

Universitat Politècnica de Catalunya

Stone-shell

Entrepreneurship

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1. Executive summary

Stoneshell is a young and enthusiastic company with 2 shareholders, whom are also employed in the company.

The company is offering High quality polyester suitcases with the amazing feature of scissor shelves that makes packing and unpacking luggage easier than ever. Made in China and brought by sea shipment to Barcelona minimizing the production cost of manufacturing it in Europe to be able to provide the required quality with a reasonable price.

Stoneshell offers only one product line with one size as a beginning then the it's expected to increase the production lines to include more sizes and more designs as well.

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The financial planning shows that the year 2019 would be the turning point where the companies is expected to have covered all the initial investment put in it and will start only making profit.

We will mainly focus on the travel industry. This is the industry where our product can be used. This industry is very big and consist out of many sub-elements (hotel-industry and tourism-industry for example). The industry is a growing industry as people are earning more salary and are travelling more often than they did 10 years. Also it's easier to travel than 10 years ago.

Our company will be located near the centre of Barcelona in Passiege de Gracia. The company will have only office spaces. The idea is to outsource the manufacturing of the product. We are not sure if we want to outsource the customers service or if we are going to manage that ourselves. At first we have to start small as every other company but also we should be prepared to expand if things are going as planned.

2. Product

2.1 Product description and features

Stone shell is a new product on the market, which will make each vacation-trip more comfortable and enjoyable. The main feature of a Stone shell is that scissor left shelves, that allows the suitcase to turn into closet that can be easily packed in a matter of minutes. This feature also allows you to pick up whatever is needed from the suitcase without having to unpack the whole thing, making it a perfect choice for frequent travellers who face troubles with frequent packing and unpacking of their bags. The whole travel bag is made of strong polyester material and there is 2 years warranty on. The travel bag comes in one size 60x38, 5x31, 5 cm.

- 78/67 cm models
- Fully lined interiors
- Accessory Bag
- Lifting handle/foot
- Suiter Features
- Expandability
- Scissor shelves



Figure 1 (Wardrobe in a Suitcase by Kim Thome)

2.2 Cost

The bag it's self has a cost of €6.- a piece if we order 1,000 pieces. The interior will have a cost of € 4. The cord costs 200 € 5.60 per meter. We use 4 strings of 1.25 m each and therefore the price of the cord will be € 0.14 for one suitcase. The hooks we need cost €100,- for 1000 pieces. We will need 2 hooks in each suitcase so the price of the hooks for one suitcase will be €0.02. The assembly of the product will be dealt in China and this is going to be, including the transportation costs of the individual parts to the assembly company, € 10.00 per bag. The delivery costs for the delivery of the suitcases from China to Europe will be a total of €1.00 as they will send us 1000 pieces of the suitcases in one container. Further packaging and distribution will cost another 1,000 cost. This is will be total off €2,- per suitcase. The steel parts will have a total cost of € 3.00 per suitcase.

| | |
|-----------------------|---------|
| Bag: | € 6.00 |
| Interior (Cabinet): | € 4.00 |
| Cord: | € 0.14 |
| Suspension: | € 0.02 |
| Steel: | € 3.00 |
| Assembly: | € 10.00 |
| Transportation costs: | € 2.00 |
| ----- + | |
| | € 25.16 |

3. Market research and analysis

The details of the luggage market is discussed briefly, how big is it, what Stonshell share could possibly be, in-addition to the target customer of this product.

3.1 Customers

A market survey was conducted among some travellers in the metro to check the acceptability of the idea of the scissor lift suitcase among our potential customers and the results are used to define whom exactly would be our customers and what do they exactly want.

3.1.1 Who is Stoneshell's customer?

The questions trying to answer this question was would you be willing to buy Stoneshell, and the answer was 100% positive for all those below 35, and almost 70% for those above 40 years. The idea showed acceptance among most of the people we asked. However the results will help us determine how, where and when to reach our customers and will definitely affect the quantities of each model according to the target segment we chose which is the youngsters under 35 years old.

3.1.2 What do our customers need?

The results showed that the colours people are most interested in are the black and the red colors specifically.

3.1.3 How much are they willing to pay for Stoneshell?

The average answer was about 99\$.

3.2 Size and trends of the market

According to (researchandmarkets, 2018) the tourism and travel sector definitely influences the luggage market worldwide, hence the tourism activity is directly proportional to the luggage sales. Barcelona as one of the biggest touristic destinations in the region and in the world makes a perfect market for Stoneshell. The consumption of luggage was estimated by 104.6 billion \$ in Europe in 2015 (Strategyr.com,2016) and it is expected to rise by 2 % for the year 2017 (Euro

monitor, 2016). Where Spain comes in the 4th place with 10% of the European market for about 1.46 billion USD (japanretailnews.com, 2010)

3.3 Competitors

The market of suitcases and luggage has a vast number of manufacturers, the biggest ones are mentioned below.

- 1- Samsonite – American tourister (9.6%)
- 2- VF corp (3.1%)
- 3- Tumi (1.6%)
- 4- Ace (1.5%)
- 5- Delsey (1.2%)
- 6- Rimowa (0.6%)
- 7- VIP (0.6%)
- 8- Others (81.8%)

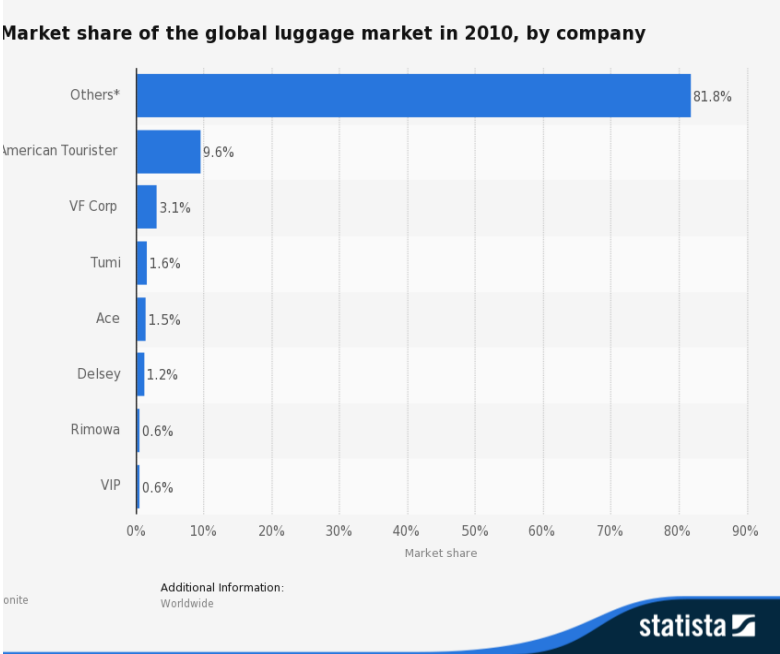


Figure 2 (Global luggage market share www.statista.com)

3.3 Market-share and expected sales forecast

Based on the previously done market analysis and the analysis for our competitors, we expect our market share 0.001% of the total market of Spain counting for 4500 bags as a start and progressing as shown below, slowly at the beginning, but then it increases by time as our product gets better known and of course directly proportional to the budget of advertisement dedicated.



Figure 3(Forecasted sales)

Table 1 (Forecasted sales)

| Year | 2018 | 2019 | 2020 | 2021 |
|-------------------------------------|------|------|------|------|
| No of Suitcases expected to be sold | 4500 | 5000 | 6000 | 7000 |

4. Managerial team

4.1 Organization

The plan is to register the company as a partnership. A partnership is an arrangement where parties, known as partners, agree to cooperate to advance their mutual interests. A partnership may result in issuing and holding equity or may be only governed by a contract. In our company we will invest both in equity for the company to invest with.

4.2 Key managers

The key managers will be at first Suleiman Noor and Ahmed Ismail Nabil. The plan is to keep it this way for as long as needed. In the future we will have to hire and assign professional to certain sections of the company to make it possible to grow as fast and good as possible.

4.3 Management salaries and participation in Equity

We agreed in the beginning that if there is a need to, we will invest at all times each 50% in equity. This is so everything goes fair for both managers. We will construct a contract which will include all the details.

Also when we commit our entire time into the company, it has to pay a salary which can support our needs for a living. We will not have another source of income so the income in the beginning will be based on living a mediocre lifestyle. This will only include the main needs for a living like for example rent, clothing, food and transportation.

5. Strategy and plan

5.1 Objectives

Stoneshell's goal is to achieve 1 % market share of its niche target group in Spain within 1 year. The breakeven point is and the aim is to achieve it within a year and a half, that means a sales of 900 pieces within the first year. The next three years Stoneshell's purpose is to extend its activities to other European capitals like Paris and London.

5.2 Business strategy

To achieve the before mentioned objectives Stoneshell is going to flow the so called differentiation strategy. With this strategy, the company focuses on a value provided product for the customers, through the unique scissor wardrobe feature and the characteristics of the high-quality light polyster material used for the outer casing.

5.3 Marketing strategy

The field survey performed provided us with indicators regarding our market, the decisions made in this section are mainly based on that survey.

5.3.1 Target

According to the results of the survey we did we speculate that our target segment will be from the age of 20 to 40.

5.3.2 Segmentation

Accordingly the products are segmented and it's quantities are determined. Also the survey showed that most of the people prefer their suitcases to be either black, red or green.

5.3.3 Positioning

Stoneshell prefers to settle in Barcelona, Spain, because this city is ranked as one of the highest in consuming luggage. And due to it being one of the biggest touristic destinations in the world, Tourists are always in need of suitcases, so this location will aid spreading the products name.

5.3.4 Pricing

The survey showed that most of the people were ready to spend up to 100\$ for our product. Knowing that it only costs 26\$ in total for a 1000 bags lot, makes our profit margin almost 200%.

5.3.5 Marketing channels

The idea is to advertise and promote our product on social media, travel-blogs, travel magazines, travel-agencies/sites and in big warehouses. We must reach out to our target groups, which we believe use all the facilities stated above. We should explain the added value our idea gives to the suitcase and we think we can manage that by using famous YouTube vloggers or other famous social-media characters for promotion. They can utilize the suitcase for their own trips and give an honest (probably good) review about the product in their videos or blogs or etc.

Also we want to advertise and promote in big warehouses where the customer can see and use the product himself. We believe that our product itself can convince the customer the best. People don't believe in sales-talk, they want to experience the product themselves.

If an amount of suitcases had been sold, we can also count on the advertising of word of mouth. People will tell for example their relatives about the product and so it will spread out.

5.4 Production strategy

5.4.1 Production facilities

The Producer of Stoneshell is going to be third party manufacturer in China, the producer will receive the designs from the head office in Barcelona and is going to be responsible for buying the raw material manufacturing and assembling the suitcases according to the specs sent to him by the head office. The manufactured suitcases are to be transported back to Barcelona for distribution. The reason for this is that it is much cheaper to manufacture and transport the products manufactured from china to Barcelona than building a complete new factory in Spain. We were able to reach a find a producer and raw material supplier which needs a high amount of initial investment and managerial effort and focus that is better spent on organizing the sales of the product not to mention that the labor and manufacturing process in China.

5.4.2 Design, research, and development

As mentioned before all the design, research and development processes are going to take place in the Barcelona headquarters by us

5.5 Logistics

Logistics section will include the transportation and handling the final product once it arrives to Barcelona.

5.5.1 Transportation

Transportation is going to take place from Shenzhen port to Barcelona. FCL loading is going to be used, FCL means full container load, which means goods loaded into a full container. The 40' container is 56.1 cbm, which means it can take up to 452 suitcases of 0.124 cbm. That means that we will be able to transport each 900 production lot on 2 FCL containers reducing the transportation cost to the minimal. The cost structure of the shipment is mentioned below.

| | |
|-------------------------|----------------------------|
| Local Transportation: | On the producer's expenses |
| China Export Clearance: | € 100 |
| Freight Cost (FCL): | € 970 |
| Insurance: | € 25 |
| Document Delivery: | € 40 |
| Local Charges: | € 100 |

5.5.2 Storage

The suitcases will be stored in a rented apartment in Barcelona. The rental of the apartment doesn't exceed € 700

5.6 Distribution strategy

According to the survey we decided the distribution is going to be classified as follows

5.6.1 Retailers

Big stores like Primark, EL-corte ingles was preferred by older individuals (older than 35).

5.6.2 Online distribution

For those who are below 35, the preferred way to buy it was online. So we are going to use the amazon.com platform to sell our product.

6. Financial Plan

6.1 Estimated Income Statement

In this part we created a future income statement like we think it's going to look like. We constructed the income statement for the first selling month of 2017.

Stone Shell Company

Income statement

For month ended May 31, 2017

Revenues

| | | |
|----------------------|------------|-------------------|
| Sales | € 20.000,- | |
| | ----- | |
| Total revenue | | € 20.000,- |

Expenses

| | | |
|-----------------------|-------------|---------------------|
| Costs of goods sold | (€ 5.032,-) | |
| Wages | (€ 3.600,-) | |
| Rent | (€ 1.000,-) | |
| Advertising expenses | (€ 7.000,-) | |
| | ----- | |
| Total expenses | | (€ 16.632,-) |

Operating result income € 3.368,-

6.2 Estimated Cash management

The expected cash flow for the next 5 years of the business are expected to cover all the initial investment and starts giving back with pure profit at 2021. As shown below in fig.4.

| | 2017 | 2018 | 2019 | 2020 | 2021 |
|--------------------------------|---------|---------|---------|---------|---------|
| Cash from previous year | 0 | -570733 | -487913 | -358561 | -150365 |
| Inflows | | | | | |
| Earnings | 0 | 461800 | 511800 | 594200 | 680950 |
| Share capital | 16667 | 0 | 0 | 0 | 0 |
| Bank loans | 150000 | 0 | 0 | 0 | 0 |
| Family funds | 250000 | 0 | 0 | 0 | 0 |
| Outflows | | | | | |
| Rent of the office | 1600 | 1600 | 1600 | 1600 | 1600 |
| Bills | 8000 | 8060 | 8121 | 8184 | 8247 |
| Promotion | 150000 | 149000 | 148000 | 147000 | 146000 |
| Main owner's salary | 36000 | 36720 | 37454 | 38203 | 38968 |
| Employees' salary | 180000 | 183600 | 187272 | 191017 | 194838 |
| Cost purchase suitcases | 361800 | 0 | 0 | 0 | 0 |
| Cash Flow | -570733 | -487913 | -358561 | -150365 | 140932 |

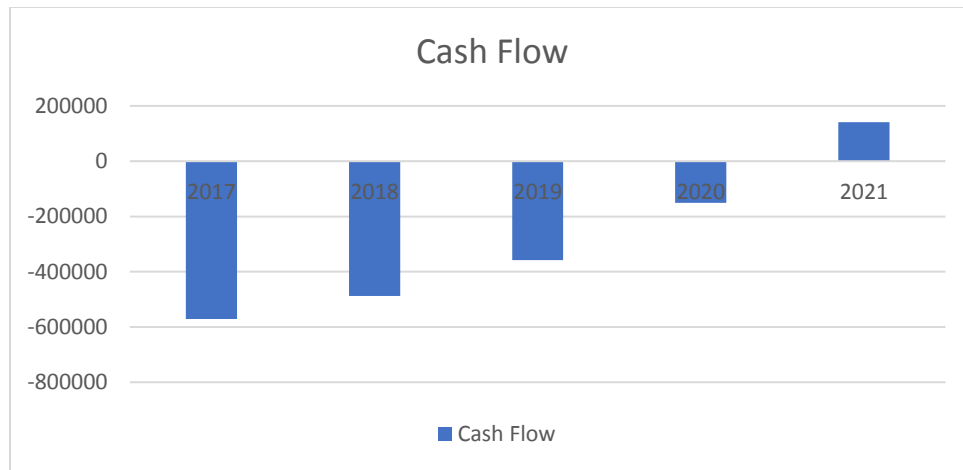


Figure 4 (Cash flow)

6.3 Estimated Balance Sheet

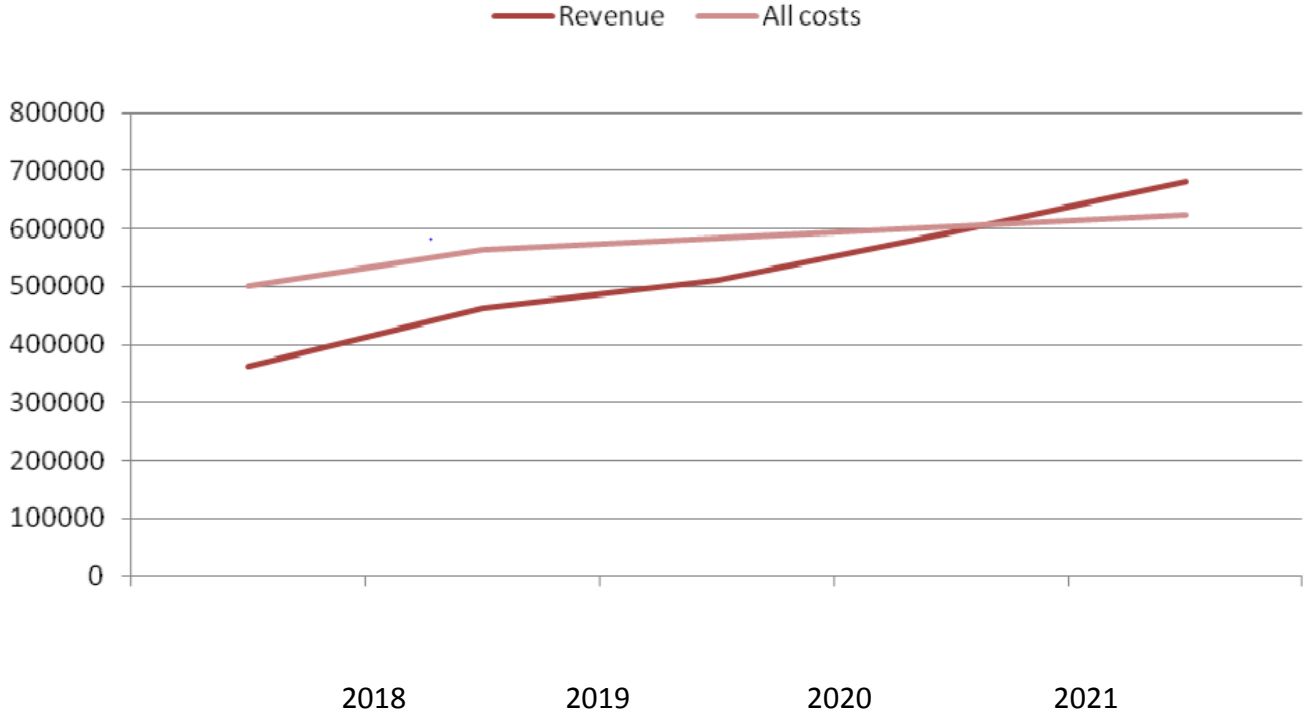
The estimated balance sheet expected after one year would look like this

| Assets | | € 723,600 | Equity and Liabilities | | € 723,600 |
|---------------------------------|-----------|-----------|---|--|-------------|
| Non-current assets | | | Equity | | € 500,000 |
| Intangible assets | 0 € | | Share capital | | € 16,667 |
| Tangible assets | 0 € | | Additional paid in capital | | € 0 |
| Investment | 0 € | | Retained earning | | € 0 |
| | | | Net profit | | € (-137700) |
| Current Assets | | | Liabilities | | |
| Unsold/customer goods | € 723,600 | | Production/transportation/storage/other costs | | € 194,000 |
| Cash and cash equivalent | 0 € | | Bank loans | | € 150,000 |
| Account receivable | 0 € | | Trade creditor | | 0 € |
| | | | Other creditors | | 0 € |
| | | | Accruals | | 0 € |

6.4 Break-even analysis

With a € 500.000 - capital for the company and forecasted sales volume forecasted for each year at section 3.3 , only at the fourth year mid 2020, the company will be able to cover it's losses and start to profit as shown in the breakeven chart below.

Figure 5 (Breakeven chart)



7. Calendar

Our Business-calendar with main objectives:

| | | |
|-------------------------------------|---------------------|-----------|
| Research and development | December – February | 2016/2017 |
| Building and presenting Prototype | March | 2017 |
| Starting with Promotion & Marketing | February | 2017 |
| Contracting | March | 2017 |
| Start actual sale | May | 2017 |
| Opening first official store | December | 2017 |

9. Risk analysis

| | |
|--|--|
| <p>Strengths</p> <ul style="list-style-type: none">- Product that is new to the market.- Vast market gap to be filled.- Each one of the company managers has his own area of expertise different from the other. | <p>Weaknesses</p> <ul style="list-style-type: none">- Inexperienced in running a company- Shareholders have to learn to work together- Limited access to potential customers (Barcelona) |
| <p>Opportunities</p> <ul style="list-style-type: none">- many customers in the travelling sector and creative people- many possibilities to invent and develop the products further- develop new production lines, like wallets, bags...- There are many export opportunities to other cities in Europe. | <p>Threats</p> <ul style="list-style-type: none">- large competition for normal suitcases- Seasonal, related to tourism and travel industry activity at a certain time.- The company needs a lot of time to develop new products- The life cycle of the products is unknown. |

8. Design and development plan

8.1 Present situation and pending tasks

At the moment we are at the beginning stages of the company. We have to establish the company and the company name. Also we have to find a manufacturer in China that could fulfil our wishes regarding the look and the assembly of the suitcase.

8.2 Expected problems

We expect no problems with the assembly of the product as we think that the assembly is in good hands of the factory in China. We also don't expect any complications with our design. The only thing that can be a problem are custom regulations about the amount and probably also the design of the steel construction in the suitcase. As we all probably know, before entering the plane your bags will be checked for forbidden goods and weaponry. We want to design our suitcase in a way that the steel construction will not be any obstruction for the safety of the flight. If that is not feasible, we would have to consider replacing the steel design for another material. This material could be for example plastic.

8.3 New designs

Our team is always working on improving the existing design or come up with a new design for the suitcases. We will start selling with one design and hope that will be the recognition of our brand in the long term.

We are not excluding other designs which can improve the comfortability of travelling with suitcases. Because that's the whole purpose of our company. We would like to create a team in the future who would be coming up with more ideas to improve the suitcase or maybe create a whole other product.