

# **Deliverable G**

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## **1. Introduction**








In this deliverable we will discuss about our business model and economic report. For business model, we will discuss about what kind of business model we are in and why we are in that model. A canvas will be provided to give a thorough description about our business model. Then we will describe the detailed core assumptions of our business model. For economic reports, first we will categorize all the cost within our business model. Then we will develop a three-year income statement which includes sales revenue and costs. Finally, we will analyze the break-even point by using NPV analysis.

## **2. Business Model**

Our business model will be Service providers and users since our team will make shower seats for the client, so it is obvious that we are providing services and the client enjoys them.

Below you can see our business model canvas:

**Business Model Canvas. What's Your Business:** Shower seat

<p><b>Key Partners</b> </p> <ul style="list-style-type: none"> <li>· Makerepo app</li> <li>· Distributions provider</li> <li>· Raw material suppliers</li> <li>· Commerce platform</li> <li>· Social media</li> <li>· Google</li> </ul>	<p><b>Key Activities</b> </p> <ul style="list-style-type: none"> <li>· Building rapport with raw material suppliers</li> <li>· Promote business visits</li> <li>· Negotiate with distributing partners</li> <li>· Checking products</li> </ul>	<p><b>Value Proposition</b> </p> <ul style="list-style-type: none"> <li>· Solve the problem of storing water in the seat when in use</li> <li>· Make the seat easy to disassemble and carry around</li> <li>· Design the product with full enthusiasm and Adequately test the prototype.</li> </ul>	<p><b>Customer Relationships</b> </p> <ul style="list-style-type: none"> <li>· Scheduled customer service callbacks</li> <li>· Guide to website instructions</li> <li>· Let customers fill in the questionnaire</li> <li>· SMS reminder</li> </ul>	<p><b>Customer Segments</b> </p> <ul style="list-style-type: none"> <li>· Use in bathroom when people take showers</li> <li>· General consumers</li> <li>· Elderly, children</li> </ul>
<p><b>Cost Structure</b> </p> <ul style="list-style-type: none"> <li>· Raw Material Costs</li> <li>· Marketing cost</li> <li>· Salaries</li> <li>· Distribution costs</li> <li>· Operation cost</li> <li>· Website referral fee</li> </ul>		<p><b>Revenue Streams</b> </p> <ul style="list-style-type: none"> <li>· Standard pricing</li> <li>· Website promotion brings in a steady stream of business</li> <li>· New product thinking with constant updates</li> <li>· Practical experience in user research</li> <li>· Profit before tax</li> </ul>		

The core concept of our product is to build a shower seat suitable for middle-aged and elderly users, and it can afford about 180 pounds' weight and it should be portable. And based on our business model, we have some characteristics that attracts customers. Basically, the price of our product is affordable for most of customers, and the low price is based on the materials or cots we build our product is relatively low. And our own website allows us to popularize our product easily and effectively. Furthermore, we have regular updates to our products to fix the problem exists. This constant promotion is based on the feedback system and data analysis. We will analyze the data and feedback from customers and decide how to update the products to satisfy customers' requirements. Also, the systemic finished product line is the base of all these.

### 3. Economic Report

Cost Table:

Costs	Variable	Fixed
Direct	<ul style="list-style-type: none"> <li>Chair components (Plastics, aluminum, etc.)</li> <li>Electricity consumption (semi-variable)</li> <li>Labour costs</li> </ul>	<ul style="list-style-type: none"> <li>Facility rental</li> <li>Salaries</li> <li>Taxes</li> </ul>
Indirect	<ul style="list-style-type: none"> <li>Utility costs</li> </ul>	<ul style="list-style-type: none"> <li>Health and Safety</li> <li>Staff Training</li> <li>Marketing</li> </ul>

These costs are based on running a small manufacturing facility importing materials to create the seats and ship them to retailers. It also includes costs for running offices with the purpose of management and marketing.

In the next table we will be assuming a cost of 50\$ per unit to manufacture and a sale price of 150\$ which is a 300% markup, which is around the average mark up on furniture. I will also assume the number of units sold per annum to be around 5,000-15,000, due to the small size of the market. Other assumptions will be made using prior knowledge gained from experience, family, and the internet. If the internet is used, the sources will be cited.

Income Statement (All Numbers are in CAD)	Year 1	Year 2	Year 3
Sales	800,000	1,500,000	2,250,000
Cost of Goods Sold	200,000	500,000	750,000
<b>Gross Profit on Sales</b>	<b>400,000</b>	<b>1,000,000</b>	<b>1,500,000</b>
<b>Operating Expenses:</b>			
Marketing	40,000	30,000	30,000
General Admin	190,000	190,000	190,000
Overhead	50,000	50,000	50,000
Labour	240,000	300,000	380,000
Equipment Rental	100,000	100,000	100,000
<b>Total Operation Expenses</b>	<b>620,000</b>	<b>670,000</b>	<b>750,000</b>

Net Income	-220,000	330,000	750,000
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NPV:

Year	Cash Flow	NPV	Cumulative NPV
0	-620,000	-620,000	-620,000
1	-220,000	-\$200,000.00	-820,000
2	330,000.00	\$272,727.27	-547,273
3	750,000.00	\$563,486.10	16,213

Therefore, we need 3 years to break even as shown. The prohibitive cost and a negative cash flow in the first-year results in a 3-year breakeven point. This table is made using a 10% discount rate.

Assumptions:

The main assumptions made on this report are:

1. The number of products sold.
2. The price of the product.
3. The price of labor.
4. The price of equipment
5. The price of marketing

The number of products sold was based on the size of the assumed market for the product. It was small because of the niche use case of the seat. The price was based on the cost to create the prototype minus the assumed cost saving per unit when mass produced. The price of labor and salaries was based on experience working in a factory. The price of equipment was based on past reports. Finally the price of marketing was based on asking marketers related to the group.

## 4. Conclusion

In conclusion, our product shower seat is found to have a profitable potential if converting from an idea to a startup company. A “Service providers and users model” was used as the business model focused on turning raw materials into products and selling to potential consumers. Expenses include rent, electricity, materials, labour costs and overhead. These expenses over 3 years are combined with a potential number of units sold to generate an income statement. The net income in third year was \$750,000. Overall, with the current findings, the portable shower seat can be found to be profitable.

## 5. Wrike Snapshot Link

<https://www.wrike.com/frontend/ganttchart/index.html?snapshotId=NVeMZ1RILf3RQsrEbRA8ksr8ocsdzKe9%7CIE2DSNZVHA2DELSTGIYA>

## Works Cited

Waits, Kentin. “Cheat Sheet: Retail Markup on Common Items.” *Wise Bread*, Wise Bread, <https://www.wisebread.com/cheat-sheet-retail-markup-on-common-items#:~:text=Furniture%20Markups%3A%20200%2D400%25&text=Salespeople%20usually%20receive%20a%2015,allowed%20to%20sell%20the%20item>.