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Master's thesis

Mass customization as a business model:

Business plan for online furniture company

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Declaration of authorship

I hereby declare that I have written the thesis ''Mass customization as a business model: business plan for online furniture company'' by myself using literature and sources listed in the references section.

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Title of the Master's Thesis

Mass customization as a business model: business plan for online furniture company

Abstract:

The goal of this thesis is to write a business plan for a mass customized online furniture company operating on Czech and Swiss market, analyse the potential and feasibility of this business idea and calculate the financial estimates of the business.

The first part of the thesis describes the theoretical background and is focused on four main parts. First part tackles the topic of Canvas, Lean Canvas and lean startup approach. Second describes parts of the business plan. Thirdly the theoretical part focuses on the online customer experience and finally mass customization concept is discussed.

The second part of this thesis is a practical business plan for an innovative online furniture company. The business model is built on the mass customization concept and targets Switzerland and Czech Republic. The goal of this part is to verify the business model by conducting a proper customer survey, analyse the market potential, develop the company strategy and asses its feasibility based on the financial model.

Keywords:

Mass customization, online shopping, online furniture, business plan

Content

List of figures

1. Theoretical part

1.1. General principles and purpose of writing a business plan

"Business plan is at its core a story about an opportunity and how a person (or group of people) plans to start a business to take advantage of the opportunity." (Barringer, 2009, p.91)

According to Barringer there two primary reasons for writing a business plan. The first, internal reason, is that such an effort forces the founders to systematically think through each aspect of their new business. Doing so they can better understand their business and be better prepared for future problems and challenges of the company. The second reason according to Barringer is the external reason, Barringer calls it "the selling document of the company" (Barringer, 2009 p.4). Thus business plan provides a company an instrument to present itself to potential investors, suppliers, potential employees. Barringer emphasizes the importance of the plan and states that ideally every startup should have one. On the other hand Blank (Blank, Dorf, 2012) states that a business plan is good only for external, financing reasons. "No business plan survives first contact with customers." (Blank, Dorf, 2012, p.17)

"There is only one reason for a business plan: some investor went to business school doesn't know any better and wants to see one." (Blank, Dorf, 2012, p.35)

Blank argues that once financing is received the business plan is fundamentally useless meaning that it cannot be used for execution. It is just a plan full of guesses that need to be verified and tested. Therefore Blank talks about a difference between static business plan and dynamic plan suitable for startups. He specifically states that "the difference between a static business plan and a dynamic business model could well be the difference between a flameout and success." (Blank, Dorf, 2012, p.35)Very same opinion as Blank's is also expressed by Eric Ries (Ries, 2011) in his Lean Startup approach.

On the other side there many authors emphasizing the importance of a written business plan. "Put simply, a written business plan increases your chance for success." (Covello, 2006, p.2) Covello further discusses that successful business planning leads to action, build a shared vision, holds individuals accountable to the organization, is based on quality data and is a key part of an effective company management. Similarly Friend and Zehle argue that „if the strategy of the business cannot be clearly and convincingly described on paper, the chances of its working in practice are slim" (Friend, Zahle, 2004, p. 2) They also state that writing a proper business plan ensures a rigorous analysis and a better clarity of the ideas.

1.2. Lean startup approach

The Lean Startup approach was first introduced by Eric Ries in his book "The Lean Startup" in 2011. (Ries, 2011) Ries introduces the topic by stating that "startup success can be engineered by following the right process, which means it can be learned, which means it can be taught." (Ries, 2011, p.3) The whole concept is based on the lean manufacturing principle especially inspired by Toyota Production System.

Ries defines startup as: "A human institution designed to create new products and services under conditions of extreme uncertainty." (Ries, 2011, p.8) It is independent of the size of a company, the industry or even sector a company is operating in. Ries also believes that entrepreneurship is just a kind of management. The whole concept is basically based on running experiments on customers and learning from them rather than developing products that nobody wants or products that people tell you they want but after they never buy them. It corresponds with Blank's message of "get out of the building and start learning". In this sense startups do not exist only to make money, serve customers, but they are here to get to know and learn to build a sustainable business. Thus "success is not delivering a feature; success is learning how to solve the customer's problem." (Ries, 2011, p.66) Ries calls this process of learning through experiments "validated learning". "It is a rigorous method for demonstrating progress when one is embedded in the soil of extreme uncertainty in which startups grow. It is the principal antidote to the lethal problem of achieving failure: successfully executing a plan that leads nowhere." (Ries, 2011, p.38) Thus, validated learning needs to be flexible and based on empirical data from real customers and real experiments. Validated learning is part of the so called "Build-Measure-Learn feedback loop introduced by Ries. (Ries, 2011) It starts with building a product, then comes the testing of the product with customers and measuring the impact followed by learning what works and finally deciding whether to pivot the product or persevere.

1.1.1. Building the product

The first part of the "Build-Measure-Learn" feedback loop is represented by a so called minimum viable product (MVP). "The MVP is that version of the product that enables a full turn of the Build-Measure-Learn loop with a minimum amount of effort and the least amount of development time. The minimum viable product lacks many features that may prove essential later on." (Ries, 2011, p.77) In other words minimum viable product helps companies to start the essential learning process as fast as possible and so become much more

efficient in terms of the product development. In this sense it is better to build the MVP with a small team as the communication is easier, the costs are kept low and usually smaller team builds less. (Maurya, 2012) It can be sometimes difficult to decide which features to include into MVP. Very often entrepreneurs make mistake of overcomplicating the MVP. Therefore Ries says, that when a company is in doubt of adding any features to MVP, it is useful to always simplify. Similarly many features which are designed by designers or engineers and should make the product in their eyes, do not really impact consumer behaviour in the end. Moreover it is also advised to remove any part of the MVP that does not directly contribute to the learning a company wants to get. Similarly Maurya advices not to be a feature pusher as more features usually dilute the unique value proposition. "Simple products are simple to understand." (Maurya, 2012, p.145) Therefore first it is important to resolve problems and issues with current features before adding the new ones. Entrepreneurs need to understand that the first users of MVP are early adopters, who are customers who so not need the perfect product and can easily use the minimum viable product without many, for the mass market essential, features. The problem of MVP can be that very often it results in bad news for a startup. And this is the time when founders and employees face a crisis of confidence and think of giving up. That is why, it is essential to be prepared for this natural and intuitive reaction in advance. The preparation can be done as a commitment to iteration. "You have to commit to a locked-in agreement – ahead of time – that no matter what comes of testing the MVP, you will not give up hope." (Ries, 2011, p.112) It is necessary to realize that MVP is there just to test the market and validate hypothesis. Thus bringing a company closer to a successful and sustainable product and strategy.

Moreover a company does not only need to bring the MVP directly to customers, but in order to make the whole learning process efficient, also set up clearly defined measures of the MVP performance.

1.2.1. Measuring the performance of the product

In the measure phase it is important to evaluate whether a company is doing a real progress and whether the product brings real value to customers. Various metrics exist and can be used, but the crucial decision is, which of them to choose and use. Ries warns to differentiate between vanity metrics and actionable metrics. Vanity metrics are those measures that look very exciting from a company's point of view, but does not really reflect the future growth potential of the company. Thus these metrics can form false conclusions about the business

and let the founders live in their own reality leading finally to bankruptcy. Typical example might be a company that has an exponentially growing number of registered users and owners measure the company's success based on this metric. However, the company has stagnating or even lowering numbers of paying customers every month and the owners do not know about this problem. Unfortunately when this problem reveals, the company can already have serious cash flow shortage and it might be too late to react. That is why companies need to focus on clearly and appropriately defined actionable metrics, measuring learning milestones and progress a company is making toward its goal of a sustainable business.

Basically the main purpose of MVP and the metrics is to find out whether a company's value hypothesis is right and whether the growth hypothesis works. The value hypothesis tries to find out if the product really delivers the appropriate value to customers when they start using it. The growth hypothesis tests how new customers will discover a product or service" (Ries, 2011, p.60) It tries to discover how the business will spread among early adopter and then from early adopters to the mass market. In order to confirm or refuse these hypothesis, it is necessary to run an experiment with the first product and measure appropriately the impacts on customers. Regardless the results and findings, a company needs to be able to learn from that and act accordingly in the future.

1.2.2. Learning

The final part of the feedback loop is about learning from the experiment with MVP. A company needs to discover and decide whether their hypothesis are correct or not. Thus they face a difficult situation, when they need to decide between pivoting the initial strategy and product or persevering with the current ones. The misguided decision to persevere is one of the biggest destroyer of a creative potential. (Ries, 2011) On the other side a pivot is the essential part of the Lean Startup approach. "It is a special kind of structured change designed to test a new fundamental hypothesis about the product, business model, and engine of growth." (Ries, 2011, p.178) As pivot is a really important part of a startup life and Lean Startup method, it is important to differentiate several types of pivots:

Zoom-in pivot

Typically this is a case when a single feature in a product becomes the whole product.

Zoom-out pivot

This is the reverse situation of the above mentioned situation. The whole initial product becomes just a part of a larger future product.

Customer segment pivot

In this kind of pivot, a company built a product for a certain customer segment, but in the end realized that the same product satisfies needs of different customer segment much better.

Customer need pivot

Sometimes it happens that startups are trying to solve customer's problem, which is not really important for them. However, because these startups usually get to know the customers very well during the testing process, they can uncover much bigger problems and find solution for these.

Business architecture pivot

This kind of pivot is based on the fact that most of the companies follow either high margin, low volume business model or low margin, high volume model. Thus some companies can switch between these two models during the learning process.

Channel pivot

Companies can sometimes choose more efficient distribution and sales channel. Very often the channel a company select determines consequently the price, features, and characteristics of the product. Thus when companies pivot to different channel, they need to be aware of possibly adapting these features as well.

Engine of growth pivot

This pivot is based on a premise that there three main engines of growth for startups: The viral, sticky and paid. The viral one occurs when the product awareness spreads among the people exponentially as a virus. Typical example can be Hotmail in 1996 or Facebook. The sticky engine of growth is based on the assumption that once a customer starts using the product, they will continue using it and will not switch. Therefore this engine is characterized by a very high retention rate. Very often the stick engine of growth can be found in the telephone service providers or software-as-service products. (Maurya, 2012) The paid engine of growth relies on online marketing and calculates numbers such as cost per acquisition and

lifetime value of a customer in order to make its marketing strategy. Growth of the company occurs when the lifetime value of the customer is higher than the customer acquisition costs.

Thus this pivot is a change of the growth strategy of a company. However, sometimes the different engine of growth requires also a different way how the value will be captured.

1.2.3. Speed, learning and focus

 Maurya further discussed the build-measure-learn loop and emphasized the importance of speed, learning and focus while going through the build-measure-learn loop. Speed is necessary to be fast enough to be able to find a sustainable business model before running out of the scarce startup resources. Similarly to Ries, Maurya sees the learning about the customers as a core part of his thoughts. Additionally Maurya talks about the focus. He argues that if a company has speed and learning only, it can fall into a premature optimization trap. This can be for example scaling servers without having any customers or optimizing the landing pages without having a properly developed and tested product. (Maurya, 2012)

1.2.4. Lean approach conclusion

To summarize it, the process of startup building should start by creating minimum viable product as fast and as efficiently as possible. Then to set up clear and appropriate metrics how to measure whether value and growth hypothesis is confirmed or rejected. And finally to learn from the outcomes and either persevere the current product and strategy or pivot in order to find a better way to a sustainable business, which is the main goal of startups.

1.2.5. Why startups fail

Ries identifies 2 main reasons, why startups mostly fail. Basically Ries states two specific mistakes, which occur when companies do not respect the Lean startup. The first is that startups stick too much to their initial business plans. It is necessary to realize that startup does not really know at the beginning, who the customers are and what the product should be like to match customers' needs. This the already mentioned "extreme uncertainty" of startups. Ries' opinion was confirmed by a study from a company CB Insights (CB Insights, 2014), which analysed over 100 post-mortems of startups in order to find patterns of failure. The mostly mentioned reason of failure was building a product that was not targeting a market need. Startups often tend to solve problems that are appealing and challenging to them to work on, however the people they target do not really feel the same. The significance of this failure reason is streghten by the fact that 42% of the startups stated this in the post mortem

text. (CB Insights, 2014) Similarly a German study from DIHK uncovers that 47% of startups in Germany fail because of the problems when implementing the product to the market. (DIHK, 2014, p.22)

As a second common reason for startups failure the problem of running out of cash is mentioned. According to CB Insights 29% of startups finish because of a wrong product market fit and failed pivots. (CB Insights, 2014) In DIHK report the financial problems are mentioned twice. First 64% failed because they did not have enough own financial resources and simultaneously 45 % of startups stated that they could not find sufficient outside resources to run the business (DIHK, 2014, p.22). Thus financials play a crucial role in startup success. This migt also resonate with Ries statement for startups failure, which is that startups try to follow "just do it" approach releasing products without any planning of what to test, how to react, how to measure the success or failure and how to learn from success or failure. "Unfortunately this approach leads to chaos more often that it does to success." (Ries, 2011, p.15) This attitude can easily lead toward unwise cash usage and consequent cash shortage.

The third reason mentioned in the CB Insights study is not the right team. "A diverse team with different skill sets was often cited as being critical to the success of a starting company." (CB Insights, 2014, p.7) This was confirmed by DIHK study stating that 38% of startups faild because they lacked financial expertise on a team and 16% had difficulties to find a good co-founder. (DIHK, 2014)

1.3. Canvas business model

1.3.1. History

Business model canvas was invented in 2004 by Alexander Osterwalder in his dissertation on business model innovation. (Osterwalder, 2010 p. 274) Business model could be described as a less detailed version of a business plan capturing the core parts, structure and functioning of a given business. Similarly Osterwalder states that when a founder desgined and thought through the business model first, it gives them a great basis for writing a proper business plan. (Osterwalder, 2010)

1.3.2. Composition

"A business model describes the rationale of how an organization creates, delivers, and captures value." (Osterwalder, 2010 p. 14)

The concept of Canvas can become a very useful tool to describe how the current company's business model works and thus to make it also easier to create new innovative business models and strategies.

Canvas business model focuses on 9 key areas. "The nine blocks cover the four main areas of a business: customers, offer, infrastructure, and financial viability. The business model is like a blueprint for a strategy to be implemented through organizational structures, processes, and systems." (Osterwalder, 2010 p. 15)

First part of the Canvas are customer segments. Organization needs to answer the crucial question of "who are the most important customers?" Differentiation such as mass market, niche, segmented market or diversified market can be targeted. Secondly Canvas identifies the value propositions or in other words the reasons why customers prefer one company over another. The value for customers can lie in design, price, brand or status, cost reduction, risk reduction, accessibility or convenience and usability. The third area in Canvas are channels. Channels show how organization communicates with the customer segments and delivers the value to them. Fourthly Canvas focuses on customer relationships. Relationships may be driven by different motivations such as customer acquisition, customer retention or boosting the sales and be expressed as for example personal assistance or even dedicated personal assistance, self-service, automated services, communities, co-creation. Fifth part are the revenue streams. Most common way is asset sale. Besides that there is a revenue model of usage fee, subscription fee, lending, renting, leasing, brokerage fee, advertising or licensing

model. Moreover pricing can be fixed or dynamic. Fixed priced is based on predefined prices and fixed static variables. Dynamic prices change based on the market conditions. Key resources are next key part of Canvas. These describe the most important assets required to make a business model work. Key resources can be either owned or leased by the company or acquired from key partners. Key resources are categorized as physical, intellectual, human and financial. Seventh area Canvas covers are key activities. In other words most important things a company must do to make the business work. These can be categorized as production, problem solving, platform or network. Key partnerships, the eight part of Canvas, discuss the network of suppliers and partners that make the business run. We can distinguish 3 main motivations to create partnership. These are "optimization and economy of scale, reduction of risk and uncertainty and acquisition of particular resources and activities." (Osterwalder, 2010 p. 39) Last part of the Canvas business plan is the cost structure. The aim of this part is to uncover all the costs associated with running the business. These should be defined after key resources, key activities and key partnerships are described. Generally it can be distinguished between two main business models: "cost-driven and value-driven. Cost-driven business models focus on minimizing costs wherever possible." (Osterwalder, 2010 p. 41) Typical cost-driven business models can be found in aviation (airlines such as Ryanair, AirAsia, Southwest). On the side value-driven models focus on creating value. They have premium value proposition and offer usually personalized services. Luxury hotels or exclusive services are typical examples of value-driven business models.
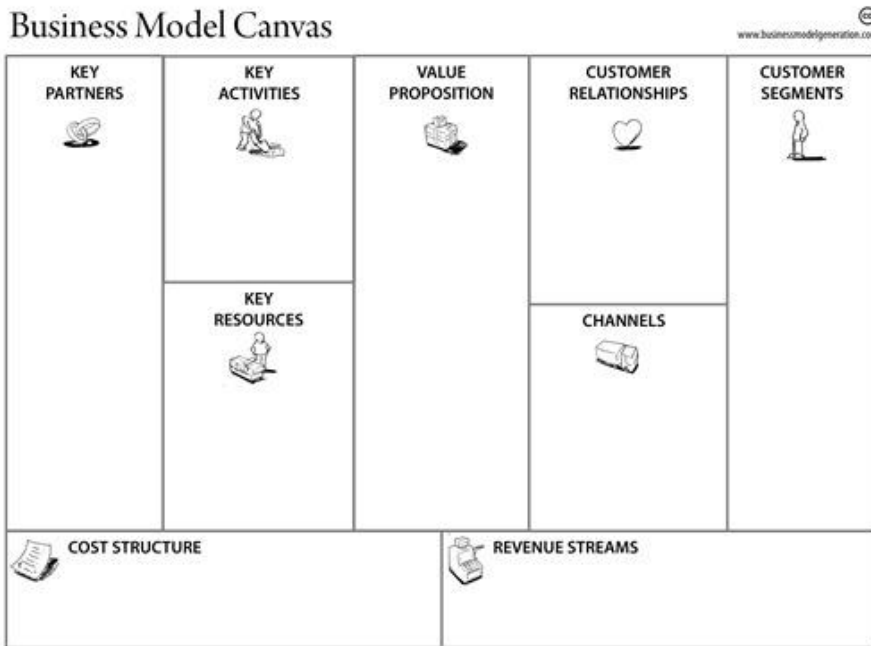
Picture 1: Business model Canvas template. Source: www.businessmodelgeneration.com

1.3.3. Canvas business model patterns

Generally the business model Canvas discusses 5 basic business model patterns. As the first one is mentioned the unbundling business model. This concept is based on the assumption that actually 3 different types of businesses exist. These are customer relationship, product innovation and infrastructure businesses. The concept of unbundling then says that "ideally these 3 business should be in separate entities to avoid conflicts or undesirable trade-offs." (Osterwalder, 2010 p. 57)

Typical example can be mobile telco companies, which realized that their core assets is customer relationship and focused just on this segment, outsourcing infrastructure and network operations. According to Osterwalder this is the way to generate the most efficiently maximum value for customers.

Second patter discussed is so called long tail business model. This is about "selling less to more. They focus on offering a large number of niche products, each of which sells relatively infrequently." (Osterwalder, 2010 p. 67) Typical example is Lulu.com changing the traditional book publishing business model of publishing only best 20% of authors, into a model where everyone can publish. " Lulu.com is a multisided platform that serves and connects authors and readers with a Long Tail of user-generated niche content." (Osterwalder, 2010 p. 71)

16

Thirdly Canvas distinguishes a business pattern of multi-sided platforms. These platforms bring together 2 or even more interdependent groups of customers. The value is created by enabling these groups to interconnect and easily interact with each other. Google can be used as a most obvious example connecting advertisers with web surfers and content creators.

Fourthly there is free as a business model pattern. Here at least one customer segment can benefit from free service or offer. These are then financed by those paying. Usually the proportion of paying customers is less than 10%. (Osterwalder, 2010 p. 96) Typically Skype or Flickr use this pattern.

Lastly we can recognize an open business model pattern when a company creates value by systematically cooperating with outside partners." (Osterwalder, 2010) The collaboration can have 2 forms. Either internal research and development activities are leveraged by using outside partners or internal RD results are transformed into a value proposition and as such offered to outside customers. This approach is used by GlaxoSmithKline, which focus on monetizing unused internal patents and technologies.

1.3.4. Value proposition Canvas

Value proposition Canvas could be called as a "plug-in" of the standard abovementioned Canvas model. According to Business model generation (Businessmodelgeneration.com, 2014) the Value Canvas model focuses just on two parts of the Canvas, on customer segments and value proposition. Customers are described by three key elements: customer jobs, pains and gains. Customer jobs identify what a specific customer segment is trying to get done. These can be things they are trying to complete, problems they have to deal with or their need they want to satisfy. It can be further distinguished between functional, social and emotional jobs. Next part of the customer segment are pains. Here what should be described are negative emotions, undesired costs and situations and risks customers must experience before, during or after completing the jobs. Finally the third part of the customer segment are gains. Gains identify benefits customers expect, desire or would be satisfied by. These are especially functional benefits, social gains, cost savings, positive feeling. All the three parts of the customer segments part need to be observed.

On the other side there is a value proposition part. This part needs to be designed by a company. It consists of three parts as well: products and services, pain relievers and gain creators. Products and services describe which products or services a company is creating and delivering help customers to get a functional, social or emotional job done or satisfy their

basic needs. Secondly pain relievers explain how the products and services alleviate negative feelings, high costs, risks and undesired situations customers could face before, during or after having the jobs completed. Lastly gain creators describe how the products and services benefits customers want, would like to get or would be satisfied by including those functional benefits, social gains, costs savings or positive feelings.
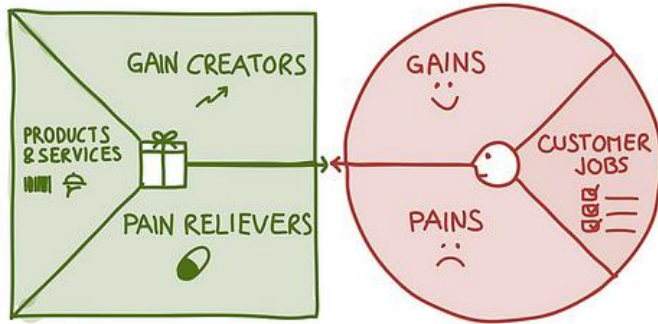
Picture 2: Value proposition Canvas. Source: http://businessmodelalchemist.com

1.4. Lean Canvas

Lean Canvas is a business model template based on the previously mentioned Osterwalder's Canvas model. Lean Canvas was developed by Ash Maurya in 2012 and presented in his book „Running Lean" (Maurya, 2012). Lean Canvas takes more a problem focused approach and thus targets purely startup businesses. Also the whole process of building the Lean Canvas puts also more emphasis on experimenting in order to find the appropriate problem, solution, unique value proposition and unfair advantage for given customer segments. Ash Maurya suggest step-by-step filling in process starting with the problem definition.

Maurya advises to list top three problems for the customer segment a startup is working with. Simultaneously all the existing alternatives for the given problems should be listed in the model.

Secondly customer segments are filled in and described. It is also useful to state, who the early adopters will be as these people play a crucial role in the MVP development and product vetting.

Thirdly founders should pay attention to the unique value proposition (UVP). "Dead center in the Lean Canvas is a box for your UVP. This is one of the most important boxes on the canvas and also the hardest to get right." (Maurya, 2012, p.29) Maurya defines the UVP as „UVP: why you are different and worth getting attention." (Maurya, 2012, p.29) He further develops the idea stating that the reason of the importance of the UVP is that customers usually decide whether to bounce from the landing page of the website in only eight seconds. This means that the UVP needs to appeal to them fast and it needs to be easily understandable for the target customers. Moreover UVP should be supported by a high-concept pitch. High-concept pitch is a distilled version of UVP. For example Yotube: „Flick for video", Dogster: „Friendster for dogs." (Maurya, 2012) High concept pitch is good for preading the word about a startup. Both customers and investors can easily and quickly describe what the business is about.

Fourth part to fill in the Lean Canvas is the solution. Solutions stated here are yet untested ones. Therefore it is neccesary to test them with customers before developing full versions of these.

Fifthly founders should tackle the channels. „Failing to build a significant path to customers is among the top reasons why startups fail." (Maurya, 2012, p.33) At this place, it is important

to distinguish between inbound and outbound channels. „Inbound channels use „pull messaging" to let customers find you organically, while outbound channels rely on „push messaging" to reach customers." (Maurya, 2012, p.34)

Next part when the revenue streams and cost structure are finished are the key metrics. Key metrics can be represented by various different measurements. One of them can be to define specifically how the acquisition, activation, retention, revenue and referral will be defined and measured. Generally acquisition is the moment when a visitor becomes interested in the website, product or service. For example clicking on a call to action button on the landing page might be considered as acquisition. Activation can be defined as the moment when an interested prospect gets the first contact with the product or service. For example enters the configurator and starts configurating the product. Retention means repeated use of the product or website. Revenue is the moment when an interested visitor becomes the paying customer. Lastly the referral happens when he tells about his experience to the others and thus spread the word about the business.

The last part of the Lean Canvas to be done is the unfair advantage. Maurya argues that this is usually the harest part to be filled in as most founders consider the unfair advantage things like passion or coding, which are not in fact unfair advantage as they can be relatively easily copied or bought. The real unfair advantage cannot be that easily copied and Maurya lists insider information, a dream team, large network effects, community, existing customers and SEO ranking as examples. (Maurya, 2012)

Problem Top 3 problems	Solution Top 3 features	Unique Value Proposition Single, clear, compelling message that states why you are different and worth paying attention	Unfair Advantage Can't be easily copied or bought	Customer Segments Target customers
	Key Metrics Key activities you measure		Channels Path to customers	
Cost Structure Customer Acquisition Costs Distribution Costs Hosting People, etc.			Revenue Streams Revenue Model Life Time Value Revenue Gross Margin	

PRODUCT | MARKET

Picture 3: Lean Canvas model. Source: Maurya (2012)

Business plan parts

1.4.1. Introduction

The business plan parts are inspired by Barringer (2009) and thus divided into areas focusing on the executive summary, company and the idea, market analysis, marketing and sales strategy, organization and management, operations and development plan and financial plan and risks associated with the business project. As the practical part of this work elaborates more in details on all of these parts, the theoretical background provided here tackles just the most important things. However, because the project is an online business, more emphasis was put on the online marketing strategy.

1.4.2. Executive summary

"The executive summary is one of the most critical pieces of your business plan as it is the section that everyone will read first. It capsulizes the entire business plan in two to three pages." (Covello, Hazelgren, 2006, p. 171) "The executive summary provides a busy reader with everything that needs to be known about the new venture's distinctive nature." (Barringer, 2009, p.83) Very common practice is that investors first ask only for an executive summary and later when convinced, they ask for the full business plan of a venture. It is important to state that executive summary is not just an introduction of a business plan, but rather a summary of the whole plan, so that a reader can get an idea about the entirety of a business plan. Moreover sometimes investors ask first just for Powerpoint executive summary. Such a presentation should contain around 10-15 (Barringer, 2009, p.86) slides. The executive summary should be written last after the whole plan is done. „If you write the executive summary first, you run the risk of trying to write a plan that fits the executive summary rather than thinking through each piece of the plan independently." (Barringer, 2009, p.87)

1.4.3. Company and idea description

This section is also very important as it shows a reader, that the author of a business plan knows how to translate an idea into a viable business. Barringer suggests 5 parts to be mentioned here: company history, mission statement, products and services, current status and legal status and ownership.

Company history should describe, where an idea is coming from. If there is an interesting story behind it can make the whole plan's story line more interesting. "By telling a story, you

place a human face on the business plan and potentially connect with readers on an emotional level." (Barringer, 2009, p.91)

A mission statement is the company's overall goal, the organization's reason for existence. "The mission statement communicates to current and prospective employees, customers, investors, suppliers, and competitors what the organization stands for and what it is trying to achieve." (Daft, 2010, p.60) As an examle Google's mission statement can be used: „Organize the world's information and make it universally accessible and useful." (Google.com)

Products and services section describes how unique they are and where products and services will be positioned on the market. It is also important to talk about the intellectual property of the company in regard to the products developed and offered. If there is no intellectual property to protect product against competitors, then it is advised to mention the barriers of entry which prevent rivals to copy the product.

Current status describes major milestones in the development process including early customer's reaction to the products and services and company's financial status.

Legal status and ownership indicates how the ownership of the company is distrubuted and describes a founder's agreement. „A founder's agreement is a written document that deals with issues such as the relative split of the equity among the founders of the firm, how individual founders will be compensated for the "sweat equity" they put into the firm, and how long the founders will have to remain with the firm for their sharesto be vested." (Barringer, 2009, p. 95) It is also important to indicate current legal form af a business ownership.

1.4.4. Market analysis

Market analysis starts with an industry analysis. It is important to state that industry analysis focuses on industry as whole, not only on the target market, a limited portion of the industry. It is useful for a founder to know how the industry looks like and not just a given small part of it. Then the market analysis breaks the whole industry into smaller parts and focuses just on the targeted market segment analysis.

1.4.4.1. Industry analysis

First part of the industry analysis defines the industry itself. Facts such as industry composition and development are stated. Second part discusses industry size, growth rate and

sales projections. As advised by Barringer, multiyear format should be used in this section supported by graphs and tables. Thirdly the industry characteristics are covered. Factors such as industry structure, nature of participants, various ratios and key success factors are described. The final part of the analysis consists of industry trends. "This is arguably the most important section of an industry analysis because it often lays the foundation for a new business idea in an industry." (Barringer, 2009, p.115) The whole industry analysis can be also summarized by the long-term prospects of certain industry.

1.4.4.2. Market analysis

As already mentioned above, market analysis breaks the industry mentioned in the industry analysis into segments and focuses on the segment targeted by the company. Market analysis is important for the remaining parts of the business as it provides necessary information for them, such as potential sales. Additionally it helps a company to better understand its customers and benefit from a competition analysis.

Market analysis starts with the market segmentation. "The term market segment refers to subgroups of consumers who will respond in a similar manner to a given marketing mix." (Myers, 2011, p.68) „Markets can be segmented in many ways, such as by geography (city, state, country), demographic variables (age, gender, family size, income), psychographic variable (personality, lifestyle, values) and product type." (Barringer, 2009, p.127) After the segmentation, it is necessary to select a specific target market and analyze its size and trends.

Second part of market analysis covers the buyer's behaviour. This section focuses on topics such as identification of a decision maker, lenghtiness of a buying process, uncovering whether it is a high-involvement or low-involvement purchase for people to buy the product. „A high-involvement purchase is one for which the buyer is prepared to spend a considerable amount of time and effort searching." (Barringer, 2009, p.134) On the other side low-involvement purchase is made with lower thought and is not that important for a buyer.

Next part of market analysis tackles the analysis of competitors. It consists of the identification of direct competitors offering a similar product, indirect with a substitute product and possible future competitors. All the rivals are then ordered in a competitive analysis grid. „A competitive analysis grid is a tool for organizing and presenting the information you collect about your competitors." (Barringer, 2009, p.138)

Finally market analysis contains an estimate of annual sales and the market share. Sometimes this section is included in the financial part of a business plan. However Barringer suggests to put this part into the market analysis part as it helps set up the remainder of the plan. Company can then better calculate for example the number of emloyees needed or a maketing budget required to support the sales.

1.4.5. Organization and management

"Untested idea, tested management team. This is the strongest combination." (Barringer, 2009, p.166) „The quality of management is, perhaps, the single most important factor considered by the investor." (Schilit, 1990, p. 115) Therefore in this section it is crucial to describe first how the management team is assembled as it can provide an indication of openness of the team toward advice and also level of enthusiasm. Second it is advised to state in this part how the team will evolve in the future.

First part describes the management team including founder and cofounders. Profiles of the members should include the title of the position, responsibility, previous relevant experience and education background. It is also necessary to show which roles in the company are covered and which are missing. Very useful tool is a management team skill profile. "It is a grid that lists the major skills needed in a firm on the horizontal axis (marketing, finance, manufacturing, IT, etc.) and the current members of the management team on the vertical axis." (Barringer, 2009, p.171) In this section management team ownership and compensation plan should be presented as well.

Next part of management team section describes the board of directors, board of advisors and other professionals a company has relationships and cooperations with. The purpose is to show that a company has access to good quality service and can benefit from it in the future.

Finally this section describes the company structure usually in the form of an organizational chart.

1.4.6. Marketing and sales strategy

Marketing strategy section describes how a company plans to make their target market aware of their offered product or service.

The strategy starts by defining the overall approach to marketing and marketing related activities. Thus creating the overall marketing strategy. Moreover positioning strategy and points of differentiation is included in this part as well. "Positioning is about finding the right

product (brand) for the right consumer (segmentation) with rather specific consumer needs (targeting through benefits) that can be satisfied in a unique way (differentiation from the competitor)." (Machkova,Lhotakova,Kral, 2010, p.94) Back to the points of differentiation, Barringer suggests to define two to three easy for customer to read differentiation features and to put emphasis on those. In this case it is also useful to draw a perceptual map. „A perceptual map is usually a two or three dimensional diagram with where each axis represents features of the product relevant for a consumer's purchase decisions." (Machkova,Lhotakova,Kral, 2010, p.99)

The second part of the marketing strategy is a pricing strategy. Basically two main pricing strategies can be distinguished, cost-based and value-based pricing. „In cost-based pricing, the list price is determined by adding a markup percentage to a product's cost. In value-based pricing, the list price is determined by estimating what consumers are willing to pay for a product and then backing off a bit to provide a cushion." (Barringer, 2009, p.151,152) The amount a customer is willing to pay is connected to the perceived value one can obtain. Company then influences the perceived value through several instruments such as positioning, branding, promotions and the other parts of the marketing plan."Most experts warn startups to resist the temptation to charge a low price for their products in the hopes of capturing market share." (Barringer, 2009, p.152) The problem behind lower price is automatically lower perceived quality of products. Therefore the price is then a function of a product quality and the perception of value by customers.

The third part talks about distribution and sales. Which distribution channel to use is a decision which predetermines company's future strategy and success. For example Timbuk2, a company making urban shoulder customizable bags online decided to partner with CompUSA, a big retailer. CompUSA was selling bags of Timbuk2. Even though sales were growing very fast for Timbuk2, they decided to terminate the cooperation as their margins were getting lower and consumers started to view the company differently than wanted. This example demontrates that choosing a distribution and sales channel is a crucial issue for companies.

The last section describes the sales process and promotions mix. The sales process defines steps through which a company goes in order to create a relationship with customers and close sales. Promotions mix includes various activities such as adversitising and PR, both

offline and online. As the character of the business in the practical part is online, the upcoming sections will further focus on online marketing.

1.4.7. Online marketing strategy

1.4.7.1. SEO

"SEO is the practice of improving and promoting a website to increase the number of visitors the site receives from search engines." (Moz.com, 2012) "Experience has shown that search engine traffic can make (or break) an organization's success." (Moz.com, 2012) The search engines have 2 main functions, to crawl the website to index it and giving a list of most relevant pages for their search.

In order for the website to be well crawled and indexed by a search engine, it is necessary to respect several rules and avoid certain mistakes. Firstly it is useful to know that online forms are difficult to be overcome by search engines. This means that the content behind the forms cannot be visible to search engines and therefore the whole website can be poorly indexed. In addition it is important to be careful of duplicate pages, which lowers the ranking of the website. Also blocking directives such as robots.txt, that block the access for the search engine crawlers to the page and thus preventing the page to become a part of indexing evaluation of the website. Moreover poor link structures lead to a poor understanding of website architecture especially the link structure and non-text content such as videos and images make it difficult for search engines to be read and properly indexed. On the other side there can also be problems matching searching task with content of the page. These include a wrong location targeting or mixed contextual signals when the website title is displaying different signal and meaning than the text below.

Another issue is connected to a problem of root domains, subdomains and subfolders and their relationship to a root domain page rank. "Subdomains do not always inherit all of the positive metrics and ranking ability of other subdomains on a given root domain. Subfolders do appear to receive all the benefits of the subdomain they're on and content/pages behave remarkably similarly no matter what subfolder under a given subdomain they're put in." (Moz.com, 2009) This is a very useful finding when creating company blog in order to support the whole page rank. Thus a blog should be done as a subfolder, not a subdomain, as only such it can inherit the page rank of the root domain. For example it is advised to use a subfolder www.dozamo.ch/blog than a subdomain www.blog.dozamo.ch.

1.4.7.2. Keyword strategy

Keyword strategy is not only about getting visitors to the web, but mainly about attracting the right ones. For keyword strategy it is important to care about several features.

First is web title tag. Title tags define the name of a document. "Title tags are often used on the search engine results pages (SERPs) to display preview snippets for a given page." (Moz.com, 2015) This should contain the keyword. More specifically this keyword has the highest effect on page ranking when it is placed at the beginning of the title. According to the "Moz's biannual survey of SEO industry leaders, 94% of participants said that keyword used in the title tag was the most important place to use keywords to achieve high rankings." (Moz.com, 2012, p.18) There are several aspects, that should be kept in mind when choosing the right title tag. The first is the length, which should be usually between 50-60 characters in order to be displayed correctly and fully. Second the place of the keywords. According to the moz.com testing and experience, the closer to the start the specific keyword is, the more powerful it becomes in terms of page ranking. On the other side it is also important to evaluate the strength of a brand. If the brand is very strong, potentially increasing the click-through rate, then it should be placed on the first place in the title tag. If the keyword is more important, then the keyword is the first and the brand usually at the end. Thirdly title tag is usually the first interaction of a customer with a brand. Therefore the message need to be positive, relevant and encouraging people to click.

Secondly, in the keyword strategy, it is advised to use keywords in the URLs. But it is also important not to overuse them, meaning not to use multiple keywords in one URL. (Moz.com, 2012, p.19)

Thirdly meta description tags are important for good quality SEO nowadays as well. "Meta descriptions are HTML attributes that provide concise explanations of the contents of web pages." (Moz.com). Even though meta description tags are not included in page ranking, they play a crucial role in gaining higher click-through rate from the search engine result pages.

Generally the text content on the website visible to search engines should include the relevant keywords, but not to overuse these. In other words page ranking will not increase by including a high density of keywords and meta keyword tags in the webpage. Content should sound natural and be focused on visitors.

1.4.8. Operations plan and product development plan

The operations plan is a necessity for any business plan, while the product development plan should be included especially when a business is developing products that did not exist before.

Operations plan elaborates on the way how the business is being run and products produced. Usually not very in-depth details are described, but rather this section focuses on major items of the operations process. One of the useful tools is an operations flow diagram. "An operations flow diagram shows the key steps in the production of a product or the delivery of a service. Many manufacturing startups, in particular, include an operations flow diagram to illustrate the participants in their value chain. Often, the operations flow diagram also depicts how the company intends to improve the flow of activities in its operations compared to industry norms." (Barringer, 2009, p.189) This part should also tackle the location of production, future development of facilities, defining in-house activities and those outsourced and explaination of the cooperation.

A product development plan describes four main issues. These are development status and tasks usually containing completed milestones and milestones to be finished, challenges and risks involved in bringing a product to the market, costs needed to bring the product to the market and intellectual property secured or to be secured in the future.

1.4.9. Financial plan

"The main reason for developing a business model is to generate the financial forecasts that are fundamental element of any business plan. But a business model allows you to understand better the economics and drivers of the business and helps the assessment of risk." (Friend, Zehle, 2004, p.144) Financial projections consist of several parts. The first is a source and use of funds statement. "The source and use of funds statement is a document that lays out specifically how much money a firm needs, where the money will come from, and what the money will be used for." (Barringer, 2009, p.210)

The next part is usually an assumption sheet, which states all the assumptions that will further be used to form pro forma financial statements. These projected statements are core part of the business plan. They include pro forma income statement, which shows projected results of the operations of the company in a stated period of time. Then projected balance sheets and

cash flow statements. Most of the authors, for example Barringer (Barringer, 2009, p.214) and Friend and Zehle (Friend and Zehle, 2004, p.145), agree on 3-5 years of projections.

Next part analyses the break-even point. It is a volume of business a company must do in order to achieve positive numbers in terms of profit and loss. In other words the total revenues equal total costs. The commonly known formula for break-even calculation is:

Total fixed costs / (price – average variable costs)

Finally financial section evaluated ratios by conducting ratio analysis. "Ratio analysis involves the comparison of two or more figures in the financial statements to provide an indicator of the performance of the business." (Friend and Zehle, 2004, p.187) As stated in Friend and Zehle, most common ratios assesed are:

Profitability ratios

Gross profit margin= (gross profit/sales) *100%

Operating profit margin=(operating profit/sales)*100%

Return on equity=(profits after tax/share capital and retained profit)*100

Liquidity ratios

Current ratio=current assets/current liabilities

Overall financial stability ratios

Debt ratio=long-term debt/(share capital + reserves)

1.4.10.Risk analysis

"Every business involves risks. Only the most naive and inexperienced entrepreneurs believe that their business just can't fail." (Abrams, 2003, p.126) Thus the risk analysis is an essential part of a business plan. "Although every possible risk will not be identified and addressed, the business plan should discuss the most important ones and indicate how management will mitigate their potential impact on business operations." (Iplanner.net, nedatováno) Moreover discussing the risks associated with the business brings more credibility to the business plan and also better prepares the company itself for the potentially dangerous situations in the future.

According to Abrams (2003, p.126) these risks can be identified and elaborated further:

Market risk

The risk that the market will not respond to the products or services offered. Or the market is not ready to accept these products or services yet. Generally these risks are pretty difficult and costly to overcome.

Competitive risk

This is a risk that the competition environment on the given market will significantly change. Either new competitors will come to the market or the incumbent companies will reposition or extend their products. The reaction of competitors towards a company's entrance into the market needs to be evaluated.

Technology risk

Risks that the technology required for the products or services to be delivered will not work or will not work as planned.

Operations and product risk

Threats that the product will not materialize, will not be completed in time or will not work as promised.

Execution risk

Risks that the management of a company is not capable of managing the initial start and later growth of a company.

Capitalization risk

The risk of running out of the money. This can be basically caused mainly by underestimating costs or overestimating incomes.

1.5. Online customer experience

The online customer experience part starts by explaining the core model of technology acceptance introduced by Davis in 1989. Then the background of repurchase intentions is talked as retention of customers is very important aspect of a success of many startups. Similarly overcoming risks customers associate with the online shopping is crucial in order to build a successful online company.

1.5.1. Technology acceptance model and its influence on online shopping

Technology acceptance model (TAM) was introduced by Davis (1989). The model describes factors that affect the adoption of new technologies. The usage of a new technology is determined by user's behavioral intention to use, which is derived from user's attitudes towards a usage. The attitude itself is directly influenced by two factors. First is perceived usefulness of use (PU) and the second is perceived easy of use (PEOU). According to Davis (1989) PEOU is the major determinant of acceptance of certain technology. It might be also expressed as the level of free effort that needs to be used when using certain technology. PU is described as the level to which a user is convinced that using a certain new technology will increase their performance.

„The ease of use of technological interfaces and tools on online shopping sites are imperative in predicting the online shopper's attitude toward online shopping if online shopping sites are easy to use." (Lim, Ting, 2012, p.54) Thus it is suggested to focus on proper, easy to navigate layout on the website, programme the online tools and interfaces as user friendly as possible, use online chats, video tutorials, e-how guides, step by step tutorials. It is also important to avoid features that lead to browsing difficulties such as pop-up banners, small fonts and eye glaring colours. Moreover the study of Lim and Ting (2012) shows a direct influence of PU on attitude of people towards online shopping. Therefore it advises to introduce online services and that help people to save money or time. Features that increase shopping effectiveness should be introduced such as search bar, shopping list. This theory is also confirmed by Eric Ries, who states when describing his experience in his first startup IMVU: „whenever we would change the product to make it easier for people, we discovered that customers were more likely to engage." (Ries, 2011, p.52)

Furthermore together with some other studies Lim, Ting (2012) proved that PU is derived from PEOU. In other words that perceived ease of use has significant effect on perceived

usefulness. That is why retailers should be more motivated to focus on creating the easiest to use websites and online interfaces.

1.5.2. Repurchase intentions

Pappas et al. (2012) states that not all the customers have the same value for the company and highlights the value of those coming back to repurchase. „The cost of acquiring new customers is five to seven times that of retaining existing ones." (Khalifa, Liu, 2007, p.780) „Thus, customer retention includes a major concern for firms wishing to obtain a competitive advantage." (Pappas et al., 2012, p.188) Pappas et al. researched the effect of certain variables on customer's intention to repurchase.

First was the effort expectancy, which refers to the customer's perception that online shopping is free of effort. In other words the amount of effort people need to put into online shopping influences their intention and willingness to buy. Second aspect was the performance expectancy referring to the level to which a customer believes that online shopping makes the transaction easier. Third factor is self-efficacy or the capability to perform a task. Fourth measured part is trust. Here in the sense of believing that an e-vendor acts ethically without any fraudulant intentions. And lastly Pappas et al. include satisfaction with the online purchase as a factor affecting online repurchase intentions of a customer.

The results of a research were split into two groups of people, those highly experienced in online shopping and those with lower experience. Surprisingly only trust had similar effect on increased satisfaction and higher willingness to repurchase in the future. On the other hand performance expectancy affects satisfaction only of those highly experienced with online shopping. On the contrary the effort expectancy and self-efficacy influence satisfaction only of low-experienced customers. Satisfaction of this group was not influenced by the performance expectancy. Finally the overall satisfaction has direct effect on the intention to repurchase for both the groups. However for low experienced users satisfaction is more important, while high experience rely more on other aspects such as already mentioned performance expectancy. The explanation might be, according to Pappas et al., that low experienced customer relies purely on his previous experience, but high experienced customer acquires information from various different sources. Practically these results imply that the online marketing strategies and product development should be careful about the level of experience of the targeted segments. „ For experienced online customers, firms should focus on providing appropriate mechanisms increasing the performance of the online shopping

medium. When addressing low-experienced customers, firms should keep in mind that effort expectancy and self-efficacy are more effective on them. Thus, firms should invest in increasing ease of use and friendliness of the online shopping medium." (Pappas et al., 2012, p.199)

Results of the abovementioned study of Pappas et al. (2012) were similar to those gathered by Khalifa, Liu (2007). „Many companies grouped customers based on their satisfaction level. As our results show that experienced and habitual customers, when satisfied, are more likely to be retained, another useful market segmentation criterion may be the level of prior onlie shopping experience and online shopping habit." (Khalifa, Liu, 2007, p.789) Khalifa, Liu (2007) further discuss the importance of creating online shopping habit, which is not that significant for service or products accustomed to buying online such as books, but rather for those still in early stage such as grocery. Therefore managers should focus on creating customers' habits in those industries that are still not that developed online, in order to enhance customer repurchase intentions.

1.5.3. Risks associated with online shopping

Generally online shopping carries more risks as customers usually lack the physical access to products and physical sales assistance. These risks might discourage shoppers from purchasing products online. Therefore it is crucial to be able to identify the key risks customers face when shopping online and mitigate them to the highest possible extent.

Dai, Forsythe and Kwon (2014) identified three main risks associated with online shopping in their conceptual model. The first is the product risk that is described as „the probability of the item failing to meet the performance requirements originally intended." (Dai, Forsythe and Kwon, 2014, p.15) This is also the mostly stated reason for not shopping online. Secondly Dai et al. cover discuss the financial risk. „Financial risk is defined as the likelihood of suffering a monetary loss from a purchase." (Dai, Forsythe and Kwon, 2014, p.15) There are several reasons, why customers should worry about this risk. Firstly people are not sure that they pay the lowest price possible compared to the others. Then the threat of credit card fraud which is the strongest part of the financial risk. Third risk is privacy risk. Privacy risk is basically the probability of loosing the personal information entered in order to process online transactions.

Results of the Dai, Forsythe and Kwon (2014) study is that with increased online shopping experience customers perceive all the risks as less significant. Moreover they found out that the privacy risk does not influence the shopping decisions for specific transactions and is

perceived as less significant than product and financial risk. These results show the online companies to focus especially on diminishing product and financial risks. „For example knowing that shopper's previous shopping experience will positively impact their purchase intentions suggests that online retailers need to direct their promotional offers toward encouraging first time purchases." (Dai, Forsythe and Kwon, 2014, p.22) It is also advised to use technology in order to reduce product risks such as 3D product view, virtual shows and reviews of customers.

1.6. Mass customization

"Mass customization is defined as an offer which allows the consumer: (a) to personally modify certain elements that make up the product, within an ensemble of modules of choice which are predefined by the brand, and (b) to buy the co-designed product." (Merle, Chandon, Roux, 2008, p.28) Thus customization requires a customer to modify or create a product by himself. Such a definition distinguishes mass customization from personalization, when a certain product is recommended to a consumer by a company based on their past purchases or previously provided preferences.

Franke, Keinz and Steger (2010) support the idea of mass customization stating that in recent years there is a constantly increasing supply of modern technologies that enable us to produce customized products cheaper and more effectively. Moreover they argue that internet boom brought significant cost savings as well and thus both trends result in more efficient and cost competitive mass customization. Aditionally another supporting argument for mass customization is the fact, that the customers' demand is becoming more heterogenous in many markets increasing the demand for customised products. On the other side Franke, Keinz and Steger (2010) also depict arguments against the customization, mentioning big failures such as Levi Strauss „Original Spin" customised jeans or Mattel's „My Design Barbie". Firstly customization requires us to specify precisely what we want and that might sometimes be a problem. Secondly customers might not be even able to specify their preferences precisely and correctly, questioning whether customised products are really more beneficial to them. Thirdly „recent research shows that there are consumers who do prefer products based on the aggregated preferences of other consumers over products based on their own individual preferences." (Franke, Keinz and Steger, 2010, p.28)

Based on the research and findings Franke, Keinz and Steger (2010) made, they formulated three conditions for the value of customization for customers. First it is crucial that customers know what they really want. „If consumers do not really know what they want, they will be more inclined to construct preferences based on situational cues when asked to specify product requirements- which will bring about a high error term in their preference measurements." (Franke, Keinz and Steger, 2010, p.31) Secondly customers must be able to communicate what their preferences are. Companies need to set up an effective communication channels in order to hellp the customers to express easily and precisely their needs and wishes. Thirdly customers must show a high level of involvement in the product.

This result in more enthusiasm and time investment into specifying the preferences and configurating customised product.

To conclude Franke, Keinz and Steger (2010) discovered in their reseach that customization brings customers higher value. „The relatively large increase in derived benefit suggests that there is a great deal of „money on the table" – customers are willing to pay far more for products that fit their preferences." (Franke, Keinz and Steger, 2010, p.32) Moreover success of customization depends on customer's characteristic. It is not true that customization is the best strategy for any customer. Finally as it is important to help customers express their preferences, the report advises to implement recommender system into the self-design process. In addition the self-design toolkit should enable customers to uncover their preferences through the trial-and-error learning.

Slightly different view on mass customization is provided by Tuominen and Lahti (2012). "The basic idea of mass customization is to simultaneously identify and fulfil the requirements of both external and internal customers." (Tuominen, Lahti, 2012, p.9) Tuominen and Lahti differentiate between internal customers, who are internal company departments and external customers, who are customers of the whole company. They say that mass customization solves the fact that standard products satisfy limited number of customers as everyone has individual needs. Companies try to solve this problem by tailoring. However tailoring does not satisfy internal customers as it requires higher costs, leads to lower quality due to lack of repetitiveness in the production and poor controllability. Mass customization might be the appropriate solution as it aims to achieve following: „A wide range of products with the smallest possible number of modules. The ability to meet customer requirements quickly and cost-effectively." (Tuominen, Lahti, 2012, p.9)

On the other side Buffington states in his study that mass customization is usually defined in relation to niche markets and works as a complementary strategy to mass production. "However, just because mass customization is categorized in research as a function of complementary strategies, it should not be concluded that today's consumers are disinterested in product alternatives to a mass production system." (Buffington, 2010, p.45)

According to Buffington's study many reports showed that consumers are willing to participate around 20-30 minutes in the configuration process of the product. Moreover „the research findings suggest intolerance to paying a higher price for customize products." (Buffington, 2010, p.50) Buffington also finds out that even though a customer oriented

design such as mass customization may be defined as optimal, the results from his study discovered that a mass market consumer may not be comfortable being responsible for the design or configuration. However (Merle, Chandon, Roux, 2008, p.40) came with different results. They proved that more than 73% of people were prepared to pay a premium for the mass-customized product. The average price premium was nearly 29% more than standard product. Similarly they found out that 86% of people preferred customized product to standard product. Different results might be caused by the fact that Merle, Chandon and Roux focused only on a single category of Nike shoes and specific population of students, while Buffington covered broader range of products and demographic segments.

Aichner and Coletti found out that the main attraction source for people to get customized product online is price. „Thus, price is the first element that mass customization websites must keep under control, since it is the main source of customers' attraction." (Aichner, Coletti, 2013, p.25) Price was stated as the primary reason by 65% of respondents[1]. The second aspect that forces customers to buy online is product availability. This fact was stated by 52% of respondents. Interestingly the study also shows that „having a large experience with online shopping already increases significantly the desire to try out personalised products." (Aichner, Coletti, 2013, p.26) Moreover they did not identify any differences between female and male consumers. However, what matters is age. The study says that people who do not want to personalise are slightly older a shown in Picture 4 below.
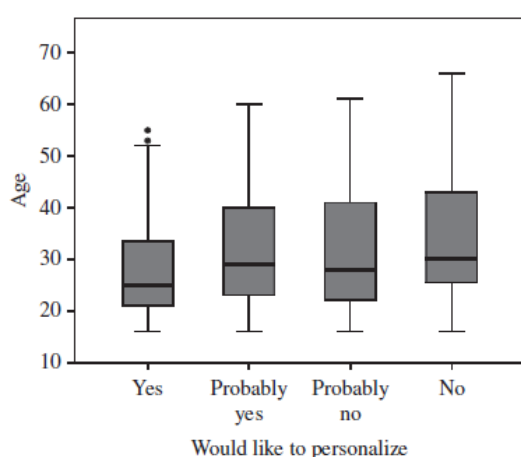
Picture 4: Distribution of age by personalisation intention. Source: (Aichner, Coletti, 2013, p.27)

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1 The sample consists of 561 European respondents aged 16 years or older. Particular care has been taken in balancing male (50.8 per cent) with female subjects, and students (25.3 per cent), who are probably more prone to new technologies, with non-students. Concerning age distribution, the questionnaire was submitted to people aged from 16 to 86 years with a particular emphasis on young adults (median 28 years)

Aichner and Colletti also mention the matter of time. Especially over-long production time combined with an extra delivery time might keep many potential customers from trying out online mass customization. Results show that many customers are mostly not willing to wait any longer than usual. This creates a pressure on companies to delivery and produce personalised products as fast as possible in order to be competitive online. Regarding the brand loyalty Aichner and Coletti suggest that consumers become ore loyal to mass customization companies. Moreover this implies that customers might be willing to switch the brand if another company offers a product with similar price and similar quality combined with the possibility to personalise it.

To summarize the study. "Both existing literature and this investigation highlighted two important aspects that influence the customer's choice on whether to rely on a certain company to buy a customised product or not: price and waiting time." (Aichner, Coletti, 2013, p.30)

1.6.1. Online configurator and confusion of customers

Zipkin covers the topic of elicitation in mass customization. "Any elicitation process is an artful means of leading customers through the process of identifying exactly what they (customers) want." (Zipkin, 2001, p.2) Zipkin describes elicitation as hard when making mass customized products as customers have difficulties to clearly state what exactly they want and communicating that to the company. In order to facilitate the communication with customers and make it easier for them, companies often introduce various enabling mechanism, sometimes called configurators.

Very interesting study on online configurators for mass customization was conduted by Matzler, Waiguny and Fuller (Matzler, Waiguny, Fuller, 2007). „The results of the study show that consumer confusion, i.e. configuration overload in the context of internet-based mass-customization, can actually be found and it is significantly related to several consumer's coping strategies. Configuration is strongly influenced by product knowledge and usability." (Matzler, Waiguny, Fuller, 2007, p.15) They also state that the solution to the complexity reduction might lie in providing pre-configured models to the customers as they find it more trustworthy and convenient to rely on pre-configured default-settings, which are recommended by the selling company. Another suggested strategy confirmed in this study is decision sharing. People tend to ask and contact others to confirm their purchase. „If online providers, for an instance, use trustable testimonials that have bought before, customers could

more easily build trust and decide to buy from the vendor." (Matzler, Waiguny, Fuller, 2007, p. 16)

The problem of mass customization confusion was discussed also by Matzler, Stieger and Fuller (2011). They developed a model of mass customization confusion. „Consumer confusion is conceptualized as a three-dimensional construct (information overload, product unclarity, and process unclarity) and is expected to impact three important variables that determine word of mouth: fun during the configuration process, satisfaction with the product, and trust." (Matzler, Stieger and Fuller, 2011, p. 234)
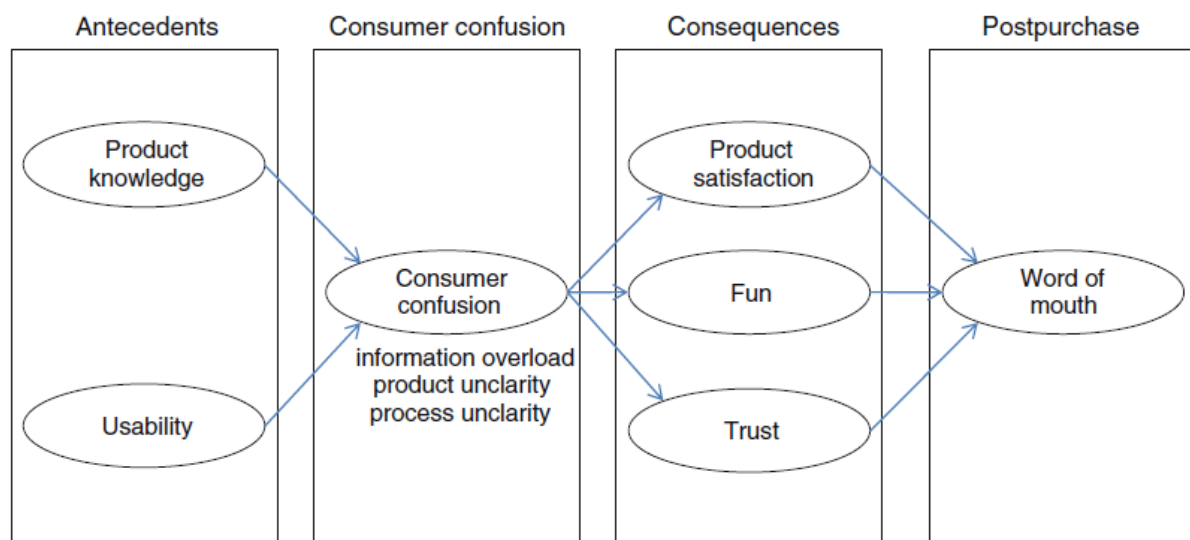
Picture 5: Model of mass customization confusion. Source: (Matzler, Stieger and Fuller, 2011, p. 235)

The study confirmed that the consumer perception is influenced strongly by product's previous knowledge and usability of a configurator and website. „This suggests a consumer segmentation strategy for the online configuration process based on product knowledge." (Matzler, Stieger and Fuller, 2011, p.243) They further recommend to use a comprehensive solution with many options for knowledgable customers in order to satisfy their special needs. On the other hand a less experienced customer should be treated differently. Such a customer should be offered only a limited number of choices in order to prevent the customer's confusion. Therefore toolkits or configurators are seen as the key success factor in implementing a mass customization products by Matzler, Stieger and Fuller.

They continue stating that that „mass customization leads to cost saving potentials, more detailed information on customer needs, increased loyalty, and higher willingness to pay." (Matzler, Stieger and Fuller, 2011, p.244) However all these benefits can be diminished by

information overload, product and process unclarity and thus increasing the negative perception of product satisfaction, fun and trust. Such a situation consequently leads to lower word of mouth. To sum up, companies should clearly state their target customer segment and analyze their product knowledge level in order to develop appropriate online configurator, which does not lead to customers confusion. Preventing the confusion results in higher product satisfaction, better feeling emerging from fun during the configuration process and higher trust resulting in a positive word of mouth.

The abovementioned results are confirmed by a study (Aichner, Coletti, 2013) as they state: „…the choice of the right interface is clearly a crucial one, since, at the same time, it must be easy to use, complete and offer the user all the possible choices, and with good default choices." (Aichner, Coletti, 2013, p.22) Easy to use interface avoids frustrating of customers and thus leaving of customers. Complete is mentioned here in the sense that the configuration must clearly show the user the impact on a final product. For example dynamic changes of product parameters are employed. Aichner and Coletti also tackle the problem of the overchoice effect when stating that in the case of offering too many choices to users, they might give up. But still it is important to let the user the freedom so that he can say „ I designed it by myself". „Aside from a functional and user-friendly interface, additional online services such as visualisation and sales person interaction increase customer intention to use online mass customization." (Aichner, Coletti, 2013, p.23)

2. Practical part

In the practical part first Lean Canvas model and then the Canvas business model for the online furniture company are introduced. After that the details of the business plan are described and discussed.

2.1. Lean Canvas model – online individualized furniture company Dozamo

Problem	Solution	Unique Value Proposition	Unfair advantage	Customer Segments
Retailers' products are not unique and can't be adapted to one's needs	Online website with furniture configurator	Customized furniture made affordable and fast to deliver.	Unique design solution Community Network of producers and designers	Niche market of young professionals – people at the earlier stages of their careers and young families living in urban areas and looking for products that stand out from standardized products
Buying individualized furniture is expensive and takes long time	Predefined models to make production faster and cost efficient	*High concept pitch:*		
Furniture shopping is time-consuming	Convenient online shopping supported by exceptional customer help, design consulting and sample delivery	Unique furniture that fits your needs.		25-40 years old

				Early adopters:
Existing alternatives:	**Key metrics**		**Channels**	30-35 young professionals moving to their newly purchased flat
	Acquisition – getting to any other page than the landing page			
Ikea and similar retailers	*Activation-* Starting furniture configuration		Web sales: Inbound channels:	
	Retention – Coming back to finish the configuration or coming back to buy again		• Blogs • SEO • Ebooks • Word of mouth • Retention	
Carpenters				
Custom made furniture companies			Outbound channels:	
Design studios	*Revenue –* paying for the order *Referral –* inputting friend's recommendation email		• SEM • Facebook	

Cost Structure

Personnel: 40 %
Development: 10 %
Marketing: 40 %
Operations: 10 %

Revenue Streams

Product sales – pricing positioned to be cca 35% more expensive than IKEA, 45 - 75 % cheaper than carpenters and custom made furniture studios
50% average gross margins set in CZ, 70% in CH
20% EBIT margin target

2.2. Canvas business model – online individualized furniture company Dozamo

Key Partners

Manufacturing companies

Designers and technicians

Logistic company

Key Activities

CRM

Quality controls

IT development

Product development

Logistics

Marketing

Key Resources

Human
Call center and live chat assistance, programmers, marketing, designers

Financial
Enough cash raised and proper CF management

Physical
IT infrastructure

Value Proposition

Customization

Unique product

Value/price ratio

Speed of delivery

Customer Relationships

Personal assistance – live chat, help on call, designer to help, samples on demand

Community – customers can join the community created around the project

Channels

Web sales:

Inbound channels:
Blogs
SEO
Ebooks
Word of mouth
Retention

Outbound channels:
SEM
Facebook

Customer Segments

Niche market of young professionals – people at the earlier stages of their careers and young families living in urban areas and looking for products that stand out from standardized products

25-40 years old

Cost Structure

Personnel: 40 %

Development: 10 %

Marketing: 40 %

Operations: 10 %

Revenue Streams

Product sales – pricing positioned to be cca 35% more expensive than IKEA

55% average gross margins set in CZ, 70% in CH

20% EBIT margin

2.3. Business plan

2.3.1. Executive summary

2.3.1.1. Introduction

The furniture industry had resisted to go online for quite a long time. A few years ago, however, the shift occurred and the online furniture industry started to grow very fast. It grew up to 250 000 000 EUR in Switzerland and 66 000 000 EUR in the Czech Republic growing 12% (Gfk Switzerland, 2012) and 14% a year (International Euromonitor, March 2014) respectively. The industry is driven especially by a convenience of online shopping, time and financial benefits and younger people who are used to shopping online. Based on all these facts, we see a great market opportunity in customized furniture offered online.

2.3.1.2. Company description

Dozamo envisions a fully digitalized furniture industry, empowering its clients to individualize the furniture to match their taste, needs and environment. Dozamo links young designers, manufacturers and customers directly. By connecting customers and manufacturers we are able to avoid costs related to intermediaries and manage to reduce production and delivery times by 60% compared to traditional companies. This innovative system combined with the production in low cost countries like the Czech Republic, reduces manufacturing costs by 70% compared to Western European countries.

2.3.1.3. Industry analysis

Furniture industry is among the biggest industries in both countries. In the Czech Republic it makes about 1,17 billion EUR (Czech furniture association,2015) and in Switzerland 3,5 billion EUR (Lang, 2014). The industry is currently split between retail, custom made and online segments. Online furniture market aims to reduce the costs associated with product distribution, offering faster and more convenient purchasing process on the internet and wider product database. Online furniture is young and fast growing industry covering 5,6% of the furniture market in the Czech Republic and 7,1% of the Swiss furniture market. As it grows fast and incumbent companies are rather young, it is relatively less competitive, offering higher margin potential than the traditional furniture market.

2.3.1.4. Market analysis

In the Czech Republic we are targeting 5% share of the online furniture market at the end of year 3. This means a potential of 3 345 067 EUR in sales. The goal for a Swiss market is also

5% of the online furniture market making it a potential of 10 222 323 EUR in revenues in year 3.

2.3.1.5. Target group

Based on the face to face interviews and online survey of 204 respondents, we confirmed that our target group lies in the range of 27-40 years old. These are especially young professionals, people at the beginning of their careers and young families. These people already tried IKEA several times, but now they want to have something of better quality, something individualized and unique. However they still do not have enough money to buy products from design studios or carpenters. Moreover they are Generation Y used to buy online. These people will buy unique individualized furniture from Dozamo and save their money and time.

2.3.1.6. Marketing plan

Marketing plan is based on our USP, which is the exceptional value for money offered to customers. The value includes the uniqueness, quality and delivery time of Dozamo furniture. The USP is supported by quality and relevant content and marketing communication. Content is generated mainly by blog posts, PR articles and designers themselves. Content strategy will generate organic website traffic, build company reputation and effectively communicate the product and company's message. Content is accompanied by the core of our marketing efforts, paid online marketing done especially through PPC campaigns focused on long tail keywords. All the marketing efforts are aimed to bring measurable results so that ROI and goal fulfilment of each effort can be clearly and properly calculated.

2.3.1.7. Management team

The company is founded by Martin Zak and Cosimo Donati. Martin Zak gained 2,5 year experience in the furniture industry working in a family furniture business and for the largest online furniture retailer in Europe Home24 in Berlin. Cosimo Donati has a practical working experience in the financial industry and a 4 year experience as an entrepreneur from the projects of Thestudentscard.net and Clouds events in Switzerland.

2.3.1.8. Operations plan

Dozamo operates differently from the traditional furniture companies. We cut out the middlemen in the ordering and production process. Thus we are lowering the operations and production costs. Moreover by cooperating with designers and network of manufacturers, we further lower the costs by smart furniture design and selection of the most efficient producers.
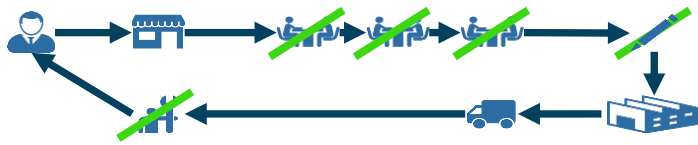
Picture 7: Traditional furniture industry - ordering and production process. Created by the author.
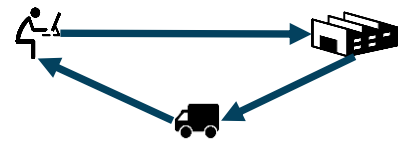
Picture 6: Dozamo business model. Created by the author

2.3.1.9. Financial projections

The company is predicted to reach revenues of 1 880 933 EUR and a positive net income of 90 898 EUR at the end of year 2 and revenues of 6 060 100 EUR and a net income of 506 630 EUR at the end of the year 3. The operations cash flow break even occurs in the second quarter of the second year. Consequently, after staying negative throughout the first 15 months of operations, the ROE reaches 77% in the third year.

2.3.1.10. Funding request

The company is seeking 100 000 EUR investment capital for a 10% stake in the company.

2.4. Company and idea description

2.4.1. Introduction

Project Dozamo envisions a fully digitalized furniture industry, empowering its clients to individualize the furniture to match their taste, needs and environment. Dozamo links young designers, manufacturers and customers directly. By connecting customers and manufacturers we are able to avoid costs related to intermediaries and manage to reduce production and delivery times by 60%. This innovative system combined with the production in low cost countries like the Czech Republic, reduces manufacturing costs by 70% compared to Western European countries.

2.4.2. Individualization

We envision a high degree of interconnectedness between the client and the manufacturing process. With a simple to use modelling tool even people who are not technically affine can easily individualize their furniture. The individualization aspect is psychologically positive for our customers, allowing them to individualize their furniture and present it to their social environment as their own creation. Additionally, the furniture is easy to assemble as it has been developed together with a furniture designer and in cooperation with our suppliers. This proprietary system allows customers to independently and safely assemble complete wardrobes within an hour.

2.4.3. Delivery

Customers have two delivery options: 1) they get a standard delivery to their house/apartment without additional assembly of the products (this option is beneficial for them as they would save additional costs) 2) they get a delivery to their house/apartment together with the assembly of their order (this will be charged additionally).

2.4.4. Design

Our goal is to provide products with a nice design which however should match the taste of the mass. In order to develop and provide attractive and fresh designs we want to cooperate with young and independent furniture designers. We can offer them a platform to develop and sell their creations and simultaneously engage our customers in defining the most attractive designs. This can be done through social media interactions. By collaborating with young designers our company will profit from additional media presence (as we provide a promotion

platform to aspiring designers) and additional sales as the designers are motivated to promote their products due to a commission they get for every sale.

2.4.5. How does it work?

Concerning the production process, we envision a high degree of interconnectedness between client and producer. The online platform, offering the possibility to customize the furniture to order (in terms of materials, colours, sizes…) in a modular way. The customer, therefore, could choose his or her individualized pieces of furniture from anywhere they are, and anyhow, within the offered range of modules, coherently with the principle of mass customization.

2.4.6. Mission statement

It is our goal to develop a great website with a modular configurator, which enables especially younger generation to intuitively and easily create furniture according to their needs and wishes, and for affordable prices.

2.4.7. Company mantra

Dozamo's mantra is "Available uniqueness". We want to give people the opportunity to get furniture, which is unique and adapted to their taste and wishes. Either by selecting predefined furniture designed by our designers or by adapting these models to individual needs, Dozamo furniture will always remain original and unique. All this with focus on fair price offering, so that everybody can afford to get the uniqueness.

2.5. Products and services

Current shoppers for furniture are faced with a choice to go either with mass market, low cost, rather low quality ready-made furniture of furniture retail stores (e.g. IKEA) or with relatively expensive, good quality but slow to design and to manufacture made-to-measure furniture.

Dozamo brings the convenience of shopping online, quality and unique fit of made-to-measure furniture combined with fast delivery (of 2-3 week), yet price affordable for many mass market customers. This enables our product to provide unparalleled price-value ratio.

2.5.1. Product range

We will offer a broad range of online individualized furniture categories. Based on the greatest expertise of our supplier in wardrobes and also on founder's experience from online furniture industry, the first chosen products are customized wardrobes. The wardrobe has already been prototyped and first pieces produced. In the coming months we plan to extend our product range to bookcases, sideboards, dining tables, living room tables. Later on we will add sofas and small decorations. The importance when developing new products, is to respect the following requirements:

1) The production process has to be automatized and efficient to produce
2) The packaging needs to be as small and as light as possible, to reduce logistic costs
3) The customers can easily assemble the products by themselves

These are general requirements for designers for all the products being developed for Dozamo.

2.5.2. Online configuration

In order to offer individualized furniture, we are developing online configurators. Thus our customers have the possibility to individualize furniture models within predefined size, colour and material ranges. The modelling tools are developed in-house by our programmers and customer experienced designers. The size, colour and material ranges are defined in collaboration with our manufacturers and the furniture designers.

Limited range of materials and colours was chosen to satisfy customer needs. Materials used are laminate, compact and polished MDF and HPL desks being available in limited range of most popular colours and surfaces.

Products are supplied mainly by a Czech company Delfi s.r.o., already an experienced supplier of an online furniture retailer. The company production facilities work on IMOS software (see

"Details about IMOS" for more information), which enables the supplier to connect their production directly with the online modelling tools and order output. Therefore the orders can go straight to production when ordered. This brings an advantage of lower production costs and faster delivery. However as the materials range Delfi s.r.o works with is limited, we plan to create a network of manufacturers in the future, so that we can cover a broader material and product range.

2.5.3. Logistics

During the first five beta-phase months logistics will be partly solved by Cosimo Donati and Martin Zak. This includes the transportation within the Czech Republic and from the Czech Republic to a warehouse in Switzerland and from there the furniture will be dispatched to the customers by Cosimo Donati and Martin Zak.

Once the production processes are tested and the order flow is more predictable, the logistic process will slowly be switched to a local logistics company Rehnus in the Czech Republic and in Switzerland, which will handle the delivery to from the warehouse to the end customers in Switzerland.

2.5.4. Customer experience

According to the interviews conducted with the potential target group, we identified that, additionally to touching and testing the furniture in the store, they appreciate the service they get, when buying in a retail store. In order to make to feel a customer comfortable when buying products we will:

- Use abovementioned online configurator with a proper visualisation tool giving customers an idea how the final product will look like.

- Provide samples for request. To provide customers with the opportunity to see, touch and feel the materials they will have the option to obtain a free samples to be ordered on the website.

- Offer excellent customer service. This service consists of an email support, life chat option and especially a call centre. Moreover the assembly service is included. Meaning that when people are not willing to assembly the furniture by themselves, they could order an assembly service putting the furniture together for them.

2.5.5. Pre-Sale services

Buying furniture online, customers are missing out the experience they have, when buying furniture in a store. This includes to test and experience the products and materials beforehand. Customer reviews showed, that they expect to see detailed pictures of the products they will buy.

2.5.6. Post-Sales services

Analysing the customer reviews of online furniture retailers following points were identified as dissatisfactory for the customers:

- Delayed delivery

- Customer service was not available or poor

- Products arrived damaged

- Products were not delivered at all

- Service of logistics company was not satisfactory

In order to prevent customers from being dissatisfied Dozamo will focus on providing an outstanding service in terms of pre-sales consultation but also and most importantly, post-sales services. This will include:

- Securing that the products are delivered on time

- Making sure to be available for the customers in case there are some problems with the delivery or the products were delivered damaged

- Getting in touch with the customer to insure he is satisfied with the product

2.5.7. Details about IMOS

IMOS is a software outsourced from a German company with headquarters in Stuttgart. This unique software enables to connect production with online planning tool. Therefore the system does not need a technical department of a furniture producing company to redraw the output from online website and the order goes directly to the production. This saves costs of a technician, reduces the human mistakes and enables very fast 5-7 day production time.

2.5.8. Current status

Dozamo is intended to be launched in June 2015. Since the beginning of the project several milestones has already been completed and several more are there still to be finished.

2.5.8.1. Milestones completed

- Feasibility analysis done – 16 face to face interviews, questionnaire of 204 respondents, first customer acquired, 6 interviews with designers

- Supplier secured – Delfi s.r.o in the Czech Republic

- Technical solution completed – together with Delfi technicians we managed to complete the technical drawings in IMOS Software

- Prototype produced – wardrobe construction tested

- Website being developed – websites to be launched in May in beta, June fully launched

- Contest for designers for bookcases and storage systems prepared – not launched yet

- Project selected to final round of Technopark incubator competition for grant of 10 000 CHF in Zurich, Switzerland

- Project is part of Xport incubator in the Czech Republic and St. Gallen university incubator in Switzerland

2.5.8.2. Milestones to be completed

- Website to be tested with Adwords campaign testing budget and properly analysed in Google Analytics

- Contest for designers to be launched so that the product portfolio can be extended

- Scalable logistics system to be developed

- Find investor and obtain funding

2.5.9. Legal status and ownership

The company will be incorporated as a limited liability corporation in Czech Republic and in Switzerland. Founders split the ownership stake by 50%.

2.6.   Market analysis

2.6.1.   Industry analysis

2.6.1.1. Industry Overview

The whole furniture industry is one of the most important in each country. In Czech Republic it makes about 1,17 billion EUR (Czech furniture association,2015) and in Switzerland 3,5 billion EUR (Lang, 2014). Sales revenues are seasonal with strong end of the year – September, November, October and December and rather weak January and summer months – July and August.

2.6.1.2. Characteristics

The whole industry can be divided into two specific categories. The first is furniture retail and second is customized furniture. Both represent almost equal furniture market share (Gfk, 2014).

2.6.1.3. Furniture retail

Retail is usually what first comes to people's mind. Everyone knows the typical participant in this sector IKEA. Furniture retail is based on cooperation with suppliers who are mostly independent companies. Retailers then focus only on selling the product and providing the service (usually in-shop consulting, delivery, assembly) and customer experience (e.g. meat balls in IKEA).

Usually retailers tend to offer cheap and lower quality products with standard sizes and design (some of the retailers offer also made to measure option, but the options are very limited)

To sum up, customers can get lower priced, usually lower quality product, and are limited by the quality, size and design choice. In addition they very often need to go to the suburb areas of a city to shop and also the in-shop selection process can take time. On the other side they can benefit from testing and touching the product before the purchase and self-assembly, which saves costs.

2.6.1.4. Customized furniture

Traditionally made to measure furniture industry is peculiar by its high fixed production costs and high capital demands, including high-cost distribution channels (stone shops with high fixed costs – sales stuff and rent), high customer negotiation costs (it can take up to 5-6 meetings to agree on the final product solution) and transaction costs (many proposals made but not sold). Moreover it takes quite a long time to deliver the product – 8-12 weeks.

To sum up, customers can get higher priced, but better quality product, which is unique and satisfies completely their needs. However the whole process takes a lot of time and is too financially demanding.

2.6.1.5. Online furniture market

Online furniture market aims to reduce the costs associated with product distribution, offering faster and more convenient purchasing process on the internet and wider product database. Vast majority of online shops focuses only on retail furniture.

2.6.2. 5 Porter forces analysis – online furniture

2.6.2.1. New entrants

- Economies of scale

- Access to supplier

- Higher technical requirements on suppliers

- Capital requirements

- Customer loyalty – in case customers are satisfied with the current companies on the market, they will probably not switch the company as the internet online furniture industry is specific in the sense that customers cannot see or touch the furniture

- Brand building

- Software requirements

- Different business models of the incumbent companies – they would probably not be willing to dilute their brand by offering online furniture and not willing to build the new brand from scratch as well

Threat of new entrants is relatively low because it is not easy to find the supplier with good machine equipment and software compatibility. Also the capital requirements are high and the incumbent companies are not that interested in this new industry.

2.6.2.2. Threat of substitute products or services

- Switching costs are low

- Relatively lots of substitute products on the market – IKEA etc. + Internet furniture companies (Mt-nabytek.cz for example)

- Substitutes are not tailored made and lower quality in case of IKEA and Mt-nabytek.cz

- Exceptional value for money in comparison with the substitutes

- Made to measure online substitutes are not efficient and do not offer the same service

Threat of substitute is medium especially due to the value for money our product offers and the made to measure option, which is not offered by the substitutes. But on the other side customers can easily switch to not made to measure online furniture.

2.6.2.3. Supplier power

- Pretty high switching costs – only a few companies can work with the software and offer efficient processes

- Smaller proportion of supplier's production from the beginning

- Well educated buyer – knowing all the processes and exact pricing of the company and margins

- Exceptional relationship

Supplier power is relatively high. But in our case the supplier's power is rather small, because of the exceptional relationship with our supplier and also the network of suppliers we are using moves the power to our side.

2.6.2.4. Buyer bargaining power

- Unique product – value for money

- Buyer switching costs are low

- Buyers are fragmented – many B2C customers

- Buyers are price and value sensitive

Buyer bargaining power is relatively high due to the amount of available substitutes (IKEA etc., Online furniture shops, Made to measure companies) and small switching costs.

- Competitors are relatively few (no made to measure online company)

- Industry growth is relatively high

- Fixed costs are low

- Exit barriers are low

- Competitors like sasaskrine.cz, navrhnisivestavku.cz

Online furniture market intensity of rivalry is relatively low due to the fact that there a few companies, industry growth is relatively high, fixed cost are low and exit barriers as well.

2.6.3. Market trends

Market trend in recent time is that most of the industries go online. Furniture industry and grocery are among those few, which have not made such a big step towards online shopping yet (McKinsey, 2012). But still the market is already there and is very promising. Especially in Western Europe many companies have experienced great growths in recent years such as Fab, Home24, Westwing, Kiveda, Otto. IKEA plans to expand online within the next 2 years in Europe. All these activities sign that even the traditionally offline furniture industry is going online. To support that we looked at online market growth rates in different benchmark countries:

- Australia – 22,3% 2013 growth (Ibisworld.com, 2014)
- USA – 10,4% 2013 growth; 9,6% CAGR 2008-2013 (Cartfly.com,2014)
- Germany – around 40% growth to 1,2 billion EUR (gtai.de, 2014)

2.6.4. Market sizing Czech Republic

Data based market size estimate			
Czech Republic	**Share**	**Potential market EUR**	**Comments**
Online Retail Market Czech Republic		1 510 091 575	
Online home & living market	**4,4%**	**66 428 571**	
Portfolio coverage	20%	13 285 714	Our portfolio covers 20% (esp. wardrobes)
Planned market share - end of year 1	1%	132 857	We plan to gain 1% market share in 1 year
Market growth rate	14%		
Market in the year 3		86 330 571	
Portfolio coverage	65%	56 114 871	Portfolio covers 65% of the market
Planned market share - end of year 3	5%	2 805 744	We plan to gain 5% market share in year 3

Table 1: Market sizing - Czech market. Created by the author in MS Excel

Based on the International Euromonitor research the online retail market in estimated to be 1 510 091 575 EUR. (International Euromonitor, 2014) Out of this number 4,4% are made by online furniture. (International Euromonitor, 2014) As our planned market share at the end of the first year is around 1% and our product range will cover around 20% of the products, the estimated market potential for us is 132 857 EUR in the first year. Based on the Euromonitor report the market is expected to grow by 14%. Thus increasing the online furniture market size to 86 330 571 EUR. We plan to increase our product portfolio coverage to 65% and market share to 5% by the end of the third year. Therefore having a potential sales of 2 805 744 EUR in the third year in the Czech Republic.

2.6.5. Market sizing Switzerland

SWITZERLAND

Data based market size estimate			
Switzerland	**Share**	**Potential market EUR**	**Comments**
Online B2C market Switzerland		**3 057 851 240**	
Online home & living market	**8,2%**	**250 743 802**	
Portfolio coverage	10%	25 074 380	Our portfolio covers 10% (esp. wardrobes)
Planned market share - end of year 1	1%	250 744	We plan to gain 1% market share in 1 year
Market growth rate	12%		
Market in the year 3		314 533 025	
Portfolio coverage	65%	204 446 466	
Planned market share - end of year 3	5%	10 222 323	We plan to gain 5% market share in year 3

Table 2: Swiss market size. Created by the author in MS Excel, numbers were regressed to the year 2014

Based on the Gfk report (Gfk, 2012) the online retail market in Switzerland is estimated to be 3 057 851 240 EUR in 2012. Online furniture makes 8,2% of the sales. As our portfolio will cover only 10% of the furniture products and we plan to gain 1% market share, the estimated sales in the first year are 250 744 EUR. The market growths around 12% every year (Gfk, 2012) making it 314 533 025 EUR market potential in the third year. As ou product range will cover around 65% of the market product portfolio and we plan to gain 5% market share, the sales estimate potential for the third year is at 10 222 323 EUR in Switzerland.

2.6.6. Customer analysis

2.6.6.1. Face to face interviews and online questionnaire – data collection

In order to test the business model assumptions, especially the value propositions offered to the target customer segment and problems we are solving, 16 face to face interviews were conducted (see detailed questions in Appendix 2). The respondents for the face to face interviews were partly friends and acquaintances of the author. This might distort the honesty of the answers and consequent utility of the answers. However the author was aware of this bias and the need to verify the answers in the independent online questionnaire. The face to face interview responses were used when making the questionnaire and thus contributed to a higher quality and precision of the questionnaire answers and offered choices (see detailed online questionnaire questions and choices in Appendix 3). All together 204 responses were collected in the online questionnaire from our target population age group of 24-40 years. The

data were collected in the period of 4 weeks starting on March 25th and finishing on April 23rd. In order to get independent people to answer the questionnaire, it was distributed online through furniture and design discussions and especially through Facebook. On Facebook the questionnaire was posted many times in the Facebook groups focusing on the topics of living, design, furniture, decorations, architecture. Moreover it was posted in the selected groups of people sharing flats for rent offers. These groups finally contributed the most of the answers. The groups were selected based on the cities so that only those among the 10 biggest Czech cities were targeted. This complies with the targeting of urban areas in the business model. The respondents were motivated to fill in the questionnaire by a small reward waiting for them at the end of the online survey. This was a 20% discount voucher on our first launched products. In order to receive this voucher people had to leave us their email address. Thus the total of 99 emails was collected.

Out of all the respondents 68% were women. 82% of people stated the net monthly income till 24 999 CZK, 5% 25 000 – 29 999 CZK and 12% of people over 30 000 CZK. The author is aware of the fact that the relatively higher percentage of answers from women might bias the results of the questionnaire. For this reason the answers were split between women and men responses. Surprisingly the percentages in the question answers did not differ significantly. The biggest percentage difference was tracked in the very first question where 56% of women stated IKEA as the shop where they usually shop for furniture. On the other side 72% of men selected IKEA. However the percentage gap filled by the next choice where 21% of women shop in different "IKEA like" shops such as KIKA or Sconto and only 15% of men do so. All in all relatively same percentages of women and men shop in the retail stores. As the rest of the questionnaire focuses wither on retail, online or custom made shops, the validity of the answers remains the same for women and men.

To sum up, the bias caused by unequal number of men and women in the survey was not proved to distort data in a significant way.

2.6.6.2. Questionnaire responses – data analysis and implications

We tried to get to know where and how people shop for furniture nowadays in the first part. In the second problem assumptions were tested and the third part focused on solution testing and finally fourth part was about demographics.

In the first part we confirmed the anticipated fact, that most of the young people, specifically 79%, buy their furniture in IKEA or similar stores. Only 8% go to the custom made

companies or carpenters. However interestingly only 23% of people have ever bought furniture online. This is a rather small number taking into account the fact, how common online shopping is nowadays. This finding confirms the potential expectations of solid online furniture shopping in the future.

Second part was the most important of all as it was designed to confirm and uncover the problems people face when shopping for furniture. The biggest problem of people in IKEA and similar stores is the quality. 45% of respondents stated that insufficient quality is their problem. Moreover lack of originality and different sizes than needed were selected by 33% and 31% of the people respectively. Surprisingly people do not see the self-assembly as a big problem as only 11% of respondents selected this problem as one of the 3 most important for them. People were also asked what prevents them from buying the furniture online. The biggest problem is that 86% of people want to see materials and colours in reality, not only on the computer screen. Similarly 63% of respondents want to control the quality live and 55% check the functionality of the furniture. Again the self-assembly is not a problem as only 1% of people stated this and delivery time of 2-3 weeks does not cause any problems either. People were also asked about the problems specifically with custom made furniture. Most of the people, exactly 64%, do not buy it because of the higher price. 53% are not willing to invest into a rented flat and plan to buy custom made furniture when they buy their own flat or house. This confirmed our hypothesis that the high price of the custom made furniture is a problem and also that students would not be willing to buy it as they usually live in rented apartments.

All in all this sections helped us to better understand the problems of people and confirmed most of our assumptions. Thus we know that quality can be a good differentiator from IKEA as people see the biggest problem there. Moreover lack of originality and own sizes are seen as problems. In addition to that people are afraid most about the appearance of materials and colours in reality. Therefore our focus on sending the material samples to people was right. However based on the results we might also think about showing the whole products to people somewhere so that they can see the functionality. And finally our focus on affordable custom made furniture seems to work as the price mostly prevents people from buying custom made products. All in all as people do not see a problem in self-assembly. Thus the business model of affordable, easily self-assembled furniture was confirmed by the survey.

In the third section we focused on analysing the possible solution of the problems mentioned above. First the biggest added value for people was analysed by asking for which feature people would pay up most to the price of 15 000 CZK for the wardrobe. The highest willingness is to pay additional amount of money for the quality of material, exactly on average 4 020 CZK. Secondly people would pay additional of 3 413 CZK on average for own individual sizes. Thirdly people do not see that high added value in own colour and material selection as only on average 1 376 CZK would be paid for this option. Finally easy assembly was valued only on 825 CZK with around 30% of people not willing to pay any additional amount of money for this feature.
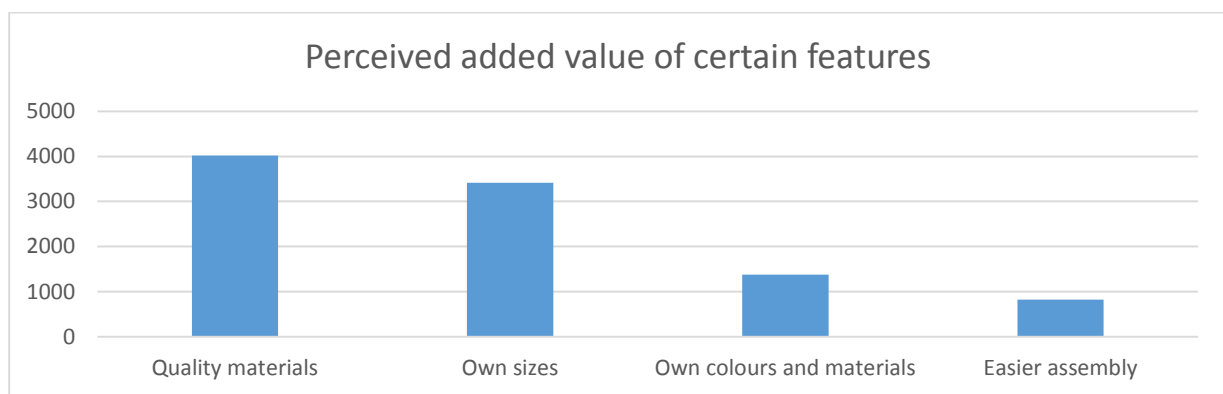
Table 3: Perceived added value of certain features. Created by the author in MS Excel based on the survey results

Then the conditions under which people would buy furniture online from an unknown company were tested. Most important factor for people was the availability of a unique furniture, which cannot be found in brick-mortar shops with 64% of people selecting this option. Then the personal recommendation is very important persuasive factor as 53% of people stated that. And finally 51% said that they would buy online if they could save some money compared to the traditional shops. For those people who already bought furniture online, the time saving was the most important factor with 64% of answers.

When asked about the reasons to buy furniture, 75% of those who already bought stated that it was a need to have exact sizes. This confirms the high perceived value of own sizes in the previous question. Finally we tested the delivery time. Generally 86% of people are willing to wait for the furniture purchased online 1-4 weeks only. This confirmed our business model focused on fast delivery within 3 weeks. Finally people were asked to choose from 3 different wardrobes in order to test our solution. Online custom made wardrobe purchase was selected in 45% of the cases, followed by standardized IKEA in 39%. Only 16% of people would go to the custom made company to buy a wardrobe there. As most of the respondents are now

buying in IKEA and alike shops, we can see that we will most probably attract former "IKEA buyers" to our concept. Moreover, even though people do not see the self-assembly as the biggest problem when buying furniture, 22% of those who did not select the online wardrobe option would do so in case of being offered a professional assembly service. Thus it was confirmed that such a service should be offered to our potential customers.

To summarize the solution testing section, our assumptions were confirmed and people see added value in higher quality of products and individual sizes. On the other side simple assembly is something they automatically expect and are not willing to pay much for it. Moreover people want to have unique furniture offered, which confirms the hypothesis of offering custom made products and furniture designed by young designers. Also personal recommendation are important and affordable price in order to sell. Additionally 3 week delivery seems to satisfy most of the people.

2.6.6.3. Target customer segment – data summary

To sum up the survey results, most of our assumptions were confirmed as well as the business model. However the target group of 25-40 years old might be a bit higher based on these results. As people tend not to invest that much into rented flats, our customers might be a bit older in the end. Thus we can conclude that our target group lies in the range of 27-40 and these are especially young professional, people at the beginnings of their careers and young families. These people already tried IKEA several times, but now want to have something of better quality, something individual, unique. However they still do not have enough money to buy products from design studios or carpenters. Moreover they are Generation Y used to buy online. These people will buy furniture from Dozamo.

2.6.7. Competition

2.6.7.1. Relevant direct competitors for Swiss market

Company	Meine-moebelmanufaktur	Dein Schrank	Deinmoebel	HEM
Country	AT, CH, DE	DE, AT, CH	CH	Western Europe
Price EUR	2556	3150	4550	3040
Good features	Showing successful realisations and the possibility to configure similar one Interesting animation when choosing doors			Picture descriptions
Bad features	Slow, pretty complicated configuration with too many functions and possibilities Not visible prices Good idea to show how configurator works on video, but could be shorter, more to the point	Not very clear first page	Not clear colour selection, not all colours displayed to choose from	Complicated customization configurator Weak visualisation Too many choices No picture at the end on the recap page
Assortment	Wardrobes, sideboards, shelves	Wardrobes, shelves, libraries, sideboards, tables, sofas	Wardrobes, libraries, sideboards	Wardrobes, sideboards, libraries, tables, benches, shelves
Delivery time in weeks	6 to 8	4 to 6	2-3	7 to 11
Comments	Startup of 2012 award Switzerland	33600 visitors per month (SEMrush, 2014)		Focused almost only on massive wood design furniture, More than 10 mil. dollars sales (recode.net, 2014)

Table 4: Swiss competitors. Created by the author in MS Excel

2.6.7.2. Characteristics of the Swiss market

Currently here is only one Swiss company selling customized furniture online – Deinmoebel.ch. However there are several other foreign, especially German companies delivering to the Swiss market as well such as Meine-moebelmanufaktur, Dein Schrank and Hem. Otherwise the market is dominated by traditional retail companies such as Holste and Pfister, which offer also customized furniture options. See the marketing section for the detailed pricing and positioning information.

Company	SASA skrine	Eskrine	STEN
Country	CZ	CZ	CZ
Price EUR	1818	1906	N/A
Good features	Easy steps to configure Final recapitulation divided into parts of a wardrobe	Interesting system - several producers asked when order is made, best price picked	2 page configuration solution, intuitive Animation to show how interior parts work
Bad features	Time consuming to choose material and style for every part of door separately	Not binding, final orders made	
Assortment	Wardrobes	Wardrobes	Wardrobes
Delivery time in weeks	3-4	N/A	4
Comments	Not completely automatized process, Just pre-order made here		To be launched, still testing version only

Table 5: Czech competitors. Created by the author in MS Excel

2.6.7.4. Characteristics of the Czech market

Czech market has basically two different participants. The first one are retail companies such as IKEA, KIKA, Sconto offering cheaper, lower quality primarily not made to measure furniture in their big stores at the city edges. Then there is the second group of made to measure studios and companies, which are small showrooms usually offering architect service, better quality and relatively high prices.

Almost all the internet companies such as MT-nabytek.cz, nejlevnejsinabytek.cz offer very cheap retail furniture of low quality. There is also 1 company offering customized wardrobes online – eskrine.cz and a company testing nowadays their furniture configurator – sten-skrine.cz. However neither of these companies has completely automatized process and offers binding orders online. The order online still needs to be discussed with company and confirmed later, which makes the whole process less efficient and more costly for these competitors. Similarly there is no online company in the Czech Republic cooperating closely with young designers. Detailed pricing and positioning can be seen in the marketing section.

2.6.7.5. Relevant international direct competitors

Company	Schrank Sofort	Der einbauschrank	Schrankwerk	Carl	Moebel nach mass
Country	AT, DE	DE	DE	DE	DE
Price EUR	2129	2695	3192	3041	5420
Good features	Material presentation Video showing assembly	3D visualisation, final product appearance showed	Easy to start configuration Colours on model wardrobe change based on selection Simple design	Video wardrobe presentation Module selection as first step, where you can see the picture of wardrobe Easy, fast and simple customization	
Bad features	No visualisation, photo shown	Not intuitive configuration process, especially difficult to add and configure doors	Self page actualization required to see changes Missing price of additional features Difficult to make wardrobe interior When choosing interior not visible final appearance	Cannot see interior of wardrobe No choice of sliding doors	Not finished web
Assortment	Wardrobes	Wardrobes, sideboards	Wardrobes,shelves	Wardrobes,shelves, libraries, tables, benches	Wardrobes
Delivery time in weeks	3	3	5 to 6	4 to 6	3 to 6
Comments				More focused on design more expensive furniture, about 300-400 visitors a day on website	

Table 6: International competitors. Created by the author in MS Excel

2.6.7.6. Characteristics of the international market

The online made to measure furniture market is relatively developed especially in Germany where there are quite a lot of developed companies such as Deinschrank.de. These companies have production facilities in Germany and usually sell also in mortar and brick shops.

Then there are many online retail companies such as Home24, Otto, Kiveda, Westwing, which sell IKEA-like furniture online. These businesses do not own any production facilities but have many different suppliers and then own warehouses.

2.7. Organization and management

Company was founded by two founders:

Martin Zak

- Education: Law (Charles University) & VSE & International Management (CEMS)

- 2,5 year experience in furniture industry:

    o Financial controller in family-owned business, 2 months in production

    o Rocket internet – Home24 in Berlin – Europe's largest online furniture shop

- 50% ownership in Dozamo

Cosimo Donati

- Education: Banking and Finance (University of St. Gallen) & International Management (CEMS)

- Practical experience in the financial industry (Credit Suisse & UBS)

- 4 years of experience as an entrepreneur (Thestudentscard.net, Clouds Events)

- 50% ownership in Dozamo

2.7.1. Responsibilities

From the beginning roles in the company are split in the following way:

Martin Zak

- Production and product development

- Czech market development

- Financials

Cosimo Donati

- Logistics

- Swiss market development

- Overall management

Company is cooperating with:

- Hugues Faipoux – web designer

- G6 solutions – team of programmers in Macedonia represented by Teddy Pejoski

- Libor Zak – technical product development from Delfi s.r.o

- Jitka Trminkova – furniture designer and visualisation creator

2.7.2. Staff development plan

09/2015 – customer service employee for Czech market

10/2015 – IT support employee

01/2016 – customer service employee for Swiss market

02/2016 – category manager and customer relations in Czech Republic

03/2016 – customer service employee in Czech Republic

05/2016 - category manager and customer relations in Switzerland

2.8. Marketing and sales strategy

2.8.1. Executive summary

Marketing plan is based on our USP, which is the value for money offered to customers. The USP is supported by quality and relevant content and marketing communication. Content strategy will generate organic website traffic, build company reputation and effectively communicate the product and company's message. Content is accompanied by paid online marketing and acquisition and retention strategies. All the marketing efforts are aimed to bring measurable results so that ROI and goal fulfilment of each effort can be calculated.

2.8.2. Target customers

Dozamo targets lower and upper middle class people between 27-40 years old living in urban areas. As these people already have a stable income, their living demands are higher. Therefore they usually do not want to have the cheapest lower quality furniture and also the furniture that everyone else has. For this reason this target group is looking for value for price. This value includes both quality and uniqueness of the product. All this for reasonable, fair price.

2.8.3. Unique selling proposition

The unique selling proposition of Dozamo lays in the unique value for money the unique products offered. The value for customers means that they can get individualized, unique and quality product for lower than traditional market price and also faster than traditional delivery time. All this is enabled by online solution and creation of designers-suppliers-buyers-ecosystem.

2.8.4. SWOT analysis

Strengths	Weaknesses
- Innovative, low fixed costs solution - Fast and comfortable for customers - Ecosystem of suppliers – enables wide range of products and higher negotiation power - Connection to designers – enables to offer something special and enhance value - Customized products - Value for money offered - DIY assembly – saving costs - Customer service – emphasized pre-sale service - Scalability	- Reluctance of customers to buy customized furniture online - Lack of stone shop or exposition
Opportunities	**Threats**
- Widening product range – offering accessories (lights, special door systems, own photo or design) - Change of consumer behaviour to online customized furniture purchases	- Entry of big, IKEA-like competition into online customized furniture area - Not appropriately delivered company message – quality and value offered - Ensuring the same quality of products from different suppliers - Reliable outsourced logistics - Customers prefer standard solutions to individualized products

2.8.5. Pricing and positioning

Dozamo is positioned as affordable individualized furniture company. Therefore the company is offering slightly lower prices than its online competition, much lower than traditional carpenters and even lower compared to traditional offline retailers offering individualized furniture. But still we do not aim to compete on prices with retailers either offline or online offering serial, lower quality furniture. Dozamo positions itself in the middle of the sides, the individualized furniture segment and lower quality serial retail furniture. Therefore the pricing goal is to be around 20 % below our online individualized furniture competitors.

Swiss market pricing		
Online Companies	**Country**	**Price EUR***
Meine-moebelmanufaktur	AT, CH, DE	2656
Dein Schrank	DE, AT, CH	3150
Deinmoebel	CH	4550
DOZAMO	**CH**	**1900**

Retailers	**Country**	**Price EUR****
Hülsta	CHF	6970
Nolte	CHF	2935
R.mann	CHF	9240

* Tested wardrobe : 235 * 242 * 60 cm, Spedition included in price, assembly service not included

**Assembly service included in price

Table 7: Swiss market pricing. Created by the author

Czech market pricing		
Online Companies	**Country**	**Price EUR***
eskrine.cz	CZ	1806
DOZAMO	**CZ**	**1460**

Retailers	**Country**	**Price EUR****
IKEA	CZ	1000
KIKA	CZ	2282
XXXLUTZ	CZ	2002

Carpenter companies	**Country**	**Price EUR****
INDECO	CZ	1786
HANÁK	CZ	2866
WOODFACE	CZ	2009

* Tested wardrobe : 360 * 240 * 60 cm, Spedition and assembly included in price

**Assembly service included in price

Table 8: Czech market pricing. Created by the author

2.8.6. Distribution plan

In order to ensure lower prices and appropriate customer experience the only distribution channel will be Dozamo website. Orders will be delivered in the testing beta version by ourselves in trucks rented out from our supplier Delfi. Later when all the processes are teste and agreed, logistics will be outsourced from a company Rehnus, delivering directly to people's home. Assembly service when ordered will be also provided by outsourced shipping company.

Products are delivered in unique Dozamo packages containing instructions, necessary equipment to put the furniture together and a gift for customers.

Thanks to the tracking system, customers will be able to see the current processing of their orders and expected delivery time on everyday basis.

2.8.7. Promotions strategy

Besides online marketing activities we will encourage sales by several offline marketing strategies. First is to offer a free material samples whenever they ask for it. Secondly, PR articles in Home and living focused magazines as many people in online research stated that they get inspired by these before the purchase. Thirdly, not only online but also offline catalogue will be distributed as 78% (Gfk, 2014) of people states that they base their purchases on product catalogues. Thirdly a coupon campaign based on partnerships with selected shops. These shops would get a commission from sales when the coupon was used by a customer. Customers will get with every order a recommendation card for their friends & family. This is related to the fact that, based on our survey, the majority of people rely on recommendations of friends & family when buying furniture.

2.8.8. Conversion strategy

Customers will be encouraged to buy our products through a system consisting of several parts. First, is customer attraction through SEM and all already mentioned marketing promotion and attraction tools. When customer gets to the website he gets an impression of being offered a quality product. Then he is communicated that he can get this product for a fair price (pricing explained, why we can be cheaper than competition – no stone-shop costs, no transaction and negotiation costs, no middlemen) and encouraged to proceed to configuration by explaining him main benefits of the products supported by a trust enhancing tools such as video, customer reviews, examples of products. Then customer is encouraged to continue pressing clear call to action buttons. The configurator itself is designed to bring customers the most convenient and smooth way to create customized furniture. Moreover the customer can any time use the customer service link to call and get expert and valuable advice and information. When the configuration of customer' own furniture is ready, then just before a payment, he is shown his final product, provided with all the information and told all the benefits gained by the order again. Here a customer is also informed that he can cancel his order within the next 48 hours. This fosters customer's decision process. When purchase is done, customer's information are stored and used for the retention strategy.

On the front page as well as the product related pages, we will emphasize customer reviews through online shop rating pages like: www.trustedshops.ch, www.ekomi.de, and more…). Customers will be animated to write reviews after the products were delivered, this will happen through emails & reminders as well as a recommendation form in the delivery box.

2.8.9. Retention strategy

Retention strategy is based on several pillars. The first is the product assortment, which enables customers to buy series of furniture in similar style to those ordered previously. This means they can buy table today and a library from the same series two months later. Secondly we are offering newsletter sign up option, informing customers about newest products and offers. Emailing will be the core of out retention strategy. Thirdly after a purchase customer is given a discount coupon for the next sale when he recommends the product to 3 people. Fourthly he received a follow up call asking about his experience with Dozamo. This also gives us also a valuable feedback and uncovers space for improvement. Fifthly customer stays in touch with Dozamo on social media and reads PR articles and blog posts. Sixthly product is delivered in Dozamo box, containing all the equipment required to assemble the furniture and a small gift. This is not stated on website as we want to outperform customer's expectations.

2.9. Online marketing strategy

For SEO, content and advertisement purposes we conducted a keyword classification analysis in order to find essential keywords for the business. The chosen keywords are picked based on the analysis of keywords using Google Adwords and Sklik data. As we are starting by selling wardrobes, the analysis in this section will focus on keywords connected to wardrobes. Also because we aim to target from the beginning already decided people looking specifically for certain product, we will focus more on long tail keywords. These keywords have also the advantage of lower competition and thus more efficient SEO and SEM efforts.

The classification analysis showed that we should focus on certain keyword categories.

Category	Queries	Searches Sklik	Searches per query	Avrg. Price per click Sklik	Searches per query/price per click
Purpose	208	31543	152	7,8	19,4
Type	47	21060	448	6,2	72,5
Description	27	13826	512	8,2	62,1
Doors	16	6057	379	5,0	76,2
Material	34	4434	130	6,8	19,3
Room	19	3643	192	7,0	27,6
Place	15	2526	168	6,4	26,4
Colour	7	1182	169	4,7	35,9
Brand	15	850	57	3,3	17,4
Other	7	691	99	4,5	22,0
Extras	5	578	116	1,1	101,4
Blog topics	5	436	87	4,4	19,7

Table 9: Seznam Sklik keyword analysis grouped into categories. Created by the author in MS Excel.

Category	Queries	Searches Adwords	Searches per query	Avrg. Price per click Adwords	Searches per query/price per click
Purpose	208	7130	34	0,5	74,2
Type	47	7050	150	0,6	239,4
Description	27	2610	97	0,6	149,7
Doors	16	1430	89	0,4	208,5
Material	34	1490	44	0,4	108,6
Room	19	870	46	0,5	89,9
Place	15	660	44	0,6	79,0
Colour	7	330	47	0,3	164,2
Brand	15	1130	75	0,2	320,1
Other	7	691	99	0,6	173,2
Extras	5	240	48	0,1	381,0
Blog topics	5	436	87	0,4	246,3

Table 10: Google Adwords keyword analysis grouped into categories. Created by the author in MS Excel.

Both the abovementioned tables showed that the categories of wardrobe type (such as built-in wardrobes), description (such as custom made wardrobe), door types (for ex. wardrobe with sliding doors) and room (for ex. wardrobe for bedroom) show the search richest long tail queries while still maintaining reasonable price per click. Therefore keywords from these categories were chosen for SEO purposes and when creating online marketing campaign.

2.9.1. Search Engine Optimization Strategy

SEO will compose of onsite and offsite optimization.

2.9.1.1. Onsite SEO

Structure and code

Programmers will include all the features into the code and together with programmers we made sure that the website structure is SEO friendly. All the internal linking is included.

Web text

Based on the classification keyword analysis mentioned above, these keywords were chosen for the optimization of the text on the website.

Keywords	Sklik monthly search	Adwords monthly searches (exact match)
šatní skříně	18071	2900
vestavěné skříně na míru	4668	170
šatní skříň	2348	1300
šatní skříně s posuvnými dveřmi	1946	260
skříně do ložnice	1643	170
šatní skříň s posuvnými dveřmi	1357	260
skříň s posuvnými dveřmi	921	260
skříně s posuvnými dveřmi	695	320

Table 11: Keywords chosen for on page SEO. Created by the author in MS Excel.

Content

Moreover the content part of onsite SEO will be maintained by living blog full of fresh text, links and discussions. Blog will be part of national domain website in order to enhance SEO ranking and increase national website traffic. Also blogs are written in domain market languages. Blog topics and strategy are chosen based on the marketing strategy and keywords definition. The aim of content is to help and advice customers, become considered as experts in this area.

Topics covered are sorted into two main areas. First is "Design trends" focusing on interior and the second "How-to" section. "How to" section topic examples include:

- How to make DIY furniture?
- How to furnish your 4walls? Not spending much time and money?
- What to be aware of when buying furniture? Hints and advice that can save you time and money

The content strategy includes also an editorial plan describing daily, weekly, monthly and longer term activities:

Daily:
- Facebook updates and comment answers
- Responses to blog comments

Weekly:
- At least 1 blog post per week

Monthly:
- More in-depth blog post with deeper research posted
- Email newsletter sent
- Video posted

Half year:
- E-book posted – ebook partly made from blog posts made in previous months, Should be a final climax of previous post topic posts and activities

Regular newsletter will be brought to subscribers. Additionally guest blogging will be done and affiliate relationship with other relevant blogs will be established.

2.9.1.2. Offsite SEO

Offline SEO strategy is based on inbound links, social signals, reviews.

Inbound links strategy

We are cooperating with other blogs and also famous newspapers and magazines focused on home and living. This cooperation brings valuable, good quality inbound links to the website.

Social signals

SEO ranking will be increased also by full interconnection of the website with social networks especially Facebook, Twitter and Pinterest. We are bringing fresh stuff on daily basis gaining valuable inbound links to the website.

Reviews

Reviews will be connected to the website as well. We aim to use especially Google+ and local review websites.

2.9.2. Paid Online Advertising Strategy

The online advertising strategy will be based on the keyword analysis and focus on long tail keywords. The whole campaign will be mainly based on measurable PPC campaigns and partly on PR articles. As the website will be tested first in the Czech Republic, you can see detailed PPC campaign strategy in the attachment in Appendix 1.

Czech Market

- Google – Adwords and Google Display Network – Google Ads
- Seznam.cz – Sklik PPC
- Online PR articles

Swiss market

- Google- Adwords
- Online PR articles

2.9.3. Social media marketing plan

The company's goal for social media is to create a community of people who like and are interested in home and living. Based on the analysis of competitors (see Table 12 below), it is obvious that posting only our products does not create much engagement of people on Facebook. On the other side Westwing's strategy of posting various types of content from various sources and about different topics is successful. Thus the Facebook strategy will be focused on developing a community, therefore posting content from our blog, interesting ideas from different sources, opinions and products of our cooperating designers and partly our products.

Based on the content blogging strategy we will post 1 blog article a week and 2 more posts of interesting ideas, design, products from various sources or our products per week. This makes a strategy of 3 posts a week and daily comment answering on Facebook.

Competitor	No. of likes	Posting frequency/ per week	Photo/ likes avrg.	Video/ likes avrg.	Articles/ likes avrg.
Hem	14 626	1-2	15	No	No
Westwing	195 730	20-30	300	No	No
IKEA	4 363 014	7	12 000	1600	12 000
Deinschrank.de	5 456	1	10	No	No
Formabilio	51 966	14	5	No	20
meine- mobelmanufaktur	3 467	1	3	No	No
Fashion for home	27 989	7	12	No	12

Table 12: Analysis of social media activity of certain competitors. Created by the author in MS excel.

2.9.4. Financial calculations

The company's goal is to use 20% of product sales price to marketing expenses as it is crucial to build the brand awareness and attract customers at the beginning.

	%	EUR			
Product price	100%	900			
Total marketing expense:	20%	180			
PPC	8%	72	PPC:	Conversion rate	1%
Content	5%	45		Max click price	0,72
PR	4%	36			
Search engine Ads	3%	27			

Table 13: Online marketing strategy calculations. Created by the author in MS Excel

From these 20% PPC will represent the most important marketing tool. PPC enables us to target specific keywords and get measurable results. Then we will invest in content including newsletter and email marketing, PR articles and Google and Seznam Ads. If the conversion rate of PPC was 1%, then we know that we can afford to pay maximum of 0,72 Eur per click. Therefore the keyword selection needs to be done wisely in case of such low conversion rates. As our product is pretty information heavy and it can take longer time for customer to decide, we expect low conversion rates.

2.9.5. Metrics to be tracked

The online marketing strategy includes also clear metrics and measurements and subsequent analysis and adaptation of the used tools. The core analysis toll will be Google Analytics, where we will focus on tracking:

- The homepage bounce rate

- Percentage of people entering the configurator

- Page from which people leave the website

- Configuration step from which people leave the configurator

- Time spent on the website

- Number of pages opened

- New visits vs. retentions

- Conversion rate – at the beginning the conversion will be sending the filled formular to us at the end of the configuration process. Later conversion will be sending the order and payment online.

- Tracking source of visits. Visits especially from direct URL enter (people who already know about the page well), organic search (measure SEO strength), campaigns (measuring PPC impact), links from different websites and ads on different websites.

- Conversions and revenues from different sources, especially from direct URL enter (people who already know about the page well), organic search (measure SEO strength), campaigns (measuring PPC impact), links from different websites and ads on different websites.

All the metrics are important to manage to reach better ROI in online marketing especially by measuring its effects and adjusting price per clicks for different keywords and campaigns. Moreover these metrics can show us weak parts of the website and configurator and thus get indirect feedback from visitors.

2.10. Operations and development plan

Operations are divided into general overview of cooperation between included parties, ordering process, manufacturing process and finally development processes.

2.10.1. General company operations
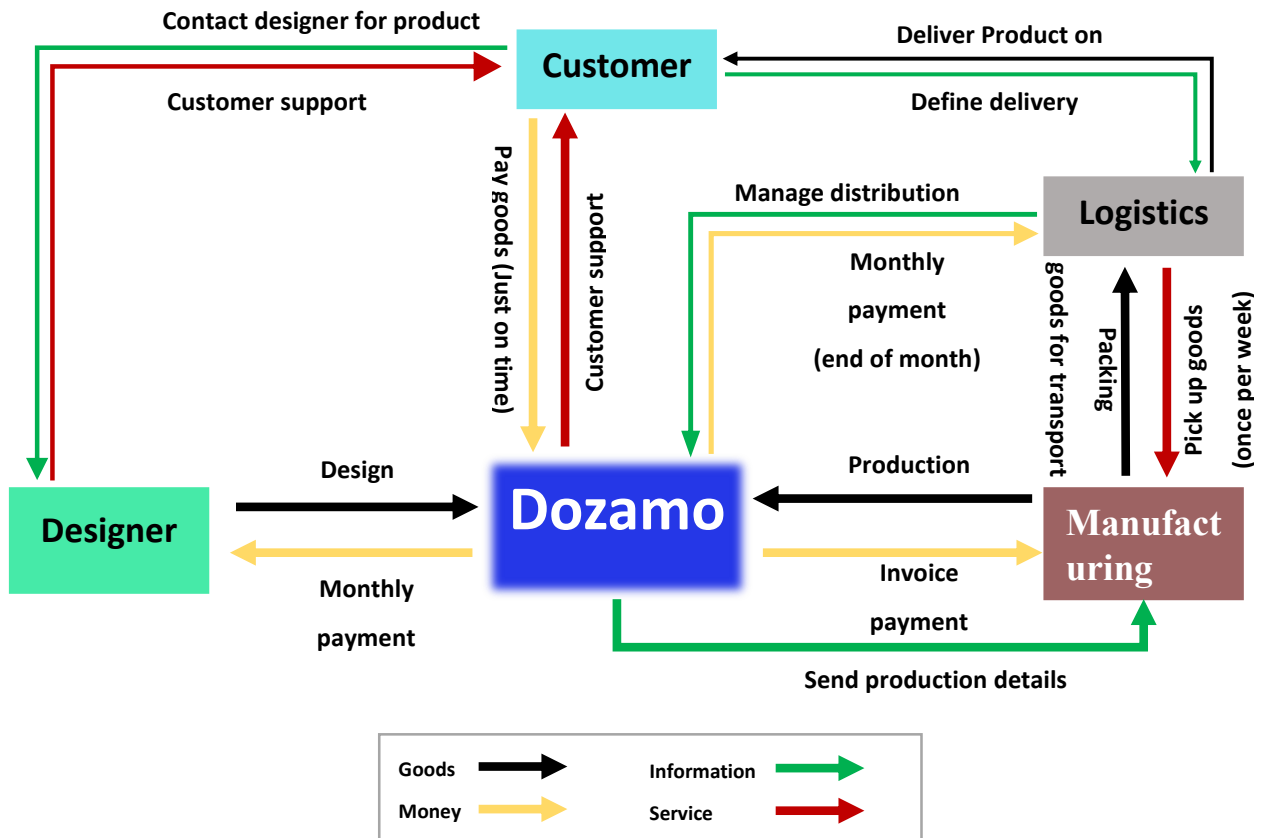
The general operations of the company connect designers, manufacturers and logistic company with customers. Designers they provide design of the product (see details below) and get paid their commission every month for the products sold. Manufacturers produce the goods based on received production details from Dozamo's website. They also prepare the package to be shipped and cooperate with the logistic company, which manages distribution for Dozamo. Customers are delivered Dozamo products by the logistic company and getting customer support from our designers and also from our customer service.

2.10.2. Product ordering process
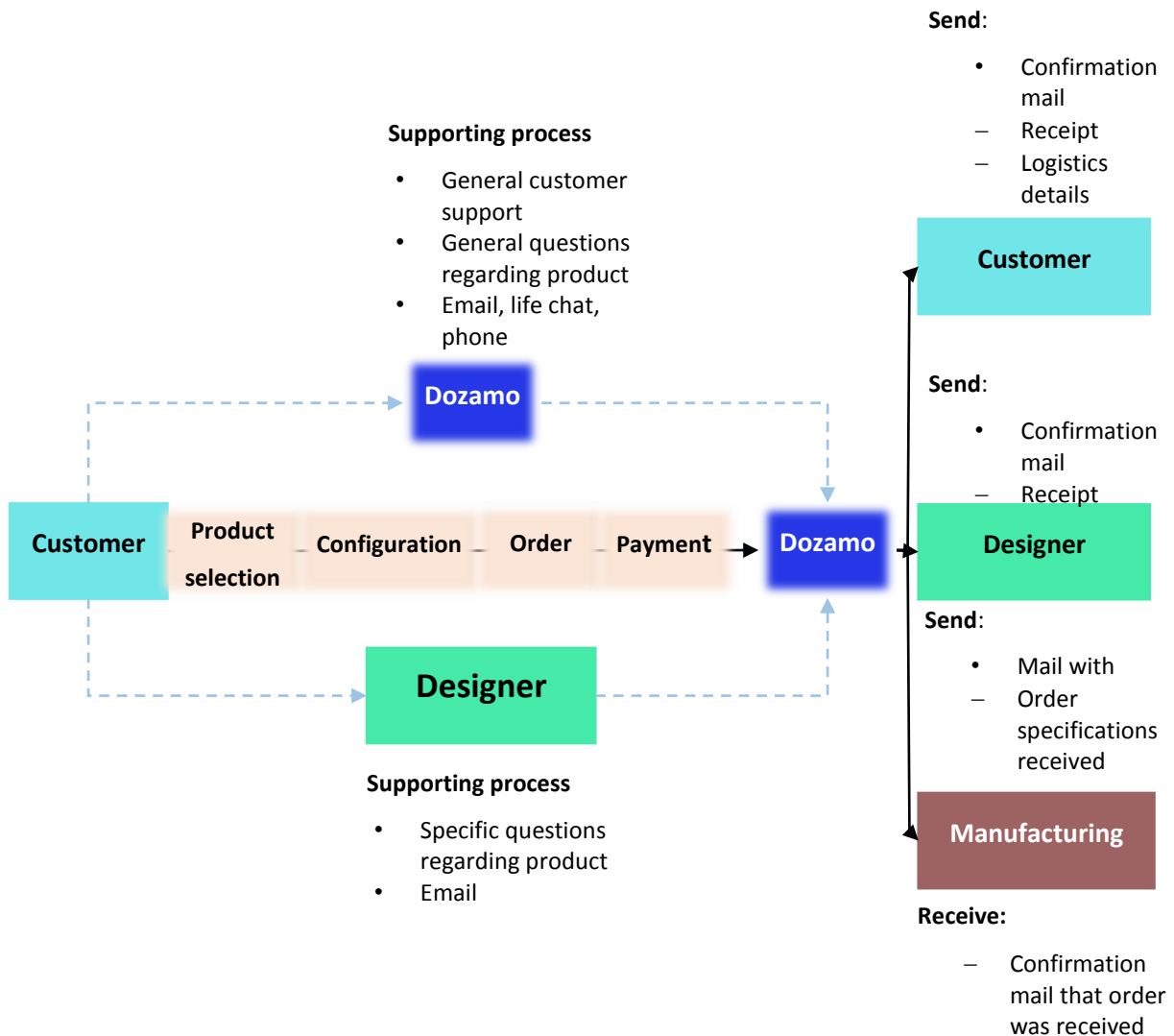
The ordering process starts when customer enters the online configurator. It goes through the selection of product to configuration of the individualized product. Throughout the whole ordering process a customer is offered a high quality customer service including online chat, phone support and even direct consulting with the author of the product, our designer via email. When the product is ordered and payment successfully received, the customer is send a confirmation email and details about the logistics together with the invoice. Designer of the product receives confirmation mail as well. Manufacturer receives production details and Dozamo should be received a confirmation email with estimated delivery time.

2.10.3. Production process
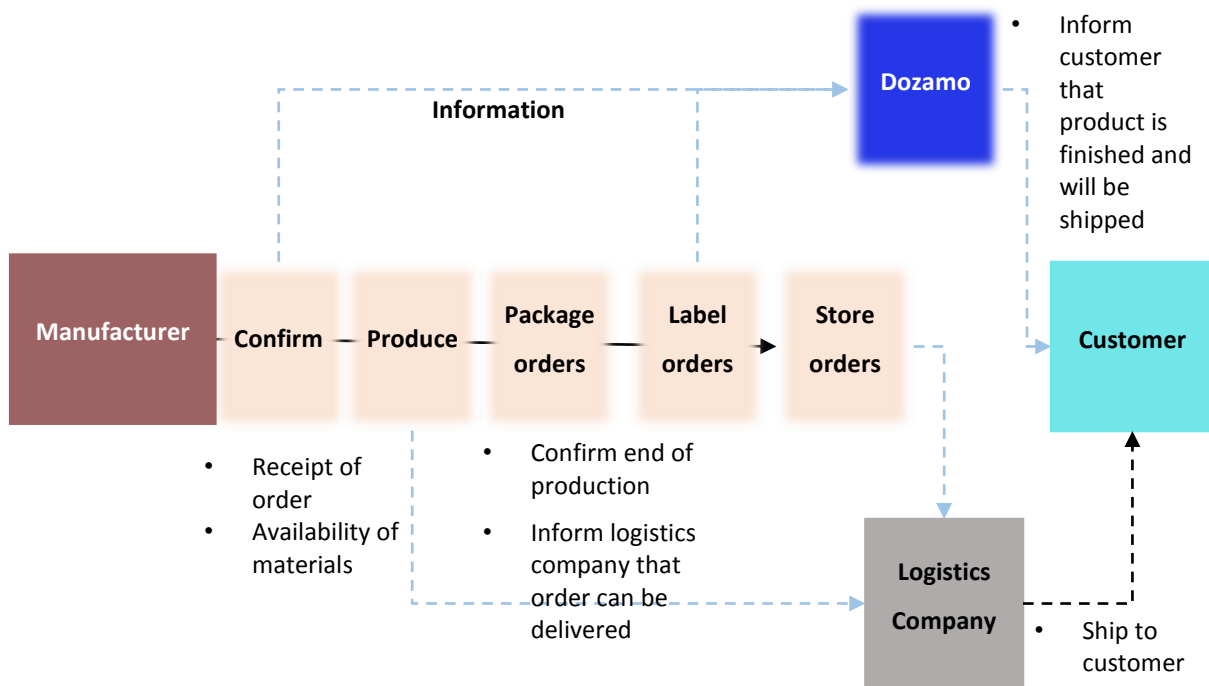
The whole production process starts when manufacturer receives the order details from our website. He should confirm the order and enter the order into the system. For the Delfi supplier, predefined models in the IMOS software will be used. Then the furniture is produced and logistic company informed about the date to pick the package up from the company. When the date is known Dozamo informs the customer and product is shipped to the customer by logistic company.

2.11. Development plan

The development process of Dozamo consists basically of two parts. First is the product development and the second is the consequent homepage development.

2.11.1.Product development

Select design ideas based on:
- Simple production
- Individualization
- Cheap logistics
- Easy assembly

Designer

Provide:
- High quality illustrations

Designer → **Dozamo**

Provide:
- Design
- Technical solution

Collaborate to improve design & technical solution:

Manufacturing

Dozamo

Provide:
- Pricing
- Production details
- Required output by homepage
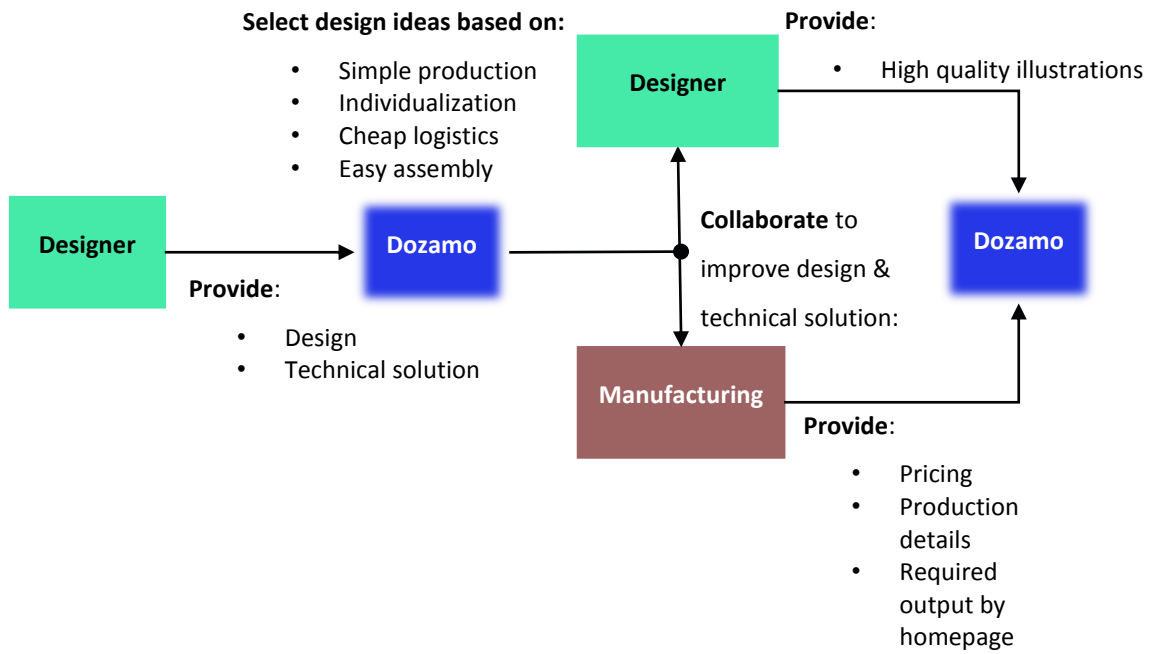
Product development starts by specifying the conditions to a designer. Dozamo products need to be simple to produce, cheap to ship and easy to assemble. Designers are then supplied with product category specifics, material and machinery possibilities and limitations. Designers submit all their proposals including high quality visualisations for the website and technical drawings for production. Dozamo chooses the best projects. Potential manufacturers of the selected product are contacted and asked to provide price details. Best manufacturer's offer is selected. In cooperation with winning designer and chosen manufacturer final product is produced and placed on the website.

2.11.2. Homepage development

```
┌──────────┐      ┌──────────┐      ┌──────────┐      ┌──────────┐
│  Dozamo  │─────▶│  Hugues  │─────▶│    G6    │─────▶│  Dozamo  │
│          │      │          │      │ Solutions│      │          │
└──────────┘      └──────────┘      └──────────┘      └──────────┘
```

Provide:

- Product design
- Technical solution

Implement

- Design and develop modelling tool
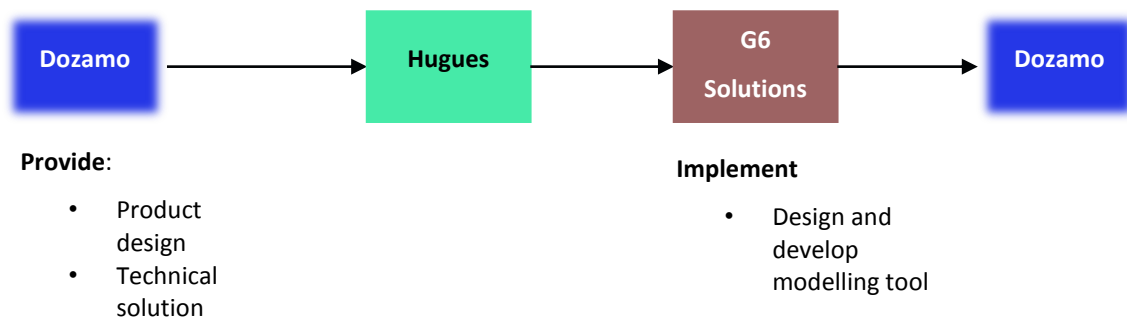
The homepage development starts by specifying the requirements to Hugues, who is responsible for website design. The design is then sent to G6 Solutions together with technical specifics. G6 Solutions implements the website design from Hugues and develops the technical solution. The whole solution is then delivered back to Dozamo, tested and agreed.

2.11.3. Business development plan

05/2015 – wardrobes launched in the Czech Republic

09/2015 – wardrobes launched in Switzerland

10/2015 – libraries and shelves launched in Czech Republic

11/2015 – libraries and shelves launched in Switzerland

01/2016 – commodes and sideboards introduced in Czech Republic and Switzerland

04/2016 – tables of all types being offered in Czech Republic and Switzerland

06/2016 – introduction of sofas and accessories in Czech Republic and Switzerland

2.12. Financial plan

In order to evaluate the financial performance of the company, identify the key value drivers and find out the investment requirements, the financial model was built. As a company will operate in Czech Republic and Switzerland, both countries were modelled separately and then put together. The model works with certain assumptions and facts.

The first assumption is that the sales distribution between Czech Republic and Switzerland will be approximately 25% to 75%. The reason are the higher sales prices in Switzerland and also a bigger market potential as it can be clearly seen in the market analysis section. Thus the margins were set differently in the model as it can be seen in Table 14 below.

Gross margins for product categories	CH	CZ
Wardrobes	72%	42%
Libraries	65%	55%
Sideboards and commodes	55%	50%
Tables, Massive tables	60%	48%
Living room tables	60%	48%
Accessories (e.g flower boxes…)	70%	60%
Sofas	65%	48%

Table 14: Margin distribution on Swiss and Czech market for different product categories. Created by the author in MS Excel.

Based on the market analysis, there is a relatively low competition on wardrobes in Switzerland and also our price advantage is the highest from all the categories. Therefore this category has the biggest margin spread between Swiss and Czech market. All the margins are set based on the production prices offered to us from Delfi s.r.o and the market analysis of the prices of competitors on the market. See the marketing section for more details.

After getting the gross margins, the gross profits could be calculated. In order to get to EBITDA, operating expenses had to be examined.
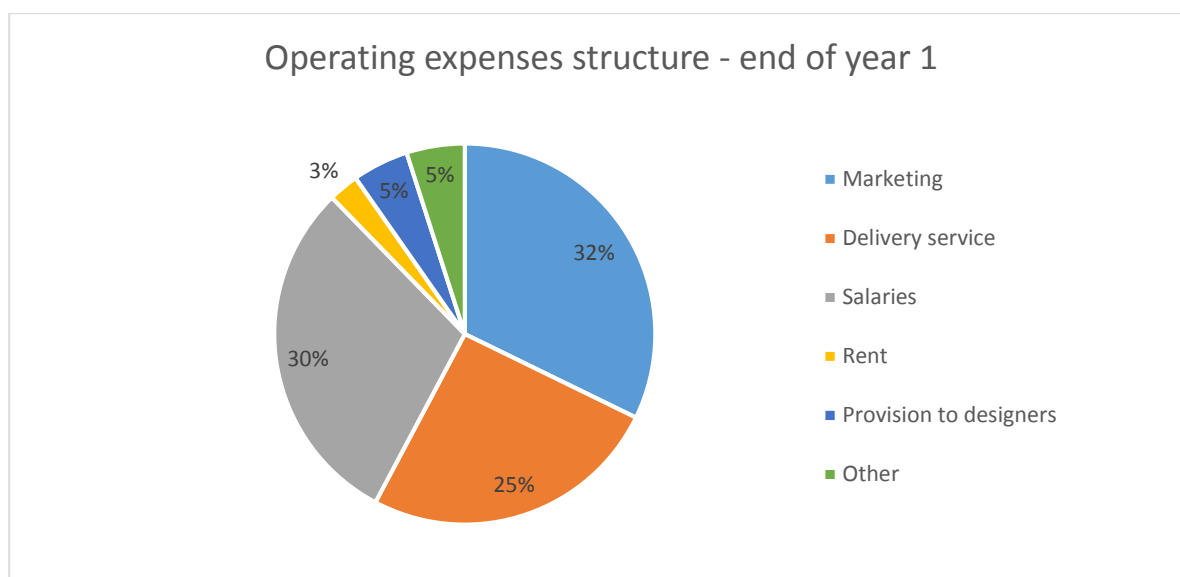
Table 15: Operating expenses structure as at the end of year 1. Created by the author in MS Excel.

The operating expenses are composed certain parts. Marketing expenses were set to be 20% of generated revenues in the current month as we need to build brand and grow as a startup company. Thus they make 32% of total operating expenses. Delivery service is set differently for Czech and Swiss market. Based on the prices received from Rehnus CZ and Swiss Post companies, delivery costs were set to 10% of revenues in the Czech Republic and 18% of revenues in Switzerland. However it is estimated to fall down from the year 2 on to 8% and 16% in Czech Republic and Switzerland respectively as economies of scale will be achieved. But at the end of year 1 delivery makes about 25% of our operating costs. Next item are salaries. These are calculated as 10% of the revenues plus estimated salary for the founders, which are calculated to be 3000 EUR, 4500 EUR and 6 000 EUR in year 1,2 and 3 respectively. This salary includes obligatory insurance. In the year 0 founders are not being paid any salary. In this sense at the end of the year 1 the salaries in total make about 30% of the operating expenses of the company. Moreover provisions to designers will be paid as 3% of product sales corresponding to 5% of total operating costs. Rent is calculated as 3% of all the costs and there is also a reserve for unexpected costs of 3% of revenues making it 5% of the operating expenses. Including all these items into the model EBITDA can be tracked. In order to complete the model, loans, interest and depreciation and amortization is examined.

As the company does not plan to take any loans, interests will be 0. Depreciation and amortization is calculated based on the investments made especially into IT infrastructure and websites. All the depreciation and amortization costs are calculated based on a 36 months plan.

2.12.1.Income statement

DOZAMO	Year0 Total	Year1 Total	Year2Total	Year3 Total
Unit sales	15	804	4 267	13 749
Avrg. unit average price	914	503	441	441
Revenues	**13 703**	**404 033**	**1 880 933**	**6 060 100**
COGS	**6 592**	**149 785**	**703 977**	**2 267 626**
Gross profit	**7 111**	**254 249**	**1 176 957**	**3 792 474**
Unit gross margin	52%	63%	63%	63%
Operating expenses	5 630	295 649	1 064 329	3 191 273
Operating income EBITDA	**1 481**	**-41 401**	**112 628**	**601 202**
EBITDA margin	11%	-10%	6%	10%
Interest expense	0	0	0	0
Depreciation	-250	-10 750	-17 833	-22 167
EBT	**1231**	**-52 151**	**94 795**	**579 035**
Taxes	185	0	15 138	86 855
Net income	**1 046**	**-52 151**	**79 656**	**492 180**
Net margin	8%	-13%	4%	8%
ROE %	10%	-89%	57%	78%

Table 16: Income statement year 1 -3. Created by the author in MS Excel.

The income statement as well as balance sheet and cash flow statement are displayed for 4 time periods. The first is Year 0. This is a period from June 2015 until October 2015. In these months beta testing in the Czech Republic is being conducted and only wardrobes are being sold. No salaries are paid and the purpose is to test all the processes and products on the market and get as much feedback as possible in order to perform well in the following years. Year 1 start in November 2015 and lasts 12 months. Swiss market is already entered here and libraries, sideboards, tables, sofas and accessories products are consequently being introduced to the markets. Year 2 and year 3 has always start in November and these are years of stabilization. Especially in year 3 we should be able to generate interesting profits and positive cashflows.
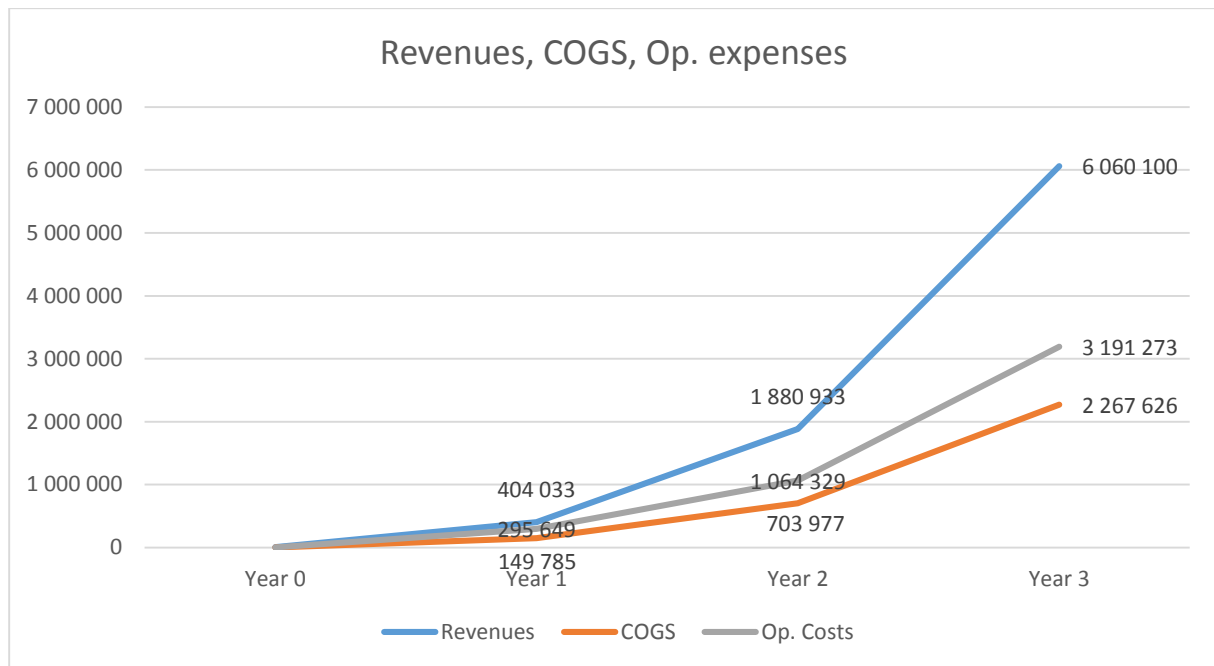
Table 17: Revenues, COGS, op. expenses development. Created by the author in MS Excel

The revenues are anticipated to grow steadily with the biggest absolute increase in year 3 as the brand will get more valuable and personal recommendations will be spread faster. (see Table 17 above) Also as it can be seen on the graph above, operational expenses will be proportionally lower to revenues as all the processes should already be set, tested and becoming more efficient. Thus requiring lower operating costs. Costs of goods sold were conservatively let proportionally stable to revenues as prices of different manufacturers are not yet known. However it could be expected that proportion of COGS to revenue will also lower in the future thanks to the economies of scale.
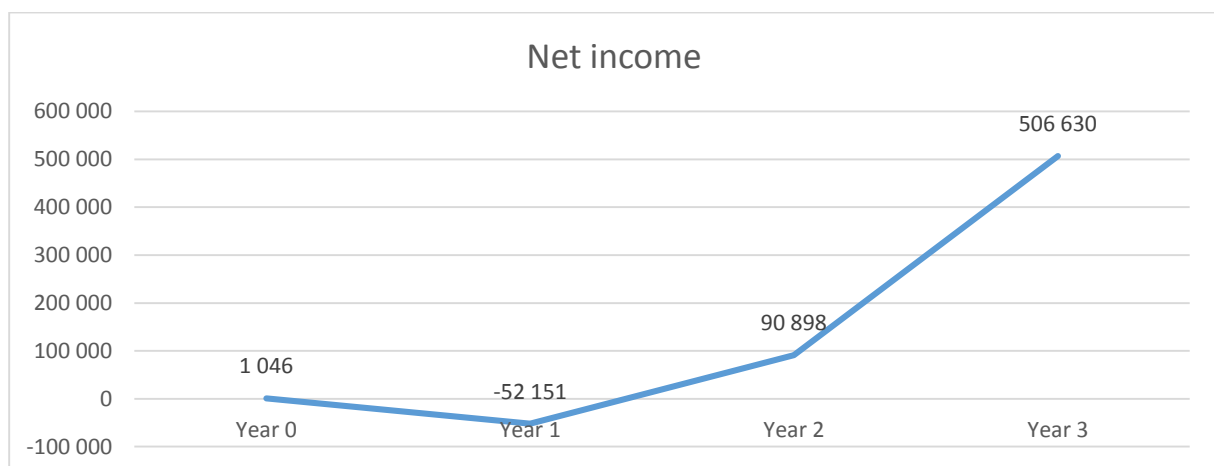
Table 18: Income development. Created by the author in MS Excel

All in all we expect, based on the financial model, the net income to be negative and steadily recover until the year 3, when an income of 492 180 EUR is predicted. (see Table 18 above)
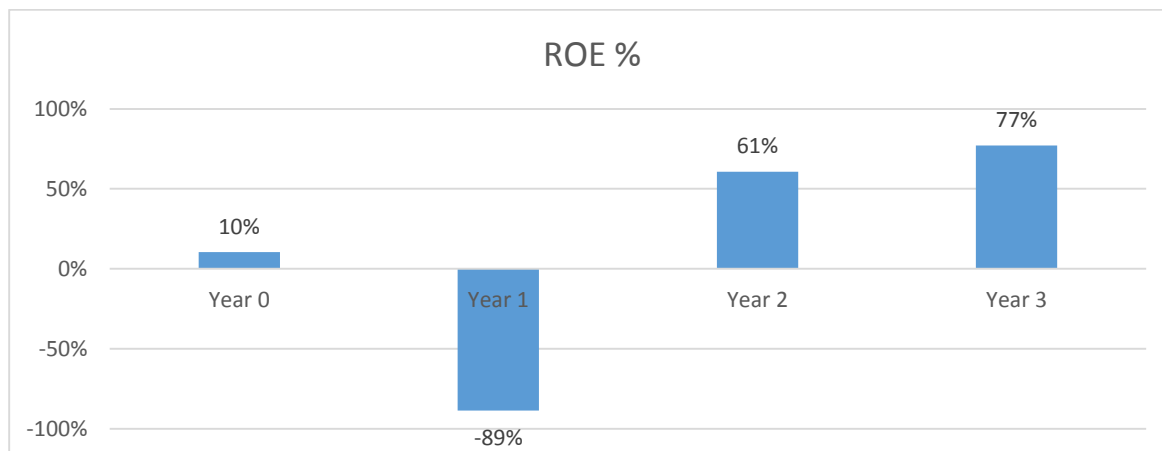
Table 19: ROE % results. Created by the author in MS Excel

Based on the data from the financial model ROE was calculated. As it can be seen in Table 19 above, ROE starts at 10% in year 0. The positive ROE is achieved due to lower operating costs caused by the absence of salaries. Year 1 shows negative ROE as net income is predicted to be negative. However year 3 already predicts an interesting, relatively high ROE of 78%.

To sum it up, we believe that after 3 years of operations the company will be consolidated and ready to generate interesting cash flows and incomes.

2.12.2.Cash flow statement

DOZAMO	Year 0 total	Year 1 total	Year 2 total	Year 3 total
Cash opening balance	**0**	**-704**	**19 896**	**102 960**
CF from operating activities				
Cash receipts from customers	13 703	404 033	1 880 933	6 060 100
Cash paid to suppliers	6 592	149 785	703 977	2 267 626
Cash paid to operating expenses and employees	5 630	295 649	1 064 329	3 191 273
Net cash from operating activities	**1 481**	**-41 401**	**112 628**	**601 202**
	0	0	0	0
CF from investing activities	0	0	0	0
Investment	-7 000	-38 000	-13 000	-13 000
Other investments	0	0	0	0
R D	0	0	0	0
Net cash from investing activities	**-7 000**	**-38 000**	**-13 000**	**-13 000**
	0	0	0	0
CF from financing activities	0	0	0	0
Issuance of share capital	5 000	100 000	0	0
Long term loans	0	0	0	0
Grants	0	0	0	0
Interest income/expense	0	0	0	0
Net cash from financing activities	**5 000**	**100 000**	**0**	**0**
Taxes	185	0	16 563	89 405
Net increase/decrease in cash	**-704**	**20 599**	**83 065**	**498 796**
Cash closing balance	**-704**	**19 896**	**102 960**	**601 757**

Table 20: Cash flow statement year 1 - 3. Created by the author in MS Excel.

The company cash flow remains positive through all the time periods except for the year 0. Here as we will not receive any investor's funding yet, the negative amount will be covered short-term by bank overdraft account until the investment will be received. The cash flow of the second year will get positive thanks to the capital investment of 100 000 EUR. However the operations cash flow will still remain negative. It will turn positive in the second quarter of the year 2 making the whole operations cash flow for the second year positive. (see Table 21 below)
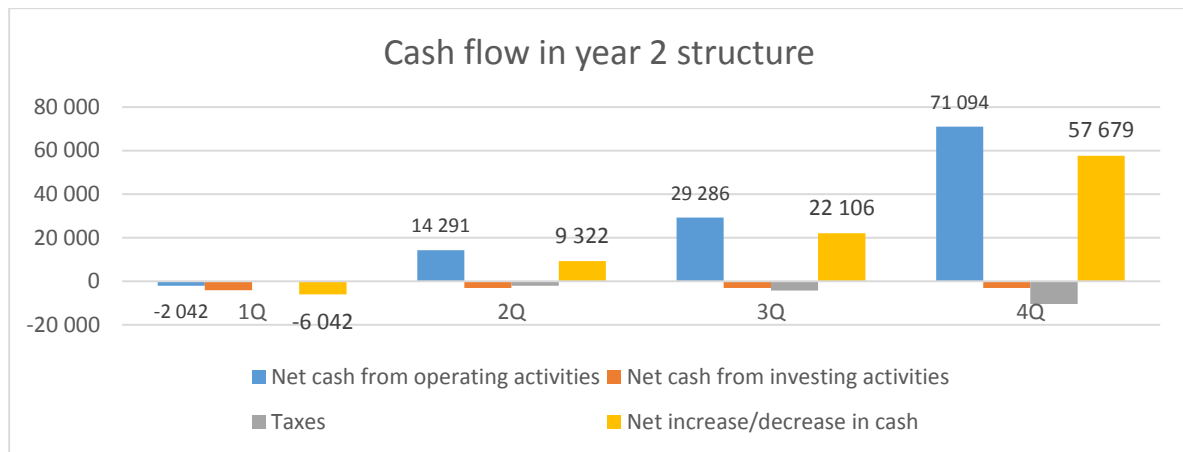
Table 21: Cash flow in year 2 - CF break even. Created by the author in MS Excel

As the operations cash flow breakeven point occurs in the second quarter of year 2, we can see that without any capital investments the cash flow would be -80 104 EUR negative in the year 1. (see Table 22 below) Thus the investment of 100 000 EUR is needed in order to cover the negative cash flow of the initial stages of the company caused especially by IT investments and company expansion efforts.
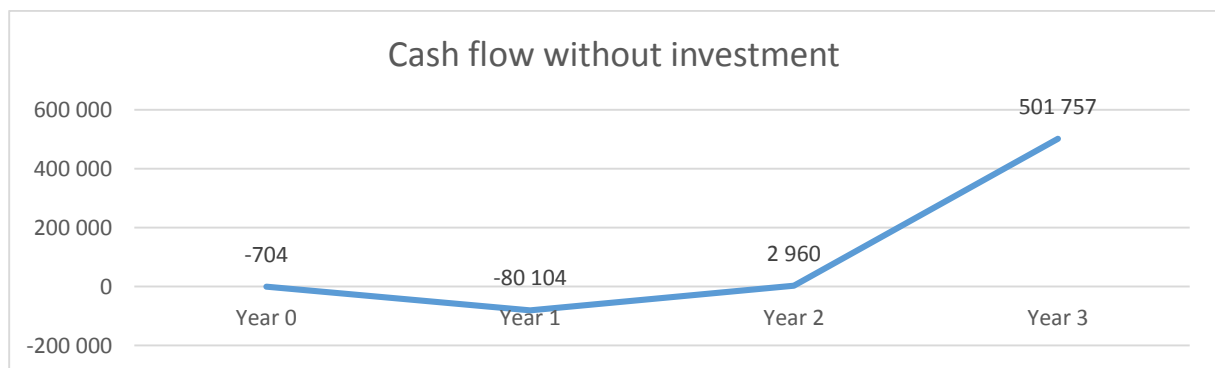
Table 22: Cash flow without investment. Created by the author in MS Excel
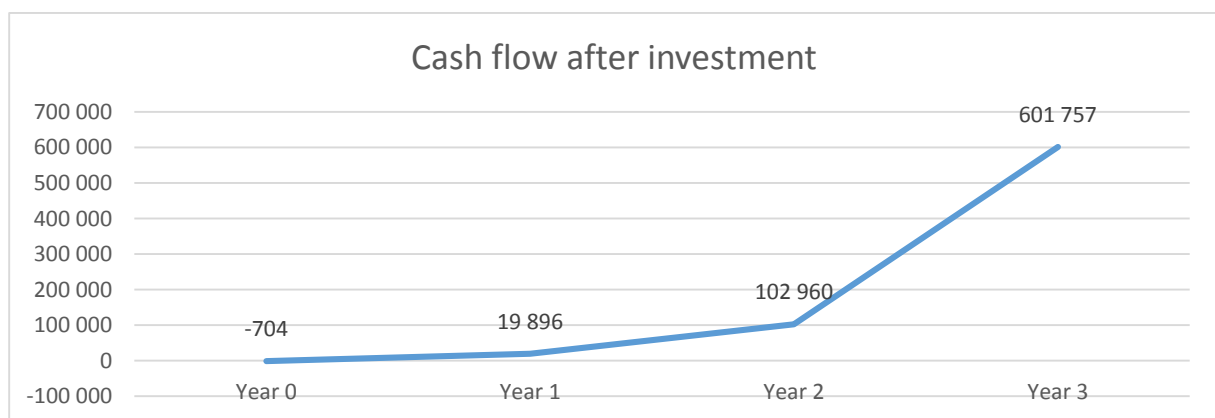
Table 23: Cash flow with investment. Created by the author in MS Excel

2.12.3.Balance sheet

	Year 0	Year 1	Year 2	Year 3
Assets				
Current assets				
Cash	-704	19 896	102 960	601 757
Accounts receivable	0	0	0	0
Stock	0	0	0	0
Short-term investment	0	0	0	0
Prepaid expenses	0	0	0	0
Long-term investment	0	0	0	0
Fixed assets				
Land	0	0	0	0
Buildings	0	0	0	0
Improvements	0	0	0	0
IT equipment	12000	50000	63000	76000
Depreciation	-250	-11000	-16167	-21333
Furniture	0	0	0	0
Motor/vehicles	0	0	0	0
Total assets	11 046	58 896	149 794	656 423
Liabilities				
Current liabilities				
Accounts payable	0	0	0	0
Interest payable	0	0	0	0
Taxes payable	0	0	0	0
Income tax	0	0	0	0
Sales tax	0	0	0	0
Payroll accrual	0	0	0	0
Long-term liabilities				
Borrowings	0	0	0	0
Total liabilities	0	0	0	0
Net assets	11 046	58 896	149 794	656 423
Owner's equity				
Capital stock	10 000	110 000	110 000	110 000
Retained earnings	0	1 046	-51 104	39 794
Current year earnings	1 046	-52 151	90 898	506 630
Total equity (should equal net assets)	11 046	58 896	149 794	656 423

Table 24: Balance sheet year 1 - 3. Created by the author in MS Excel

Company's balance sheet is made based on the same assumptions as the income and cash flow statements. This means that in order to simplify the model, cash is received from customers at the time of order and in the same month suppliers and designers are paid.

Moreover it is anticipated that taxes are all paid in the same year as the obligation was created.

The starting paid-in equity consists of cash of 5 000 EUR and IT assets of the value of 5 000 EUR. The paid-in equity is put in by the founders. Remaining 100 000 EUR is the investor's equity. Rest of the owner's equity contribute to retained earnings and current year income.

2.13. Risk analysis

The anticipated risks were split into 4 categories of market, technology, operation and legal risks. In each of the category main risks for Dozamo were chosen and mitigation strategy applied.

2.13.1. Market risks

Online configurator or products not accepted as expected by customers

From the first moment we are focusing on getting constant feedback on our website and configurator and as soon as we launch the products, we will focus on getting as much feedback from customers as possible especially by follow-up calls. This approach will help us to improve the weak parts of the system.

Lower sales than expected

If market is lower or slower to develop, company will have to carefully check its financial position while developing the structure and model in order to better satisfy the customers. As far as no significant fixed costs are associated with the company, we will have to be careful especially about labour and marketing costs. Additionally marketing strategy traction and customer feedback analysis will apply.

Moreover marketing expenses are tight to revenues and should not exceed the planned monthly updated budget. Labour will always grow by increasing productivity first and then quantity. Therefore a growing number of employees follows revenue growth with certain time delay in order to prevent financial difficulties.

2.13.2. Technology risks

Customers not satisfied with the real product appearance

Even when legally they are not eligible to return the product as it is customized, we will offer special treatment to these customers (discount, situation check, explanation).

In addition to that we will do our best to void these situations by sending real samples, improving the customer service and permanently improving the website toward more realistic and detailed material and colour display online. (different angle display, bigger pictures, better quality photos)

2.13.3.Operation risks

Supplier capacity is not sufficient and supplier dependency

When developing the business we need to develop a wide network of different suppliers. This will:

- lower the risk of supplier dependency as we will be able to substitute a supplier in case anything happens with one of them or the quality does not match the expectations
- decrease the risk of insufficient supplier's capacity and lower the supplier dependency
- cover broader material range and thus being able to offer wider range of products to our customers
- increase our negotiation power
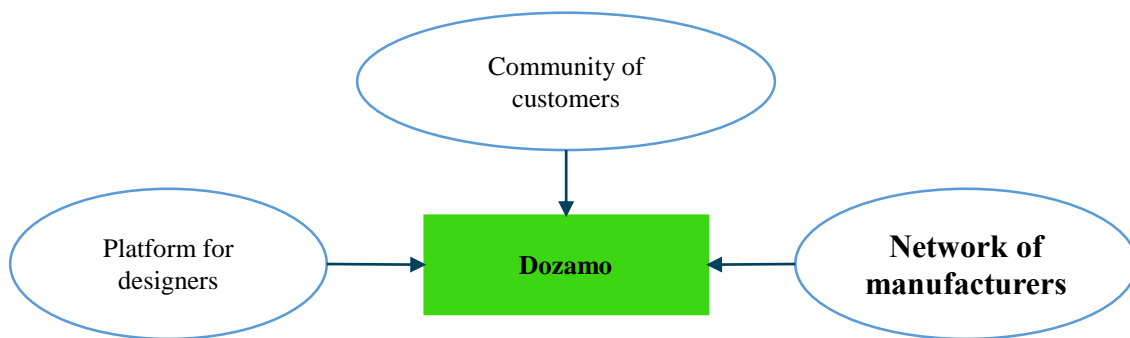
Picture 8: Model of interested parties in Dozamo project. Created by the author.

Significant amount of warranty complaints

In this case we will immediately need to analyse which supplier is to blame and take the repair actions. Meaning especially checking the quality control system and finding the cause of the insufficient quality delivered. Special treatment to these customers will be applied. Additionally company's financial position will have to be checked and financial impact calculated.

Unreliable shipping

In case that orders are not delivered in time, we will need to have more shipping companies and analyse the performance of each. Also we will analyse if supplier or shipping company is to blame. In case of shipping company, contract penalty should occur to the shipping company. Customers who are delivered late than anticipated will get special treatment (discount,…)

In case of supplier, analysis will occur and process adjustments could be applied.

Significant amount of damaged products from shipping

Check shipping conditions with a shipping company so that they treat the package accordingly. Apply insurance. And think about a better way to pack products with suppliers.

2.13.4.Legal risks

Supplier will patent the production process we developed together

We should be able to get the patent for us later. This means when a unique production process is delivered we will have to finance it to the supplier and get the patent so that we can spread it among our supplier network and benefit from this technology as an ecosystem.

2.14. Funding request

The funding request is 100 000 EUR for 10% stake in the company, which is the amount that will help the company to overcome the period of negative operation cash flow and compensate the overall negative cash flow period, caused especially by investments into IT, product development and company expansion, generated by the company in the first 15 months of operations.

The company valuation was based on certain assumptions. The discount rate was set to 10%, annual income growth in the following 7 years is 20% a year and perpetuity growth 4,5%. All these assumptions are set based on online furniture market expectations and company performance.

Asumptions	%
Discount rate	10%
Growth annual until 2024	20%
Growth perpetuity	4,5%

Table 25: Assumptions for startup valuation. Created by the author

Based on the abovementioned assumptions and modelled financial performance of the company, DCF valuation model was applied in order to get the estimated company valuation, which was set to be 12 552 693 EUR.

DCF	Net Income	Discount factor	Current value
Year 1	-52 151	110%	-47 410
Year 2	90 898	121%	75 122
Year 3	506 630	133%	380 638
Year 4	607 956	146%	415 242
Year 5	729 547	161%	452 991
Year 6	875 456	177%	494 172
Year 7	1 050 547	195%	539 097
Perpetuity value		195%	10 242 840
Valuation			12 552 693

Table 26: DCF valuation model. Created by the author

As Dozamo is a startup company the valuation needs to be adjusted to this fact. Thus chance of failure and illiquidity discount was incorporated into the model. Chance of failure reflects the fact that a startup's failure rate is much higher than in mature companies and illiquidity discount is applied as money investor binds with a startup are less liquid than those invested in bonds or publicly traded companies. Chance of failure was set to 65% and illiquidity ratio to 10%.

Asumptions	%
Chance of failure	65%
Illiquidity discount	10%

Table 27: Assumptions for final valuation. Created by the author

Applying these ratios to the previous valuation of 12 552 693 EUR, we will get 3 138 173 EUR as a final startup value. As investors are offered 10% stake in the company, they are getting 313 817 EUR of value for the 100 000 EUR of investment.

Valuation final	3 138 173
Investor's stake	10%
Value for investor	313 817

Table 28: Final startup valuation. Created by the author

This makes the investment's IRR of 46,41% in the 3 year time horizon.

IRR	
Cash invested	100 000
Cash received year 3	313 817
IRR	46,41%

Table 29: IRR for investors. Created by the author

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4. Appendix

4.1. Appendix 1 – Adwords campaign for the Czech market

Whole campaign was separated into 2 campaigns. First is using only search network and second works only with content network adds. The maximum bidding price for content network ads was set to be one third of the search network CPC.

In order to set the maximum CPC, data from the financial calculations were used. As we know targeted marketing expenditures composition and final product average price, it can be calculated, based on the anticipated conversion rate of 1%, that the maximum CPC is 0,72 EUR.

	%	EUR			
Product price	100%	900			
Total marketing expense:	20%	180			
			PPC:		
PPC	8%	72		Conversion rate	1%
Content	5%	45		Max click price	0,72
PR	4%	36			
Search engine Ads	3%	27			

Based on this knowledge the maximum CPC is set and campaign was created. All together 3 ad groups were established based on the keyword analysis mentioned in the online marketing section. For each ad group certain number of keywords was selected and 3 ad created (see table below).

Description	Ad 1 and 2	Ad 3
[vestavěná skříň na míru]	Kvalitní skříně na míru	Kvalitní skříně na míru
[šatní skříň na míru]	Férové ceny. Doprava zdarma.	Férové ceny. Doprava zdarma.
[vestavěná skříň]	Navrhněte si skříň jednoduše online	Vytvořte si originální design!
[vestavná skříň na míru]	www.dozamo.cz	www.dozamo.cz
[vestavná skříň]		
[skříň na míru]	Kvalitní skříně na míru	
[vestavěné skříně na míru]	Férové ceny. Doprava zdarma.	
[šatní skříně na míru]	Váš design. Navrhněte si hned!	
[skříně na míru]	www.dozamo.cz/skrine-na-miru	
Doors		
[šatní skříň s posuvnými dveřmi]	Skříně s posuvnými dveřmi	Dostupné skříně na míru
[šatní skříň s posuvnými dveřmi levně]	Kvalitní skříně na míru online	Vytvořte si nyní skříň podle sebe!
[šatní skříně posuvné dveře]	Navrhněte si skříň za férovou cenu!	Kvalita.Férová cena.Doručení zdarma
[šatní skříně s posuvnými dveřmi levně]	www.dozamo.cz/skrine	Dozamo.cz/skrine
[skříně s posuvnými dveřmi]		
[posuvné dveře skříň]	Skříně s posuvnými dveřmi	
[šatní skříně s posuvnými dveřmi]	Kvalitní skříně na míru online	
[posuvné skříně]	Vytvořte si váš unikátní design!	
[šatní skříň posuvné dveře]	www.dozamo.cz	
[levné skříně s posuvnými dveřmi]		
[skříň s posuvnými dveřmi]		
Room		
[ložnicové skříně]	Skříně na míru do ložnice	Skříně na míru do ložnice
[skříně do ložnice]	Kvalitní skříně na míru online	Kvalitní skříně Dozamo. Váš design.
[skříně ložnice]	Férové ceny. Navrhněte si hned!	Férové ceny. Navrhněte si hned!
[skříň ložnice]	www.dozamo.cz	www.dozamo.cz
[vestavěná skříň do ložnice]		
[šatní skříň do ložnice]	Skříně na míru do ložnice	
[skříň do ložnice]	Kvalitní skříně na míru online	
[vestavěné skříně do ložnice]	Férové ceny. Váš design!	
[šatní skříně do ložnice]	www.dozamo.cz	

4.2.   Appendix 2 – face to face interview questions

Introduction

1.   What is your age?
2.   Where do you live?
3.   What is your job?
4.   Where do you shop for furniture now?
5.   Have you ever bought furniture online?
6.   Have you ever bought custom made furniture?
i.   Alternatively: Why yes?

Problem ranking

1.   What is your biggest problem when shopping for furniture?
2.   What do you miss on IKEA furniture?
3.   Do you consider custom made furniture to be too expensive?
4.   If not, what dissuades you from buying custom made furniture?
5.   How much time do you spend buying furniture?
6.   Do you consider it being a lot of time?

Customer's worldview

1.   Would you like to have custom made individualized furniture at home?
2.   How big premium over retails standardized furniture would you be willing to pay?
3.   What dissuades you from buying furniture online? (If previous question "Have you ever bought furniture online?" answered negatively)
4.   What was your main motivation to buy furniture online? (If previous question "Have you ever bought furniture online?" answered positively)
5.   Would you ever buy custom made furniture online?
6.   How long would you be willing to wait for the delivery of custom made furniture?

Solution testing

You have 3 options. Which one would you take?

1.   Standardized wardrobe purchase in IKEA. Delivery included. Self-assembly. (4-5 hours) – 16 500 CZK
2.   Online purchase, own sizes, configuration of own colour and material wardrobe combination and interior. Delivery included. Self- assembly (1 hour) – 21 500 CZK
3.   Custom made wardrobe purchase in a custom made company. Delivery and assembly included – 31 000 CZK

4.3. Appendix 3 – online questionnaire questions

1. Where do you buy furniture most often?
a. Online e-shop
b. IKEA
c. Another retail shop (eg. KIKA, Sconto,..)
d. Design studio
e. Carpenter or another custom made furniture company
f. I do not buy furniture at all

2. Have you ever bought furniture online?
a. Yes
b. No

3. Have you ever bought custom made furniture?
a. Yes
b. No

4. What are your biggest problems when shopping furniture in IKEA or any other brick and mortar shop? Mark 3 most important.
a. Low product offer
b. Lack of product originality
c. Inconvenient sizes
d. Inconvenient colours
e. Transport to home
f. Self-assembly
g. I do not understand design – I do not know which product to choose appropriately
h. Insufficient quality
i. Other (please specify)

5. What dissuades you from online furniture purchase?
a. I want to try the functionality and test the furniture
b. I want to see colours and materials in reality
c. I want to check the quality
d. I cannot imagine real sizes
e. Self-assembly
f. Delivery time (2-3 weeks)
g. Anything else (please specify)

6. If the standardized wardrobe from IKEA costs 15 000 CZK, how many CZK would pay in addition to that for:
a. Exact own sizes
b. Own colours
c. Better quality material
d. Significantly easier and faster assembly

7. What dissuades you from custom made furniture purchase? Mark 3 most important factors.
a. Price
b. Long delivery time (6-10 weeks)
c. Time consuming ordering process (design consultations, in shop meetings,…)
d. I do not need custom made furniture, I am satisfied with standardized solutions
e. I do not want to invest into the rented flat now, I will buy it to my own flat later

8. Do you plan to buy custom made furniture in the next year?
a. Yes
b. No

9. Under which conditions would you buy furniture online from a company you do not know personally?
a. Furniture design consulting for free
b. Possibility to receive material samples before a purchase
c. Unique furniture, which is not offered in brick and mortar shops
d. Personal recommendation
e. Time savings – it is not necessary to go through brick and mortar stores
f. Money savings – cheaper product than in brick stores
g. Money savings – for assembly, possibility to assemble by yourself easily and quickly

10. What was your biggest motivation to buy furniture online? What would be your biggest motivation to buy furniture online again in a different company? Mark 3 most important factors.
a. Furniture design consulting for free
b. Possibility to receive material samples before a purchase
c. Unique furniture, which is not offered in brick and mortar shops
d. Personal recommendation
e. Time savings – it is not necessary to go through brick and mortar stores
f. Money savings – cheaper product than in brick stores
g. Money savings – for assembly, possibility to assemble by yourself easily and quickly

11. What was the reason to buy custom made furniture? Mark max. 3 most important reasons.
a. Need to have exact measurements
b. Need to have atypical shape
c. Desire to choose own colours and materials
d. Desire to have unique furniture according to own wishes
e. Desire to have a quality furniture
f. Architect proposed realisation

12. How long would you be willing to wait for the furniture delivery?
a. 1-2 weeks
b. 3-4 weeks
c. 5-6 weeks
d. 7 and more weeks

13.   Which wardrobe would you choose?

a.   Standardized wardrobe purchase in IKEA. Delivery included. Self-assembly. (4-5 hours) – 16 500 CZK

b.   Online purchase, own sizes, configuration of own colour and material wardrobe combination and interior. Delivery included. Self- assembly (1 hour) – 21 500 CZK

c.   Custom made wardrobe purchase in a custom made company. Delivery and assembly included – 31 000 CZK

d.   If there was a possibility to buy a professional assembly service for 1 500 CZK, would you choose the second choice? (Online purchase, own sizes, configuration of own colour and material wardrobe combination and interior. Delivery included. Self- assembly (1 hour) – 21 500 CZK?)

14.   What is your age?

15.   I live in a city/town with a number of inhabitants of:

a.   Till 19 999
b.   20 000 – 49 999
c.   50 000 – 99 999
d.   100 000 +

16.   You are:

a.   Woman
b.   Man

17.   What your net monthly income?

a.   Till 19 999
b.   20 000 – 24 999
c.   25 000 – 29 999
d.   30 000 +

4.4.   Appendix 4 – financial statements

DOZAMO	Year1											
	November1 5	December 15	January 16	February 16	March 16	April1 6	May1 6	June1 6	July16	August1 6	September1 6	October1 6
Unit sales	8	11	19	22	30	43	67	87	98	120	145	154
Wardrobes	5	6	9	9	11	13	18	16	18	17	19	19
Libraries	3	5	8	9	12	14	21	21	22	26	31	33
Sideboards and commodes	0	0	2	4	7	9	12	18	19	22	27	29
Tables, Massive tables	0	0	0	0	0	4	9	12	13	22	27	29
Living room tables	0	0	0	0	0	3	7	12	13	15	18	19
Accessories (e.g flower boxes…	0	0	0	0	0	0	0	5	10	12	15	15
Sofas	0	0	0	0	0	0	0	3	3	6	8	10

Avrg .unit average price	875	817	754	697	660	600	558	488	478	449	443	442
Wardrobes	1213	1244	1244	1244	1230	1256	1244	1254	1244	1235	1253	1253
Libraries	311	303	306	311	311	308	311	311	313	310	312	311
Sideboards and commodes	0	0	333	333	362	356	356	356	358	358	356	354
Tables, Masive tables	0	0	0	0	0	367	341	356	359	358	356	354
Living room tables	0	0	0	0	0	156	162	178	179	178	178	179
Accessories (e.g flower boxes…	0	0	0	0	0	0	0	130	135	133	133	133
Sofas	0	0	0	0	0	0	0	800	800	800	788	810

Revenues	7 000	8 983	14 317	15 333	19 800	25 783	37 400	42 450	46 833	53 850	64 183	68 100
Wardrobes	6 067	7 467	11 200	11 200	13 533	16 333	22 400	20 067	22 400	21 000	23 800	23 800
Libraries	933	1 517	2 450	2 800	3 733	4 317	6 533	6 533	6 883	8 050	9 683	10 267
Sideboards and commodes	0	0	667	1 333	2 533	3 200	4 267	6 400	6 800	7 867	9 600	10 267
Tables, Massive tables	0	0	0	0	0	1 467	3 067	4 267	4 667	7 867	9 600	10 267
Living room tables	0	0	0	0	0	467	1 133	2 133	2 333	2 667	3 200	3 400
Accessories (e.g flower boxes…	0	0	0	0	0	0	0	650	1 350	1 600	2 000	2 000
Sofas	0	0	0	0	0	0	0	2 400	2 400	4 800	6 300	8 100

Wardrobes	61%	63%	63%	63%	62%	64%	63%	64%	63%	63%	64%	64%
Libraries	62%	61%	61%	62%	62%	61%	62%	62%	62%	62%	62%	62%
Sideboards and commodes	0%	0%	53%	53%	54%	53%	53%	53%	53%	53%	53%	53%
Tables, Massive tables	0%	0%	0%	0%	0%	57%	55%	56%	56%	56%	56%	56%

Living room tables	0%	0%	0%	0%	0%	52%	53%	56%	56%	56%	56%	56%
Accessories (e.g flower boxes…	0%	0%	0%	0%	0%	0%	0%	66%	67%	67%	67%	67%
Sofas	0%	0%	0%	0%	0%	0%	0%	59%	59%	59%	59%	60%

COGS	**2 564**	**3 196**	**5 168**	**5 604**	**7 411**	**9 505**	**13 921**	**15 594**	**17 242**	**20 219**	**23 985**	**25 376**
Wardrobes	2 203	2 595	3 892	3 892	4 797	5 581	7 784	6 879	7 784	7 392	8 176	8 176
Libraries	362	601	963	1 085	1 447	1 686	2 532	2 532	2 654	3 133	3 739	3 978
Sideboards and commodes	0	0	313	627	1 167	1 480	1 973	2 960	3 140	3 633	4 440	4 753
Tables, Massive tables	0	0	0	0	0	139	555	735	975	1 451	1 848	1 987
Living room tables	0	0	0	0	0	619	1 077	1 557	1 717	2 747	3 296	3 456
Accessories (e.g flower boxes…	0	0	0	0	0	0	0	620	660	1 240	1 550	2 090
Sofas	0	0	0	0	0	0	0	312	312	624	936	936

Gross profit	**4 436**	**5 788**	**9 149**	**9 730**	**12 389**	**16 279**	**23 479**	**26 856**	**29 591**	**33 631**	**40 198**	**42 724**
Unit gross margin	63%	64%	64%	63%	63%	63%	63%	63%	63%	62%	63%	63%
Operating expenses	9 764	11 050	13 838	14 683	18 288	20 919	27 536	29 571	31 519	35 175	40 518	42 788
Marketing	1480	2110	3200	3720	4800	5870	8440	8790	9330	10790	12790	13790
Delivery service as % of selling price	15%	15%	15%	15%	15%	14%	15%	15%	15%	15%	15%	15%
Delivery service absolute	1092	1430	2276	2437	3148	3751	5940	6817	7523	8597	10286	10930
Salaries	6700	6898	7432	7533	7980	8578	9740	10245	10683	11385	12418	12810
Phone + internet	72	72	72	72	72	72	72	72	72	72	72	72
Rent	0	0	0	0	1100	1100	1100	1100	1100	1100	1100	1100
Provision to designers	210	270	430	460	594	774	1122	1274	1405	1616	1926	2043
Other	210	270	430	460	594	774	1122	1274	1405	1616	1926	2043
Operating income EBITDA	**-5 328**	**-5 262**	**-4 690**	**-4 953**	**-5 899**	**-4 640**	**-4 057**	**-2 715**	**-1 928**	**-1 544**	**-320**	**-64**
EBITDA margin	-76%	-59%	-33%	-32%	-30%	-18%	-11%	-6%	-4%	-3%	0%	0%
Interest expense	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation	-222	-306	-722	-722	-806	-944	-1 028	-1 167	-1 167	-1 194	-1 222	-1 250
EBT	**-5 551**	**-5 568**	**-5 412**	**-5 675**	**-6 704**	**-5 584**	**-5 085**	**-3 882**	**-3 094**	**-2 739**	**-1 542**	**-1 314**
Taxes	0	0	0	0	0	0	0	0	0	0	0	0
Net income	**-5 551**	**-5 568**	**-5 412**	**-5 675**	**-6 704**	**-5 584**	**-5 085**	**-3 882**	**-3 094**	**-2 739**	**-1 542**	**-1 314**
Net margin	-79%	-62%	-38%	-37%	-34%	-22%	-14%	-9%	-7%	-5%	-2%	-2%

DOZAMO	Year 2				Year2Total
	1Q	**2Q**	**3Q**	**4Q**	
Unit sales	521	817	1 090	1 839	4 267
Wardrobes	61	95	127	215	498
Libraries	110	173	231	390	904
Sideboards and commodes	97	152	203	341	793
Tables, Massive tables	97	152	203	341	793
Living room tables	64	101	134	228	527
Accessories (e.g flower boxes…	52	81	108	182	423
Sofas	40	63	84	142	329
Avrg .unit average price	441	441	441	441	441
Wardrobes	1247	1248	1246	1246	
Libraries	312	312	312	312	
Sideboards and commodes	356	356	356	356	
Tables, Masive tables	356	356	356	356	
Living room tables	178	178	178	178	
Accessories (e.g flower boxes…	134	133	133	134	
Sofas	803	800	800	801	
Revenues	**229 883**	**359 900**	**480 183**	**810 967**	**1 880 933**
Wardrobes	76 067	118 533	158 200	267 867	620 667
Libraries	34 300	53 900	71 983	121 567	281 750
Sideboards and commodes	34 533	54 133	72 267	121 467	282 400
Tables, Massive tables	34 533	54 133	72 267	121 467	282 400
Living room tables	11 400	18 000	23 867	40 600	93 867
Accessories (e.g flower boxes…	6 950	10 800	14 400	24 300	56 450
Sofas	32 100	50 400	67 200	113 700	263 400
Wardrobes	64%	64%	63%	63%	
Libraries	62%	62%	62%	62%	
Sideboards and commodes	53%	53%	53%	53%	
Tables, Massive tables	56%	56%	56%	56%	
Living room tables	56%	56%	56%	56%	

Accessories (e.g flower boxes…	67%	67%	67%	67%	
Sofas	59%	59%	59%	59%	
COGS	**85 990**	**134 641**	**179 865**	**303 481**	**703 977**
Wardrobes	26 339	41 001	54 880	92 895	215 115
Libraries	13 265	20 860	27 854	47 028	109 008
Sideboards and commodes	15 967	25 027	33 413	56 153	130 560
Tables, Massive tables	6 537	10 173	13 611	22 851	53 172
Living room tables	11 856	18 608	24 811	41 840	97 115
Accessories (e.g flower boxes…	7 970	12 420	16 560	28 050	65 000
Sofas	4 056	6 552	8 736	14 664	34 008
Gross profit	**143 894**	**225 259**	**300 319**	**507 486**	**1 176 957**
Unit gross margin	63%	63%	63%	63%	63%
Operating expenses	145 936	210 968	271 032	436 392	1 064 329
Marketing	46000	72000	96000	162000	376000
Delivery service as % of selling price	15%	15%	15%	15%	
Delivery service absolute	32267	50496	67315	113749	263827
Salaries	49988	62990	75018	108097	296093
Phone + internet	288	288	288	288	1152
Rent	3600	3600	3600	3600	14400
Provision to designers	6897	10797	14406	24329	56428
Other	6897	10797	14406	24329	56428
Operating income EBITDA	**-2 042**	**14 291**	**29 286**	**71 094**	**112 628**
EBITDA margin	-1%	4%	6%	9%	6%
Interest expense	0	0	0	0	0
Depreciation	-917	-1 167	-1 417	-1 667	-5 167
EBT	**-2 959**	**13 124**	**27 870**	**69 427**	**107 461**
Taxes	0	-1 969	-4 180	-10 414	-16 563
Net income	**-2 959**	**11 155**	**23 689**	**59 013**	**90 898**
Net margin	-1%	3%	5%	7%	5%
ROE %					61%

DOZAMO	Year 3				Year3 Total
	1Q	2Q	3Q	4Q	
Unit sales	2 586	3 131	3 584	4 448	13 749
Wardrobes	301	365	419	519	1 604
Libraries	549	665	760	944	2 918
Sideboards and commodes	480	581	665	826	2 552
Tables, Massive tables	480	581	665	826	2 552
Living room tables	320	388	444	550	1 702
Accessories (e.g flower boxes…	256	310	355	440	1 361
Sofas	200	241	276	343	1 060
Avrg .unit average price	441	441	441	441	441
Wardrobes	1247	1247	1246	1246	
Libraries	312	312	312	312	
Sideboards and commodes	356	356	356	356	
Tables, Masive tables	356	356	356	356	
Living room tables	178	178	178	178	
Accessories (e.g flower boxes…	134	134	134	134	
Sofas	801	802	801	801	

Revenues	1 139 500	1 379 733	1 580 200	1 960 667	6 060 100
Wardrobes	375 200	455 000	522 200	646 800	1 999 833
Libraries	171 033	207 200	236 833	294 117	909 015
Sideboards and commodes	170 933	206 933	236 800	294 133	909 015
Tables, Massive tables	170 933	206 933	236 800	294 133	909 015
Living room tables	57 000	69 067	79 067	97 933	303 005
Accessories (e.g flower boxes…	34 200	41 400	47 400	58 750	181 803
Sofas	160 200	193 200	221 100	274 800	848 414
Wardrobes	63%	63%	63%	63%	
Libraries	62%	62%	62%	62%	
Sideboards and commodes	53%	53%	53%	53%	
Tables, Massive tables	56%	56%	56%	56%	
Living room tables	56%	56%	56%	56%	

Accessories (e.g flower boxes…	67%	67%	67%	67%	
Sofas	59%	59%	59%	59%	
COGS	**426 389**	**516 200**	**591 266**	**733 771**	**2 267 626**
Wardrobes	130 004	157 640	180 992	224 196	692 832
Libraries	66 197	80 185	91 642	113 826	351 849
Sideboards and commodes	79 027	95 667	109 480	135 987	420 160
Tables, Massive tables	32 229	38 965	44 648	55 417	171 260
Living room tables	58 800	71 275	81 483	101 189	312 747
Accessories (e.g flower boxes…	39 540	47 820	54 630	67 900	209 890
Sofas	20 592	24 648	28 392	35 256	108 888
Gross profit	**713 111**	**863 534**	**988 934**	**1 226 896**	**3 792 474**
Unit gross margin	63%	63%	63%	63%	63%
Operating expenses	610 056	730 232	830 376	1 020 608	3 191 273
Marketing	228000	276000	316000	392000	1 212 000
Delivery service as % of selling price	15%	15%	15%	15%	
Delivery service absolute	159848	193587	221656	275013	850 104
Salaries	149950	173973	194020	232067	750 010
Phone + internet	288	288	288	288	1152
Rent	3600	3600	3600	3600	14400
Provision to designers	34185	41392	47406	58820	303005
Other	34185	41392	47406	58820	181803
Operating income EBITDA	**103 055**	**133 302**	**158 558**	**206 287**	**601 202**
EBITDA margin	9%	10%	10%	11%	10%
Interest expense	0	0	0	0	0
Depreciation	-917	-1 167	-1 417	-1 667	-5 167
EBT	**102 139**	**132 135**	**157 141**	**204 621**	**596 035**
Taxes	**-15 321**	**-19 820**	**-23 571**	**-30 693**	**-89 405**
Net income	**86 818**	**112 315**	**133 570**	**173 928**	**506 630**
Net margin	8%	8%	8%	9%	8%
ROE %					77%

4.5. Appendix 5 – cash flow statements

DOZAMO	1Q	2Q	3Q	4Q	Year 1 total
Cash opening balance	-704	65 016	41 524	24 824	-704
CF from operating activities					
Cash receipts from customers	30 300	60 917	126 683	186 133	404 033
Cash paid to suppliers	10 928	22 519	46 758	69 581	149 785
Cash paid to operating expenses and employees	34 652	53 890	88 626	118 481	295 649
Net cash from operating activities	-15 280	-15 492	-8 700	-1 928	-41 401
CF from investing activities					
Investment	-19 000	-8 000	-8 000	-3 000	-38 000
Other investments	0	0	0	0	0
R D	0	0	0	0	0
Net cash from investing activities	-19 000	-8 000	-8 000	-3 000	-38 000
CF from financing activities					
Issuance of share capital	100 000	0	0	0	100 000
Long term loans	0	0	0	0	0
Grants	0	0	0	0	0
Interest income/expense	0	0	0	0	0
Net cash from financing activities	100 000	0	0	0	100 000
Taxes	0	0	0	0	0
Net increase/decrease in cash	65 720	-23 492	-16 700	-4 928	20 599
	0	0	0	0	
Cash closing balance	65 016	41 524	24 824	19 896	19 896

DOZAMO	1Q	2Q	3Q	4Q	Year 2 total
Cash opening balance	19 896	13 853	23 175	45 281	19 896
CF from operating activities					
Cash receipts from customers	229 883	359 900	480 183	810 967	1 880 933
Cash paid to suppliers	85 990	134 641	179 865	303 481	703 977
Cash paid to operating expenses and employees	145 936	210 968	271 032	436 392	1 064 329
Net cash from operating activities	-2 042	14 291	29 286	71 094	112 628
					0
CF from investing activities					0
Investment	-4 000	-3 000	-3 000	-3 000	-13 000
Other investments	0	0	0	0	0
R D	0	0	0	0	0
Net cash from investing activities	-4 000	-3 000	-3 000	-3 000	-13 000
CF from financing activities					
Issuance of share capital	0	0	0	0	0
Long term loans	0	0	0	0	0
Grants	0	0	0	0	0
Interest income/expense	0	0	0	0	0
Net cash from financing activities	0	0	0	0	0
Taxes	0	-1 969	-4 180	-10 414	-16 563
Net increase/decrease in cash	-6 042	9 322	22 106	57 679	83 065
Cash closing balance	13 853	23 175	45 281	102 960	102 960

DOZAMO	1Q	2Q	3Q	4Q	Year 3 total
Cash opening balance	102 960	186 695	297 176	429 162	102 960
CF from operating activities					
	1 139	1 379	1 580	1 960	
Cash receipts from customers	500	733	200	667	6 060 100
Cash paid to suppliers	426 389	516 200	591 266	733 771	2 267 626
Cash paid to operating expenses and				1 020	
employees	610 056	730 232	830 376	608	3 191 273
Net cash from operating activities	103 055	133 302	158 558	206 287	601 202
					0
CF from investing activities					0
Investment	-4 000	-3 000	-3 000	-3 000	-13 000
Other investments	0	0	0	0	0
R D	0	0	0	0	0
Net cash from investing activities	-4 000	-3 000	-3 000	-3 000	-13 000
					0
CF from financing activities					0
Issuance of share capital	0	0	0	0	0
Long term loans	0	0	0	0	0
Grants	0	0	0	0	0
Interest income/expense	0	0	0	0	0
Net cash from financing activities	0	0	0	0	0
Taxes	-15 321	-19 820	-23 571	-30 693	-89 405
Net increase/decrease in cash	83 734	110 481	131 986	172 594	498 796
Cash closing balance	186 695	297 176	429 162	601 757	601 757

4.6. Appendix 6 – balance sheet

	Year 0	Year 1	Year 2	Year 3
Assets				
Current assets				
Cash	-704	19 896	102 960	601 757
Accounts receivable	0	0	0	0
Stock	0	0	0	0
Short-term investment	0	0	0	0
Prepaid expenses	0	0	0	0
Long-term investment	0	0	0	0
Fixed assets				
Land	0	0	0	0
Buildings	0	0	0	0
Improvements	0	0	0	0
IT equipment	12000	50000	63000	76000
Depreciation	-250	-11000	-16167	-21333
Furniture	0	0	0	0
Motor/vehicles	0	0	0	0
Total assets	11 046	58 896	149 794	656 423
Liabilities				
Current liabilities				
Accounts payable	0	0	0	0
Interest payable	0	0	0	0
Taxes payable	0	0	0	0
Income tax	0	0	0	0
Sales tax	0	0	0	0
Payroll accrual	0	0	0	0
Long-term liabilities				
Borrowings	0	0	0	0
Total liabilities	0	0	0	0
Net assets	11 046	58 896	149 794	656 423
Owner's equity				
Capital stock	10 000	110 000	110 000	110 000
Retained earnings	0	1 046	-51 104	39 794
Current year earnings	1 046	-52 151	90 898	506 630