearer image of the starting point of the business.

The differences between the traditional balances sheet preparation and its link to the income statement, makes impossible a complete correlation with the accounting figures prepared for the Simplified Direct Estimation tax system. One of those reasons, is the absence of inventories variation.

**Table 16: Balance Sheet for 2018 in € (Source: Own)**

	BEGGINING YEAR 2018			BEGGINING YEAR 2018	
<b>ASSETS</b>	15.000	48.631	<b>EQUITY AND LIABILITIES</b>	15.000	48.631
<b>A) NON-CURRENT ASSETS</b>	145	145	<b>NET EQUITY</b>	15.000	48.631
Patent	145	145	Capital	15.000	15.000
<b>B) CURRENT ASSETS</b>	14.855	48.487	Profit for the year	-	33.631
Inventories	-	6.771	<b>LIABILITIES</b>	-	-
Cash	14.855	41.716	<b>A) CURRENT LIABILITIES</b>	-	-
			Suppliers	-	-

As it was explained in previous sections, cash position is the most important item in the balance sheet. Most of the investment is allocated to operating expenses and stock, what reduces borrowing costs and gearing ratios. Yet, holding such levels of indebtedness can also be a missed opportunity to run a business with greater possibilities and scope in the market.

### **13.      *Conclusions***

This business plan that I present is not only a theoretical document that tries to simulate a hypothetical scenario, but a real decision making score book. The project was launched in August 2017 at a very small scale, aiming to offer a real alternative in the Spanish market. One of the most important features that surrounds all the decisions that were made, was prudence. At this point, after three months, I can turn back and form a better opinion of what I did wrong and what I can improve.

First, I'm going to start by enumerating a set of limitations that were impossible to capture in this report and which I consider they are important:

1. Theory vs Practice: I found difficulties reaching a balance between what the project is nowadays and what should it look like for the reader of this document. Thus, although a business plan tries to give a formal explanation of the business functioning and performance, it can give cause to the systematic search of alternatives that are far from the most important facts: economic status, legal guarantees and risk.
2. Ground knowledge prevails over market-research: I found market research without resources is limited to the personal knowledge of the researcher on the researched ground.

Secondly, I will explain what I found the most difficult in theory and in practice:

- a) In practice, the most difficult duty was searching for a supplier and the bargaining process it supposes. It can be tedious to find a supplier willing to start business with a young person, especially in China. I think this duty was important, since it improves my commercial and sales skills and because I learnt to distinguish all the kind of manufacturers you can find in China.
- b) Elaborating this report was very satisfying, as I took a little bit of each subject that I studied during my stage at the faculty. The most difficult aspect I found

was the difference between accounting framework for companies and sole traders.

Finally, I will carry out a reflective comment on my work and my decisions. The reality contrast with knowledge learnt at university: deciding whether to fund liquidity with my own resources was not an option. The reports tries to show the scenario in case a loan was granted, although in practice it's almost impossible. First, the bank needs to support your idea, which is difficult taking into account that my profile is too risky for them. You also need to provide enough guarantees that you'll repay and even if you are granted the money, banking sector is searching for marginal opportunities to increase profitability on loans by offering compulsory insurances that at the end dramatically increase the virtual APR.

I also think that the initial investment I considered is not enough for the optimal performance of the business. Although total costs are covered by own resources, a higher investment should be done in non-current assets. Especially in intellectual property and website development.

I must admit that there are other feasible options, as crowdfunding or business angel that require an individual advertising campaign, what results in a larger investment. Nevertheless, I think the uncertainty of demand together with the uncertainty of funds, may had harmed the concision of the report.

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# **APPENDIX**

## APPENDIX 1: Surf-Shop list in Spain and Portugal

NUMBER OF PHYSICAL SURF-SHOPS			
CP	PROVINCE	Autonomía	Number of Surfshops
01	Araba/Álava	País Vasco	5
02	Albacete	Castilla-La Mancha	1
03	Alicante/Alacant	Comunitat Valenciana	20
04	Almería	Andalucía	15
05	Ávila	Castilla y León	0
06	Badajoz	Extremadura	1
07	Balears (Illes)	<i>Balears (Illes)</i>	22
08	Barcelona	Cataluña	60
09	Burgos	Castilla y León	2
10	Cáceres	Extremadura	0
11	Cádiz	Andalucía	40
12	Castellón/Castelló	Comunitat Valenciana	10
13	Ciudad Real	Castilla-La Mancha	0
14	Córdoba	Andalucía	1
15	Coruña (A)	Galicia	50
16	Cuenca	Castilla-La Mancha	0
17	Girona	Cataluña	20
18	Granada	Andalucía	3
19	Guadalajara	Castilla-La Mancha	2
20	Gipuzkoa	País Vasco	83
21	Huelva	Andalucía	25
22	Huesca	Aragón	2
23	Jaén	Andalucía	0
24	León	Castilla y León	3
25	Lleida	Cataluña	4
26	Rioja (La)	Rioja (La)	4
27	Lugo	Galicia	19
28	Madrid	Madrid (Comunidad de)	23
29	Málaga	Andalucía	14
30	Murcia	Murcia (Región de)	11
31	Navarra	Navarra (Comunidad Foral de)	6
32	Ourense	Galicia	35
33	Asturias	Asturias (Principado de)	46
34	Palencia	Castilla y León	1
35	Palmas (Las)	Canarias	57
36	Pontevedra	Galicia	39
37	Salamanca	Castilla y León	0
38	Santa Cruz de Tenerife	Canarias	46
39	Cantabria	Cantabria	68
40	Segovia	Castilla y León	0
41	Sevilla	Andalucía	8
42	Soria	Castilla y León	0
43	Tarragona	Cataluña	10
44	Teruel	Aragón	0
45	Toledo	Castilla-La Mancha	0
46	Valencia/València	Comunitat Valenciana	31
47	Valladolid	Castilla y León	1
48	Bizkaia	País Vasco	74
49	Zamora	Castilla y León	0
50	Zaragoza	Aragón	1
51	Ceuta	Ceuta (Ciudad de)	1
52	Melilla	Melilla (Ciudad de)	2
TOTAL SPAIN			866
1	Porto	Portugal	80
2	Transmontana	Portugal	12
3	Costa Prata	Portugal	110
4	Lisbon	Portugal	95
5	Alentejo	Portugal	64
8	Algarve	Portugal	59
7	Azores	Portugal (Islands)	5
9	Madeira	Portugal (Islands)	3
TOTAL PORTUGAL			428
			1294

APPENDIX 2: Catalogue



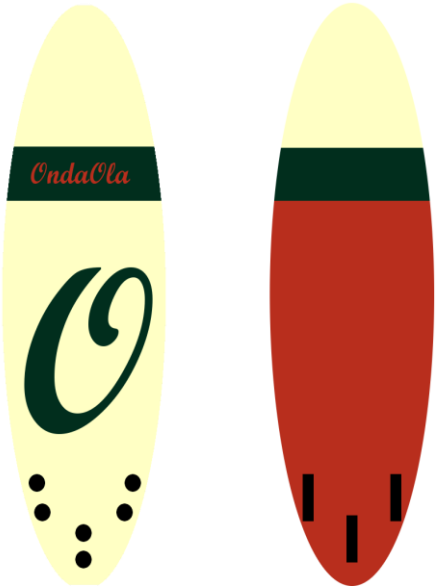
3. Guajira



2. Feitiço



2. Tabernera



4. Tiburão

### APPENDIX 3: TOTAL COSTS

TOTAL COSTS			
Variable Costs	Price	Units	Total
Manufacture	€ 140,00	100	€ 14.000,00
Container	€ 14,04	100	€ 1.404,00
Shipping	€ 20,00	100	€ 2.000,00
Total Variable Costs			€ 17.404,00
Variable Unit Cost			€ 174,04
Fixed Costs	Price	Units	Total
Patent-Brand	€ 144,58		€ 144,58
Modelling Fee	€ 94,02		€ 94,02
WIX	€ 196,28		€ 196,28
Publicity Campaign	€ 5.269,00		€ 5.269,00
Social Security Contributions	€ 1.140,00		€ 1.140,00
Phone	€ 360,00		€ 360,00
Total Fixed Costs for both systems			€ 7.203,88
Warehouse (Retail System)	€ 4.500,00		€ 4.500,00
Total Fixed Costs			€ 11.703,88

	70% of Units	30% of Units	
	Booking System	Retail System	Total
Variable Cost	€ 174,04	€ 174,04	€ 174,04
Fixed Cost	€ 5.042,72	€ 6.661,16	€ 11.703,88

**APPENDIX 4: CALCULATION OF THE SALES FORECAST** (According to Facebook figures)

**1. CONVERSION MAXIMA AND MINIMA**

	January	February	March	April	May	June	July	August	September	October	November	December	Yearly	Market Share
Min	90	90	90	150	150	150	150	150	90	90	90	90	1.380	0%
Max	600	600	600	870	870	870	870	870	600	600	600	600	8.550	2%

**2. MONTH WIGHTED RATE**

Per month	January	February	March	April	May	June	July	August	September	October	November	December
%	20%	30%	50%	70%	90%	100%	110%	100%	90%	70%	50%	80%

**3. MONTH WIGHTED CONVERSION MAXIMA AND MINIMA**

	January	February	March	April	May	June	July	August	September	October	November	December	Total
Min	18	27	45	105	135	150	165	150	81	63	45	72	1056
Max	120	180	300	609	783	870	957	870	540	420	300	480	6429

**4. FORECAST: WEIGHTED CONVERSION BY MONTH AND YEAR**

	January	February	March	April	May	June	July	August	September	October	November	December	Year
2018	13	19	32	74	95	105	116	105	57	44	32	50	739
2019	19	28	47	110	142	158	173	158	85	66	47	76	1.109
2020	28	43	71	165	213	236	260	236	128	99	71	113	1.663
2021	43	64	106	248	319	354	390	354	191	149	106	170	2.495
2022	64	96	159	372	478	532	585	532	287	223	159	255	3.742
2023	96	144	239	558	718	797	877	797	431	335	239	383	5.613

## APPENDIX 5: EVOLUTION OF CASH-FLOWS FORECAST

Evolution if own resources were invested (in €):

	2018	2019	2020	2021	2022	2023
Sales	182.903	273.319	409.979	614.968	922.452	1.383.678
Purchases (merchandise)	112094	154000	232848	349272	523908	785862
Container Shipping	11.232	15444	22464	35100	51948	78624
Website	196	196	196	196	196	196
Advertising	5.269	5.269	5.269	5.269	5.269	5.269
Delivery of goods	14776	22176	33264	49896	74844	112266
Rent	4500	4500	4500	4500	4500	4500
Telephone & Internet	120	120	120	120	120	120
Social Security Contributions	1.140	2583	3013,5	3444	3444	3444
Gross income before tax	149327,6	204288,3	301674,8	447797,3	664229,28	990281,28
Tax	6.715	13.806	21.661	33.434	51.645	78.679

	2018	2019	2020	2021	2022	2023
IN-FLOWS	182.903	273.319	409.979	614.968	922.452	1324691
OUT-FLOWS	156.187	218.094	323.336	481.231	715.874	1.068.961
-15000	26.716	55.225	86.643	133.737	206.578	255.730

Evolution if money was borrowed from a credit institution (in €):

	2018	2019	2020	2021	2022	2023
Sales	182.903	273.319	409.979	614.968	922.452	1.383.678
Purchases (merchandise)	112.094	154.000	232.848	349.272	523.908	785.862
Container Shipping	11.232	15.444	22.464	35.100	51.948	78.624
Website	196	196	196	196	196	196
Advertising	5.269	5.269	5.269	5.269	5.269	5.269
Delivery of goods	14.776	22.176	33.264	49.896	74.844	112.266
Rent	4.500	4.500	4.500	4.500	4.500	4.500
Telephone & Internet	120	120	120	120	120	120
Loan instalments	4.068	4.068	4.068	4.068	-	-
Social Security Contributions	1.140	2.583	3.014	3.444	3.444	986.837
Total operating expenses	153.396	205.773	302.729	448.421	660.785	986.837
Tax	5.901	13.509	21.450	33.309	52.333	79.368

	2018	2019	2020	2021	2022	2023
IN-FLOWS	182.903	273.319	409.979	614.968	922.452	1.324.691
OUT-FLOWS	159.297	219.282	324.179	481.731	713.119	1.066.206
-15000	23.606	54.037	85.800	133.238	209.334	258.485

**APPENDIX 6: LOAN****Loan amortisation schedule**

Data:

Capital	15.000
Nominal interest rate	4.09%
Period (Years)	4
Instalments (Months)	12

Periods	Instalment	Interest	Amortisation	Accumulated Amortisation	Capital
0					15.000
1	339	51	288	288	14.712
2	339	50	289	577	14.423
3	339	49	290	867	14.133
4	339	48	291	1.159	13.841
5	339	47	292	1.451	13.549
6	339	46	293	1.744	13.256
7	339	45	294	2.038	12.962
8	339	44	295	2.333	12.667
9	339	43	296	2.629	12.371
10	339	42	297	2.926	12.074
11	339	41	298	3.224	11.776
12	339	40	299	3.524	11.476
13	339	39	300	3.824	11.176
14	339	38	301	4.125	10.875
15	339	37	302	4.427	10.573
16	339	36	303	4.730	10.270
17	339	35	304	5.035	9.965
18	339	34	305	5.340	9.660
19	339	33	306	5.646	9.354
20	339	32	307	5.954	9.046
21	339	31	308	6.262	8.738
22	339	30	310	6.572	8.428
23	339	29	311	6.882	8.118
24	339	28	312	7.194	7.806
25	339	27	313	7.507	7.493
26	339	26	314	7.820	7.180
27	339	24	315	8.135	6.865
28	339	23	316	8.451	6.549
29	339	22	317	8.768	6.232
30	339	21	318	9.086	5.914
31	339	20	319	9.405	5.595
32	339	19	320	9.725	5.275
33	339	18	321	10.047	4.953
34	339	17	322	10.369	4.631
35	339	16	324	10.693	4.307
36	339	15	325	11.017	3.983

37	339	14	326	11.343	3.657
38	339	12	327	11.670	3.330
39	339	11	328	11.998	3.002
40	339	10	329	12.327	2.673
41	339	9	330	12.657	2.343
42	339	8	331	12.988	2.012
43	339	7	332	13.321	1.679
44	339	6	334	13.654	1.346
45	339	5	335	13.989	1.011
46	339	3	336	14.325	675
47	339	2	337	14.662	338
48	339	1	338	15.000	0

## APPENDIX 7: CASH-FLOWS

Fiscal year begins:	Startup	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	Total
Cash on Hand	15,000	14,855	1,366	4,923	11,433	12,052	17,118	22,522	32,260	39,497	33,198	42,330	33,352	15,000
Cash Receipts														
Cash Sales		3,205	4,684	7,888	18,241	23,418	25,883	28,594	25,883	14,051	10,846	7,888	12,325	182,903
Total Cash Available	15,000	18,060	6,049	12,811	29,674	35,470	43,000	51,116	58,143	53,547	44,044	50,218	45,677	197,903
Cash Paid Out														
Purchases (merchandise)		14,094	0	0	14,000	14,000	14,000	14,000	14,000	14,000	0	14,000	0	112,094
Container Shipping		1,404	0	0	1,404	1,404	1,404	1,404	1,404	1,404	0	1,404	0	11,232
Website		196	0	0	0	0	0	0	0	0	0	0	0	196
Advertising		310	310	310	310	620	620	620	620	620	310	310	310	5,269
Delivery of goods		252	378	630	1,470	1,890	2,100	2,310	2,100	1,134	882	630	1,000	14,776
Rent		375	375	375	375	375	375	375	375	375	375	375	375	4,500
Telephone & Internet		10	10	10	10	10	10	10	10	10	10	10	10	120
Total		16,641	1,073	1,325	17,569	18,299	18,509	18,719	18,509	17,543	1,577	16,729	1,695	148,187
Cash Paid Out (Non P&L)														
Patent	144,58													144,58
Social Security Contribut		53	53	53	53	53	53	137	137	137	137	137	137	1,140
IRPF		0	0	0	0	0	1,917			2,669			2,129	6,715
Total	145	53	53	53	53	53	1,970	137	137	2,806	137	137	2,266	8,000
Total Cash Paid Out	145	16,694	1,126	1,378	17,622	18,352	20,478	18,856	18,646	20,349	1,714	16,866	3,961	156,187
Cash Position	14,855	1,366	4,923	11,433	12,052	17,118	22,522	32,260	39,497	33,198	42,330	33,352	41,716	41,716