

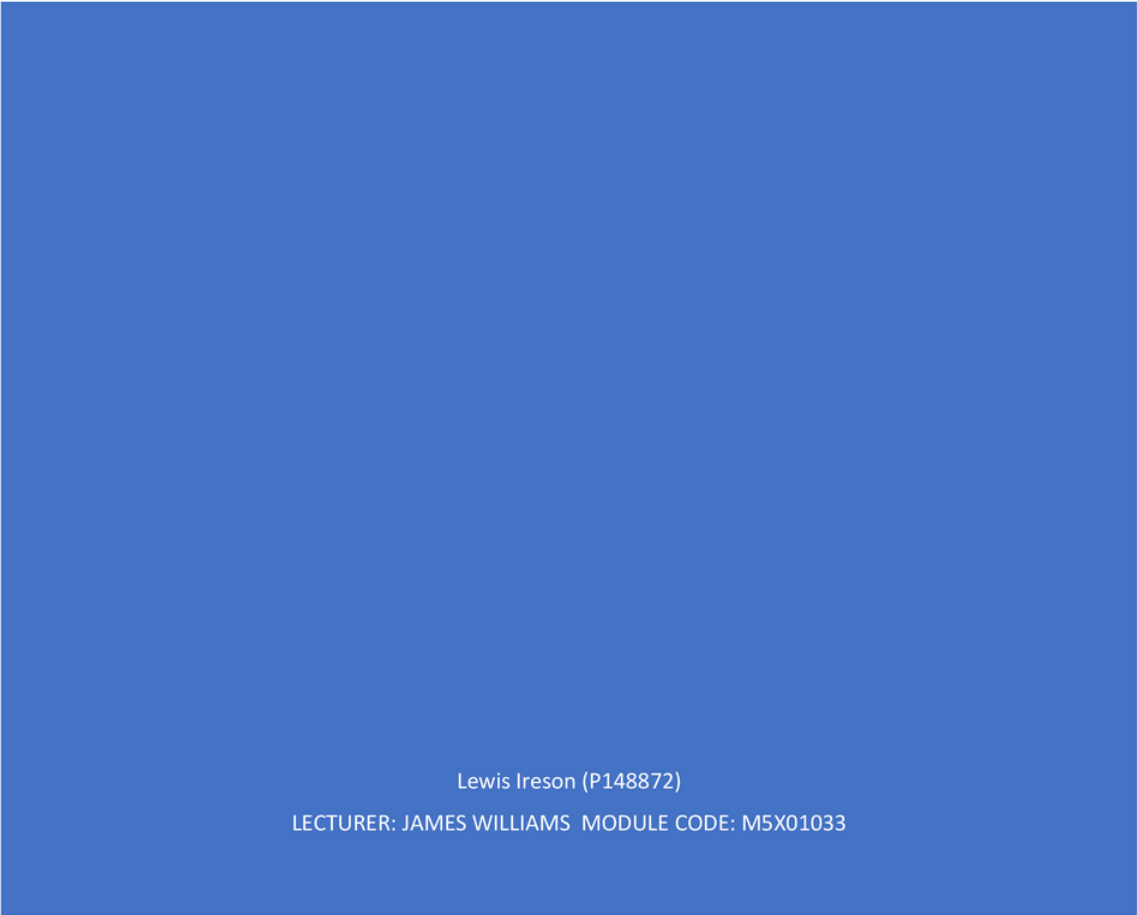
Lewis Ireson - I&E report (financial report & management and operations)

by Lewis Ireson

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E&I NEW PRODUCT DEVELOPMENT: SECTIONS 5&6



Lewis Ireson (P148872)

LECTURER: JAMES WILLIAMS MODULE CODE: M5X01033

Enterprise & Innovation – New Product Development

5. Financial Plan:

Cash-flow Forecast

Because of the nature of our project there are a very few costs to be considered. While we have considered the possibility of renting some office space for the local area in Swansea, this is definitely not required for the initial startup of our business. Renting office space could also increase our overhead costs dramatically.

This cost however could be covered if we are able to attain financial endorsement from our potential clients, for example Tesco or Sainsbury's. If through a marketing pitch or other means we were able to demonstrate the need for our mobile or web app, then perhaps a large firm such as these would be interested in funding the project.

Other potential overhead costs include the money required for travelling, although travel costs can be minimized by initially marketing to local clients. Website and database hosting would also both be potential overhead costs. By utilizing services such as Wix or Squarespace, we could eliminate the requirement of possibly hiring additional staff with expertise in web design. These services can be costly however, with Squarespace standing at an average of £25 per month. The database hosting is however imperative to our application design, Rackspace, Claranet both offer a suitable service.

Apple app store and Google play store costs should also be considered. Apple charges £99 per month to sell an app through the app store, and Google play store requires a one-time payment of £25.

There are also almost no direct costs for the initial start-up of the project, but it should be taken into consideration the complexity of the software development. An iterative approach will be necessary for keeping costs as low as possible. The project management can be handled internally to begin with, as the application development will be an independent process. However, if in the future the need for hiring external management solutions becomes necessary, these costs may need to be considered.

The marketing for the project could also potentially be handled by the client through endorsement of our project, as it would be in their interest that this project succeeds and sees a proper and reliable user base.

For the cash inflow, there would be two main sources. The primary cash inflow would be the income from advertisement revenue generated through people using the application. Although ad revenue is not all that profitable without a large number of active users, with an average of 2500 shopping trips each day in high traffic supermarkets all over the country this would not be an issue.

With as little as 30% of these 2500 shopping trips using our application, revenue generated from advertisements could be up to £200 per month for a single supermarket.

These figures were all calculated using the UK average CPC or APC (Cost per click or pay per click) of £0.30 - £0.40. CPC is the amount we are paid by advertisers every time an application user clicks one of the advertisements we run on.

Our secondary cash inflow would be from releasing a paid version of the app that would not have advertisements running on it. This model does however have some setbacks, as studies into similar applications have shown that up to 90% of users were reluctant to pay even £1 annually to remove ads. Requiring even £1 per month would also decrease long term cash inflow, as the ad revenue generated from those users would have been higher than the monthly income from them paying for the app.

Taking all of these costs and inflows into account, some potential startup funding requirements and other financial forecasts can be made. Providing that we are successfully endorsed by our clients, and implement our project in 3 moderate to high traffic supermarkets our rough financial forecast figures would be:

- Potential startup funding required: £500
- Forecast total inflow for first year: £6058
- Forecast total outflow for first year: £965

And therefore:

- Forecast net cash flow for first year: £5093

6. Management and Operations:

For the management and operations of our project, it is important to first identify our existing key skills. This allows us to see what areas of development may require hiring additional employees or purchasing equipment. All 3 team members already have experience with basic software engineering principles and understand what areas of the development process are imperative to the efficient and cost-effective production of our application. The skills that we may require include web development and graphic design. Although some of our team do have some web design experience, services such as Squarespace or Wix provide easy domain hosting and simple design tools which would allow us to better focus our software development skills.

The need for a graphic designer for the project start-up is not completely necessary as I am personally proficient in software such as Photoshop and After effects, but for later in the development stage it may be much more efficient to bring in a trained professional to handle company logo designs or possibly even more aesthetically pleasing user interfaces.

As stated previously in the financial report, it may be necessary to rent out office space to accommodate these additional employees, or to host additional equipment such as servers or computers.

During the course of our project, the team has definitely gained some key skills for project management and enterprising. The first of these would definitely be the ability to divide work up equally and communicate between each other to efficiently piece together a product or innovation that could be developed into a successful business model.

Another key skill gained from the management process, would be the financial side of the project. Being able to accurately identify potential costs for the product and compare them to the projected revenue gained is possibly the most important part of a profit-based enterprise. Without the ability to generate profits and further develop the original start-up idea, the project is already incredibly limited in its vision. However, it is important to realise that non-profit organisations such as charities do provide alternative developments.

The final skill gained from this project, would certainly be the ability to pitch an idea. As a large part of our project was reliant on our ability to successfully pitch to large retail firms, we had to consider this fact during all stages of the conception and development of our project.

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GRADEMARK REPORT

FINAL GRADE

GENERAL COMMENTS

Instructor

52/100

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GRADING FORM: UWT SD GRADING FORM

LEWIS IRESON

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1. RESEARCH LITERATURE

Extent of research and/or own reading, selection of credible sources, application of appropriate referencing conventions.



- No citations or Reference list.

2. KNOWLEDGE AND UNDERSTANDING

Extent of knowledge and understanding of concepts and underlying principles associated with the discipline.



Cost analysis. Revenue channels. Ads. Operations & Staffing.

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3. ANALYSIS

Analysis, evaluation and synthesis; logic, argument and judgement; analytical reflection; organisation of ideas and evidence.



Cost analysis. Revenue analysis. Good. Operational Management.

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4. PRACTICAL APPLICATION

Deployment of methods, materials, tools and techniques; application of concepts; formulation of innovative and creative solutions to solve problems.



Applied Cost analysis. Good. Sales models. Good. - Complete Cash-flow could be documented, particularly to show all costs mentioned. + Management & operations. - remote and co-working space could be considered.

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5. PROFESSIONAL PRACTICE

Attributes in professional practice: individual and collaborative working; deployment of appropriate media; presentation and organisation.



+ Title page. + Good format. - No introduction or conclusion. - Team progress reports.

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