



# PHOTOY Business Plan

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# PHOTOY S.L.

# BUSINESS PLAN



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## 1- INTRODUCTION

When was the first camera invented? Who was the inventor? Who took the first picture in the history? There are plenty of theories that try to answer these questions, and some of them are pretty different. Anyway, the history of the camera can be traced back much further than the introduction of photography.

### 1.1- CAMERAS & HISTORY

#### 1.1.1- The origins of photography

Photography is the result of combining several technical discoveries. Long before the first photographs were made, Chinese philosopher Mo Di and Greek, mathematicians Aristotle and Euclid, described a pinhole camera in the 5th and 4th centuries BC. In the 6th century AD, Byzantine mathematician Anthemius of Tralles used a type of camera obscura in his experiments, Ibn al-Haytham (Alhazen) (965–1040) studied the camera obscura and pinhole camera, Albertus Magnus (1193–1280) discovered silver nitrate, and Georges Fabricius (1516–1571) discovered silver chloride. Daniele Barbaro described a diaphragm in 1568. Wilhelm Homberg described how light darkened some chemicals (photochemical effect) in 1694. The fiction book Giphantie, published in 1760, by French author Tiphaigne de la Roche, described what can be interpreted as photography.

Invented in the first decades of the 19th century, photography seemed able to capture more detail and information than traditional mediums, such as painting and sculpting. Photography as a usable process goes back to the 1820s with the development of chemical photography. The first permanent photoetching was an image produced in 1822 by the French inventor Nicéphore Niépce, but it was destroyed by a later attempt to duplicate it. Niépce was successful again in 1825. He made the first permanent photograph from nature with a camera obscura in 1826.

### 1.1.2- History of the camera

The forerunner to the camera was the camera obscura (Illustration 1). It was a dark chamber consisting of a darkened chamber or box, into which light is admitted through a pinhole, forming an image of external objects on a surface of paper or glass, etc., placed at the focus of the lens".

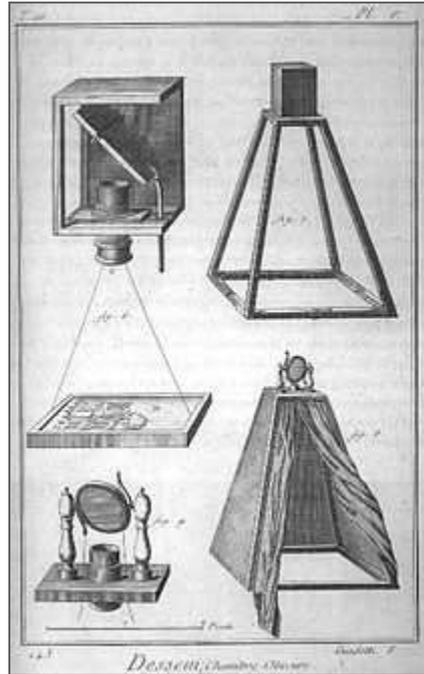


Illustration 1: camera obscura

In the 6th century, Greek mathematician and architect Anthemius of Tralles used a type of camera obscura in his experiments. As we have mentioned before, the camera obscura was discovered by the Arabic scientist Ibn al-Haytham (Alhazen) in his Book of Optics (1015–1021). Scientist-monk Roger Bacon also studied the matter. The actual name of camera obscura was applied by mathematician and astronomer Johannes Kepler in his *Ad Vitellionem paralipomena* of 1604. He later added a lens and made the apparatus transportable, in the form of a tent. Irish scientist Robert Boyle and his assistant Robert Hooke developed a portable camera obscura in the 1660s.

The first camera obscura that was small and portable enough for practical use was built by Johann Zahn in 1685. At this time there was no way to preserve the images produced by these cameras apart from manually tracing them. However, in 1724, Johann Heinrich Schultz discovered that a silver and chalk mixture darkens under exposure to light. Early photography built on these discoveries and developments. The early photographic cameras were essentially similar to Zahn's camera obscura, though usually with the addition of sliding boxes for

focusing. Before each exposure, a sensitized plate would be inserted in front of the viewing screen to record the image. The first permanent photograph was made in 1826 by Joseph Nicéphore Niépce using a sliding wooden box camera made by Charles and Vincent Chevalier in Paris and building on Johann Heinrich Schultz's discovery about silver and chalk mixtures darkening when exposed to light. Jacques Daguerre's popular daguerreotype process utilized copper plates, while the calotype process invented by William Fox Talbot recorded images on paper.



Illustration 2: The first permanent color photograph, by Clerk Maxwell, 1861

The development of the collodion wet plate process by Frederick Scott Archer in 1850 cut exposure times dramatically, but required photographers to prepare and develop their glass plates on the spot, usually in a mobile darkroom. Despite their complexity, the wet-plate ambrotype and tintype processes were in widespread use in the latter half of the 19th century. Wet plate cameras were little different from previous designs, though there were some models, such as the sophisticated Dubroni of 1864, where the sensitizing and developing of the plates could be carried out inside the camera itself rather than in a separate darkroom. Other cameras were fitted with multiple lenses for making cartes de visite. It was during the wet plate era that the use of bellows for focusing became widespread.

The first color photograph was made by Scottish physicist James Clerk Maxwell, with the help of English inventor and photographer Thomas Sutton, in 1861.

The electronic video camera tube was invented in the 1920s, starting a line of development that eventually resulted in digital cameras, which largely supplanted film cameras after the turn of the 21st century

## 1.2- ANALOG PHOTOGRAPHY

Nowadays there is no traditional camera manufacturer that keeps its analog camera production.

Just to give an overview of the analog cameras current market situation we would like to explain briefly the decision of the main camera manufacturers to stop their production. The main manufacturers were Kodak, Canon and Nikon. In 2005 Kodak decided to stop manufacturing film cameras and soon after Canon followed the same policy. In 2006, Nikon which was the last analog camera manufacturer took the decision of not producing these cameras anymore. This was due to the fact of a sharp drop in the sales of traditional models which only represented a 3% of the total sales which meant that the digital cameras were at the very peak. These are not isolated cases because many other camera manufacturers were forced to do so in the past.

People from that time had to cope with this situation and were forced to keep their cameras with special care as they were not going to be manufacturer again. At that time, and nowadays as well, traditional photography has still millions of fans in the world who still owe one. This fact will reactivate the market for the sale of analog cameras used.

Let's see some statistics about the evolution of the analog market in Spain since 2002 up to 2007, last year in which official data about the volume and revenues of this market in Spain can be found. (See annex 5).

*Evolution of the analogue market in millions of units*

	2002	2003	2004	2005	2006	2007
<b>ANALOG CAMERAS</b>	1000	816	447	175	64	25
<b>FILMS</b>	37048	34722	29480	20828	14536	8723

*Evolution of the analogue market in thousands of Euros*

	2002	2003	2004	2005	2006	2007
<b>ANALOG CAMERAS</b>	138.219	99.776	48.609	17.290	5.375	2.338
<b>FILMS</b>	126.578	120.753	104.565	77.028	55.747	34.272

These figures do not take into account the second hand market, so considering that nobody produced analog cameras since January 2006 it seems logical that no analog cameras or just a few of them were sold from 2008 on.

That does not mean that people have completely forgotten about these cameras, actually some years ago a new movement related to the analog world started to flourish in Europe and arrived later to Spain. We will talk about the main analog's representative later in this chapter, which is the Lomography movement.

To conclude with this section we want to highlight the data of 2007. There was a market of more than 2 mill Euros, neither considering the second hand market nor the revenues coming from the selling of the new toy and replica cameras. That's means that we are facing an attractive potential market.

## 1.3- TRENDS

### 1.3.1- It's old but it's new

Over the last 10 years, modern photography has been subjected to a new appealing and exciting trend, that could be defined as going back to the basics.

Photographers have rediscovered film and all the idiosyncracies of lens and film types. A strong revival of the casual, snapshot photography is remarkable nowadays. The new media (talking about digital cameras) overcame the market being a new product that everyone wanted to try, because it was easy, different and affordable for the mass.

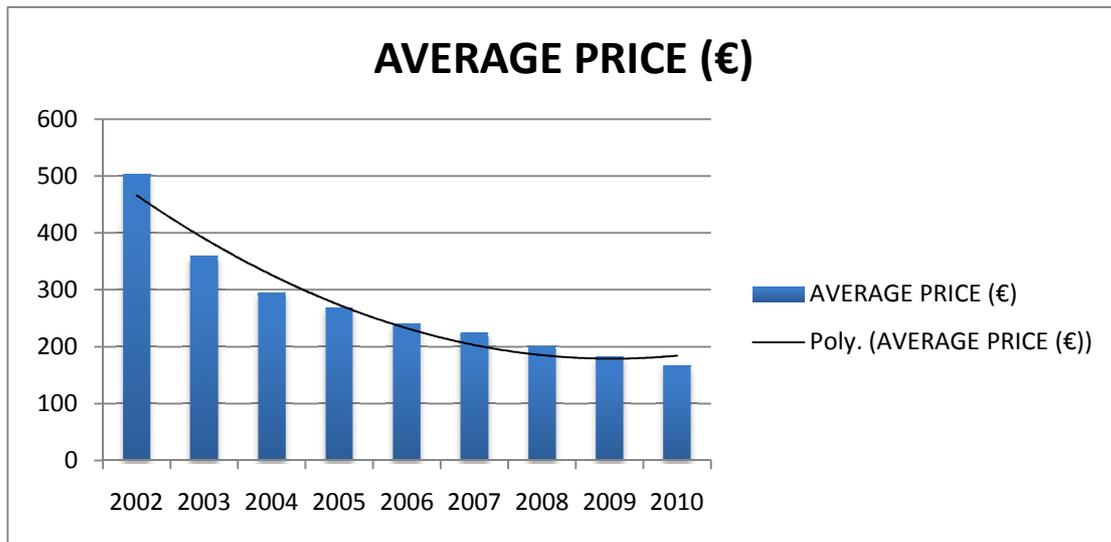
Since the appearance of the digital cameras, as we can see in the following table and charts, an increase on the sales every year has been experimented thanks to the wide range of cameras

and the decrease in price. On the early days of digital photography, having a regular digital camera was quite expensive. Nowadays, we can have a good camera at a reasonable price.

In the table below we can see the evolution of the digital camera units sold the average price and the revenues from them in thousands.

	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>UNITS SOLD</b>	305	1.162	2.192	2.397	2.717	2.901	2.825	2.646	2684
<b>REVENUES</b>	153,415	417,723	646,089	643,005	655,187	652,885	564,460	493,800	497,200
<b>AVERAGE PRICE (€)</b>	503	359	295	268	241	225	200	182	166
<b>FILMS</b>	153.425	417.723	646.081	643.005	655.187	652.985	564.460	493.800	497.200

To make it easier to understand, we include this chart, which basically state the table information: the increase of the number of units and the decrease of the price.



This revival has been, in part, due to those cheap plastic cameras that became popular in the 90's such as the Polaroid Camera, the well-known Lomo Camera (that dates from the early 80's) and the Holga (first made in the 80's in China).

The lomography movement is one of the most important representatives of this fever:

It was way back in 1991 when the young Austrian founders of Lomography discovered the Lomo LC-A, a camera manufactured in Saint Petersburg, Russia, that uses 35mm film and that works automatically.

Since this camera provided awesome effects due to the lo-fi quality lens, the images turned out unique, colorful and blurry, with no post-production effects.

Lomography is centered in casual photography, all the marketing campaign emphasizes the over-saturated colors, the blurring, the light leaks also known as “happy accidents”, different processing film methods (such as developing film as slide and vice versa - what’s called cross-process) and the encouraging of the candid photography.

The motto “don’t think, just shoot” emphasizes the idea of the spontaneity, getting rid of the formal technique. All Lomo cameras are low-fi and inexpensive (not exceeding 50\$). Some of them offer the possibility of interchanging the lenses, using flashes and due to their bad construction, light leaks.

It is remarkable the fact that people find film photography more compelling to the eye every day. For that reason, digital finishing to enhance photos has become very common. Digital never looked so analog.

It’s no surprise to find tutorials through the Internet for photo manipulation using GIMP or Photoshop (photo-editing software). And so the LOMO LC-A lens effect can be digitally emulated easily.

Specific programs to make photos look as Lomo or vintage already exist like the Toy Camera application for Mac.

And what’s even more interesting, applications for telephones that make photos look like if they were taken with a film camera. An exciting recent innovation is the Hipstamatic iPhone application (even though many more can be found) that lets you choose your lens, flash and film settings.

Another important trend is the growing desire of sharing photos with the world. For that reason, platforms like Flickr (Yahoo) or Picassa (Google) have grown a lot during the last years, due to the growth of digital photography. But film photography can be also found (including specific groups in Flickr, for instance) since people enjoy the quality of film and getting advantage of scanning to share. Blogosphere has become very important too. The increase of the number of photography blogs can be counted in thousands. People like to

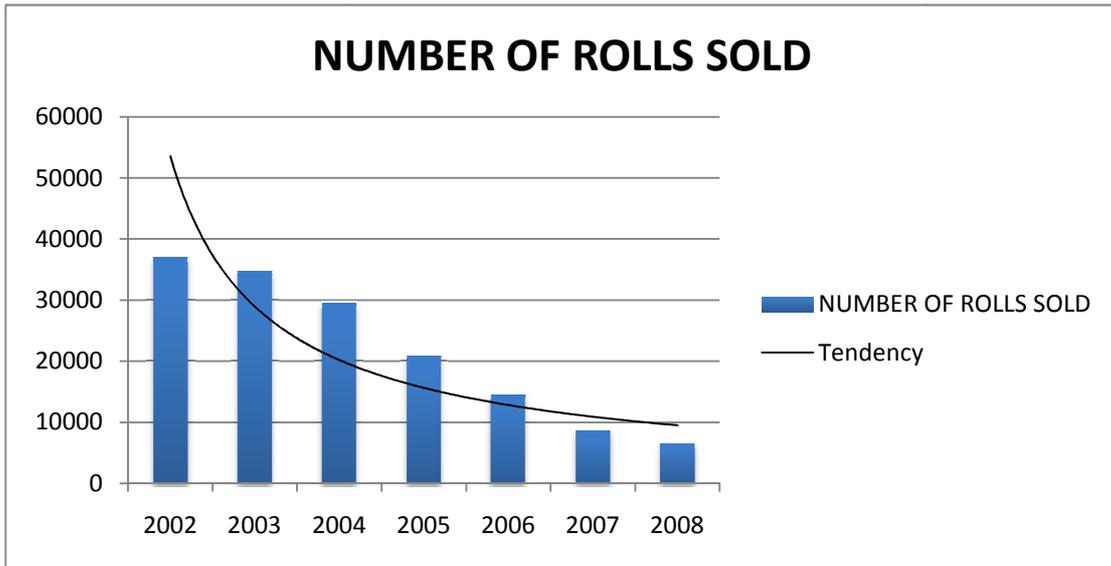
share their photos, their knowledge, tips and experiences. Film photography has a very important presence in this area: people share their knowledge about different types of film.

On the other hand, people like to experiment, to try new results. Film can provide that easily. For example, Kodak film is known for its warm tone, while Fuji and Agfa are known for their punchy reds and green-blue cast; Polaroid has a unique range and response all its own. Over-saturated color cast images have fallen out of favor for some time now, and there's a strong revival of the casual, snapshot film photography. And for that reason users are willing to try new things every day.

In this table we can see the evolution of the number of rolls of film sold during the last years. Since 2003 there has been a spectacular increase due to this trend of "going back to the basics"

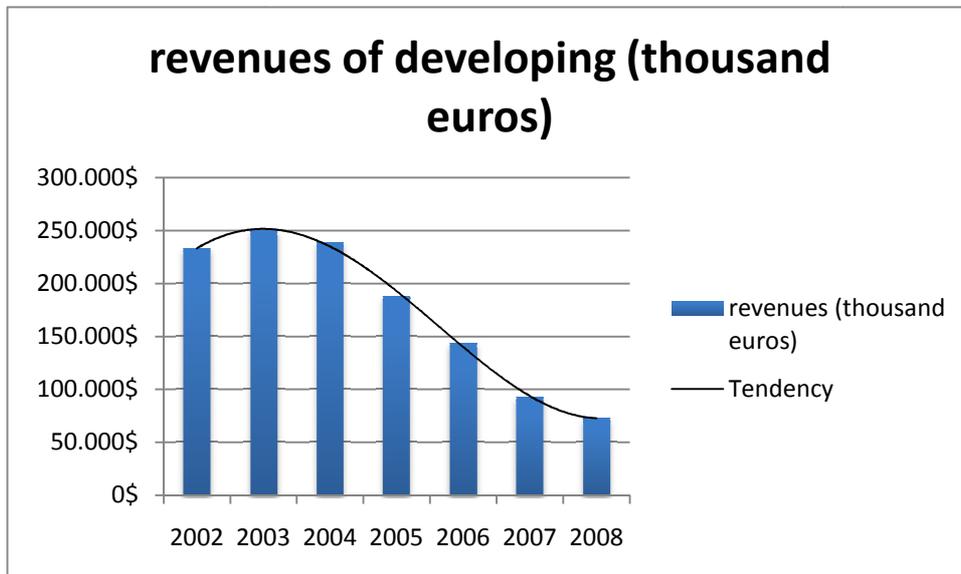
	2002	2003	2004	2005	2006	2007	2008
<b>NUMBER OF ROLLS SOLD</b>	37,048	34,722	29,480	20,828	14,536	8,723	6,500
<b>REVENUES (THOUSAND €)</b>	126,578	120,753	104,565	77,028	55,747	34272	24538

The chart shows the high increase of sales with a little fall in 2009 (due to the crisis and the fall of the number of laboratories available, along with the high prices of developing).



Developing and printing has become a strategic source of income. The selling of the cameras is anecdotic compared to the money spent by users on developing and printing.

As it is not longer a service so extended, shops are charging high prices for it, and therefore, people is buying their own scanners, developing chemicals or going directly to laboratories which provide this services at a lower price.



### 1.3.3- Lomography history

It was way back in 1991 when the young Austrian founders of Lomography discovered the Lomo LC-A, a camera manufactured in Saint Petersburg, Russia, that uses 35mm film and that works automatically.

Since this camera provided with awesome effects due to the lo-fi quality lens, the images turned out unique, colorful and blurry, with no post-production effects.

After a hard marketing campaign they finally signed an exclusive distribution agreement with the manufacturer LOMO PLC and therefore they became the sole distributors of this camera outside the Soviet Union.

Lomography is centered in casual photography, all the marketing campaign emphasizes the over-saturated colors, the blurring, the light leaks also known as “happy accidents”, different processing film methods (such as developing film as slide and vice versa, what’s called cross-process) and the encouraging of the candid photography.

The motto “don’t think, just shoot” emphasizes the idea of the spontaneity getting rid of the formal technique. All Lomo cameras are low-fi and inexpensive (not exceeding 50\$). Some of them offer the possibility of interchanging the lenses, using flashes and due to their bad construction, light leaks.

### 1.4- MISSION

Our Roadmap starts with our mission, which is enduring. It declares our purpose as a company and serves as the standard against which we weigh our actions and decisions.

***“To become the number one low cost analog cameras importers and retailers, and make the difference with existing shops by providing not only a product and a service with a 98% of customer satisfaction. We want to broaden the analog clients to any person who just likes experiencing new things and taking pictures with the aim of just capturing images”***

*Mission of the company: Product/ Market pair.*

	PRESENT	FUTURE
<b>MARKET SEGMENTS</b>	“Current users*”	“Non current users”
<b>PRODUCTS &amp; SERVICES</b>	Cameras & film online: as product	Products in a store. Also the service*
<b>GEOGRAPHICAL SCOPE</b>	Spain.	Barcelona and Sevilla Europe:(UK & Germany) South América: Argentina
<b>SINGULARITIES</b>	Rare product in Spain.	Wider Analog photography Access.

\*: Develop, communities, digitalization, calendars, camera rent, workshops, expositions and other events.

### 1.5- VISION

Our vision serves as the framework for our Roadmap and guides every aspect of our business by describing what we need to accomplish in order to continue achieving sustainable, quality growth.

**“We help people to capture memories keeping the essence of analog photography through film and vintage replica cameras broad portfolio, with a fast service. Photos from your camera to your hands in under 48 hours”.**

## 1.6- BUSINESS MODEL

PHOTOY offers the opportunity to dive into the traditional photography in this world blinded by the digital siege.

A preliminary study of the potential market has been used to define two business lines, Products and Services that will be adapted to fit the requirements of our clients in order to fulfill all their expectations regarding film photography:

- **Products:** we will provide our users with all the items needed to live the analogue photography experience:
  - o Cameras: standard and high quality replicas
  - o Films: several models of 35mm, 120mm and Polaroid, with different features (Asa, Redscale, etc)
  - o Gadgets: flashes, camera cases, albums, etc.
  
- **Services:** we will offer our clients the possibility of developing their films and printing copies. Instead of doing it ourselves we are outsourcing it to a professional and efficient lab in Madrid.

Concerning the prices of the items, next figure, Table 0.1 shows the average weighted costs and selling prices (before VAT):

Items	Weighted average cost	Weighted average price
Standard cameras	8,40€	33,85€
High quality cameras	96,98€	142,06€
Films	2,51€	4,09€
Developing	5,73€	10,13€
Gadgets	6,25€	12,50€

Table 0.1

We will open a store in a prime location in Madrid as well as a webpage where all our products and services will be available to make them accessible worldwide, although our efforts will be initially focused in the Spanish market.

## 2- EXTERNAL ANALYSIS.

### 2.1- INTRODUCTION

External analysis is undertaken to enable and understand the external environment and how it might change and also analyzing opportunities and threats which may arise. These external changes can be assessed to take appropriate action when needed. Therefore, it is crucial for the strategic analysis in every business case, in our case PHOTOY.

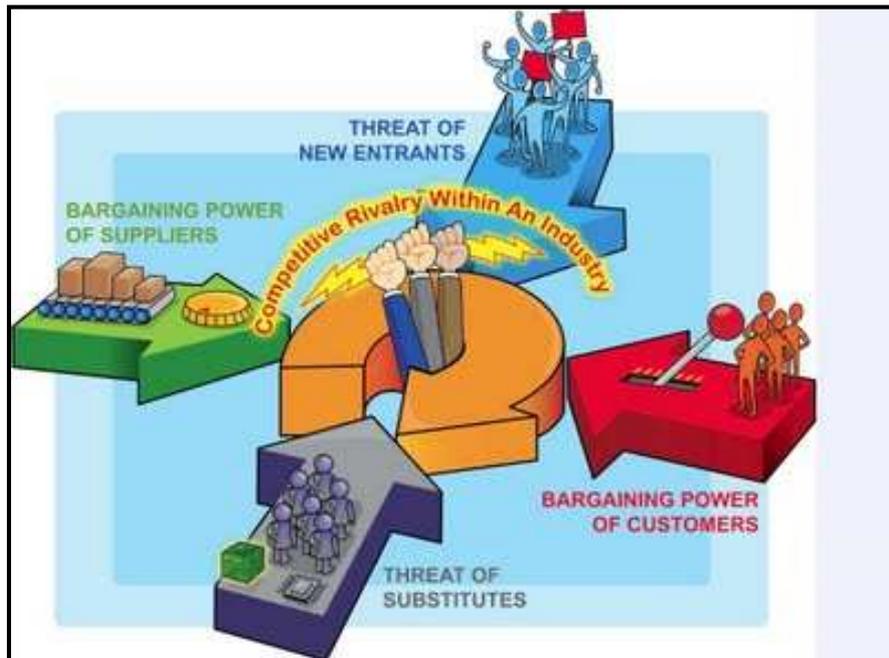


Figure 2.1: Five forces of porter

## 2.2- FIVE FORCES OF PORTER

### 2.2.1- Potential new competitors

Nowadays there is a global Lomography community which has many shops worldwide. They are home to Lomography events; serve as galleries and they host workshops about analogue photography and Lomographic tools and tricks.

On the one hand, in Spain the Lomography representatives who spread this movement are Pasquale Caprile and Cristina Hinrichsen. They are the owners of the Lomography stores, two of them are in Madrid and the other in Barcelona.

On the other hand, the only competitors we find are certain shops which have a wide range of products and also offer some of these cameras among them but they don't have a wide range of products as they are not specialized on that.

### 2.2.2- Bargaining power of customers

A decade ago, most Spanish people were not aware of Lomography. However, nowadays the number of people interested in this movement has increased. It is estimated that in Madrid and Barcelona there are 10,000 users of these cameras and as we have said above, the number of users is increasing everyday and this is an advantage we have to take into account. Moreover, the product we are offering is not very extended in Spain and therefore the customers may have difficulties finding a new shop where they can get these products. For these reasons we think the customer bargaining power is not a threat.

### 2.2.3- Bargaining power of suppliers

The main suppliers of this type of product come from Asian countries. There are a wide range of manufacturers in these countries and we have the possibility to choose among them. Therefore we consider that the suppliers don't have much bargaining power as if we don't get one which fits our necessities, prices, times, etc, we can find another one easily.

#### 2.2.4- Possible competitor response strategies

As we will launch a model of camera which does not exist in the Spanish market this will enable us to stay away from the competitor's strengths for a while. However, we are aware that once the competitors realize a new product is sold in this market they will develop a strategy. Lomography might try to launch the same product and lower the price, as it is easier for them due to the fact that they are well consolidated in this market (although as it is an international company it could not be a local strategy, and this makes this harder for them to compete in prices against us). Furthermore, they could work on differentiating the same product (higher quality, better service, etc). Finally, they might bring out a new model to attract current analog users.

#### 2.2.5- Threat of substitute products or services

Nowadays there are several models of this type of camera in the market. The performances they offer are very similar among them but totally different from digital. People is looking for different results in their pictures, they want to experience different things and different results. The technology of these cameras is very simple and because of this anyone can use it. These elements, simplicity and unexpected results, make the difference. However, nowadays more and more cell phones are coming up in the market with new applications available to give different effects in the photography they take. Therefore, these applications are the only threat we find and we believe the results obtained with them are not comparable with the analog camera itself so the possible substitute products or services are very unlikely to be found.

### 2.3- BARRIERS OF ENTRY AND EXIT

The barriers of entry are not really high due to the fact that they are not expensive products, and similarly import and logistics cost to bring the products to the Spanish market are not high; therefore, we anticipate that working capital requirements will be moderate. Similarly the availability and investment required in plant and equipment for retailing is not a barrier to entry: there is ample availability of suitable retailing sites in prime locations at affordable prices (purchase or renting). The main possible barrier will be in respect of securing a suitable, available supplier in Asia.

Even though not so long ago analog market was a mature one (not anymore due to the increase of the digital market), nowadays the barriers of entry are low. The main drawback is that we are facing a niche market. However, we want to point out that it's risky to try to access a small market in which a well-known vendor does already exist.

In light of above, we do not anticipate high exit barriers: the infrastructure needed is not really expensive so you can get out of this market easily. We will not have a large stock to liquidate so it won't be a great deal to get rid of it.

## 2.4- MACROECONOMIC ENVIRONMENT

### 2.4.1- Economic Environment

The world is facing a huge financial crisis and it is affecting Spain. But the Spanish case is really particular, because of its model of economic growth based on the real estate bubble. This bubble became bigger and bigger due to huge amounts of investments, corruption, land speculation, the change of the mentality of keeping money in the bank to invest in "brick", lots of migration from the countryside to the cities, generation from the baby boom reaching the age of having the social pressure of buying a house and one of the most important ones, the bank credit policies, offering low interest rates and not strong filters when offering loans and credits.

All these facts are having dramatically consequences on the Spanish economy as the growth of unemployment (reaching 20%), lower consumer demand, growth of public deficit, serious drop in GDP a lower consumer confidence on the economy.

<b>SPAIN</b>	<b>2010</b>
<b>INHABITANTS</b>	46.745.807
<b>GDP/ HEAD</b>	22.889€
<b>(IMPORT/EXPORT)/GDP</b>	34,9%
<b>IMPORTS/GDP</b>	19,8%
<b>IMPORTS/ WORLD IMPORTS</b>	2,3%
<b>EXPORTS/WORLD EXPORTS</b>	1,7%

Although the scenario doesn't look very optimistic, we cannot forget that Spanish economy is based on private consumption.

***“Where people see crisis we see opportunities”.***

#### **2.4.2- Political Environment**

The official name of the country is Kingdom of Spain, and is a modern democracy since 1978, based on the same year Constitution. The Head of State is King Juan Carlos I and Jose Luis Rodriguez Zapatero, from Spanish Socialist Workers' Party (PSOE), holds the Government as Prime Minister since 2004, being re-elected in 2008.

Spain is part of the European Union, which allows free movement of goods between Spain and the other member states. The European Union also has some bilateral and multilateral agreements like the PECO countries agreement or the Agreement on Textiles and Clothing. The agreements are basically grouped under the umbrella of the World Trade Organization. The United States are also a part of the WTO. The goal of this organization is to help importers and exporters grow their business and generally make things much easier for them so shipping to Spain should be normal. Spain is also a part of the World Customs Organization, which promotes honest, transparent customs.

For VAT taxation on goods moving between Member States, the European Commission regulations state that:

*No frontier controls exist between Member States and therefore VAT on goods traded between EU Member States is not collected at the internal frontier between tax jurisdictions.*

*Goods supplied between taxable persons (or VAT registered traders) are exempted with a right to deduct the input VAT (zero-rated) on dispatch if they are sent to another Member States to a person who can give his VAT number in another Member State. This is known as an "intra-Community supply". The VAT number can be checked using the **VAT Information Exchange System (VIES)**. The VAT due on the transaction is payable on acquisition of the goods by the taxable customer in the Member State where the goods arrive. This is known as "intra-Community acquisition". The customer accounts for any VAT due in his normal VAT return at the rate in force in the country of destination.*

Therefore exporting our products to the rest of Europe shouldn't be a problem. The main task is the VAT that needs to be paid when importing our products from Thailand.

Here is a link regarding import duties and licenses: <http://www.thaitradedata.com/>

## 2.5- THAILAND EXPORTS OVERVIEW

Exports have been the prime mover in Thailand's drive towards prosperity. In 1972, the first year the government shifted toward export promotion as a core policy, they accounted for only 13 percent of the country's gross domestic product. By 1987 the ratio had risen to 23 percent and by 1998 it was 50 percent.

Thailand has been famous as an exporter of food and traditional commodities, and while their importance is still great, high technology exports have become the largest and fastest growing part of the economy. Large investments from multi-nationals have helped Thailand to become an important Southeast Asian production center for many manufacturers of computers, electronic integrated circuits, automobiles, auto parts and air conditioners. The government's initiatives to promote foreign investments, improved business infrastructures and emerging local entrepreneurs have helped Thailand to expand beyond its traditional export patterns.

Thailand's competitive advantages have not been ignored and the country remains as a key figure in the export of many commodities and products associated with Southeast Asia. The kingdom is the No 1 rice exporter in the world and, in fact, the only net food exporter in Asia. It also leads the world in exports of tapioca, rubber, canned pineapple and frozen shrimp while being a major player in sugar, corn and poultry. A growing agro-industry sector has emerged with the emphasis on adding value to these products before they are exported. Eventhough the industrial sector is also growing really fast.

After hard times recently, Thailand's exports are increasing and helping to rejuvenate the economy. Export numbers uncharacteristically decreased in 1996 because of lower cost competitors such as India, China and Vietnam in low-end labor-intensive manufacturing. They decreased further in 1997 hampered by the removal of many GSP privileges. Recent figures have seen export volumes rising when measured with the devalued baht, but falling when measured in U.S dollars. Thailand's exports increased in 1999 showing a 4 percent gain over the previous year with strong gains made in automobiles and parts, electrical circuits and

plastic industries. Agricultural based products did not fare as well with low commodity prices affecting exports of rice, rubber, seafood and tapioca.

Finally we would like to add that Thailand annual average inflation for 2010 stood at 3.3% and for 2011 the Commerce Ministry forecasts inflation to stay between 3% and 3.5%.

## 2.6- MARKET SIZE

It's very difficult to estimate the market size of analog cameras since they were displaced by the digital ones and the latest reports are from 2007.

On the one hand, we are considering to facts in order to calculate this market. The first one is that the latest production of these cameras was in 2006 with 64,000 cameras sold, and the second one is that the following year this figure was reduced to 25,000. If new cameras had been designed and launched the sales would have been increased as well. Therefore, we believe that there is an unsatisfied analogue market of 55,000 people which represents around 2% of the total digital market. Taking into account that Spain has 3,500,000 digital users and applying this percentage we have come to 70,000 analog lovers in Spain and this is what we are going to consider as we are not only selling in Madrid but in the whole country by our web page.

On the other hand, from 2009 up to 2010 the number of digital cameras sold almost remained the same and we believe that the reasons behind it are: the current economic crisis and, new high-tech cell phones with cameras incorporated.

Finally, we would like to highlight that in Spain there are more than 10,000 people in the Lomography community and 16,600 people follow this movement in Facebook, facts that state the existence of a significant market size.

## 2.7- CUSTOMER'S PROFILE

In order to find our customer's profile we went to our competitor's store, Lomography. There we found out that there is not a fix customer profile. We know there are customers of all ages, from 12 up to retired people and there is not a fix pattern to classify them. It could be stated that there are "professionals" and "amateurs" and there is a potential niche market that could be very interested in easy and low cost film cameras.

## 2.8- COMPETITORS

Our biggest competitor is Lomography present worldwide and based in Vienna and New York, with embassies spread all over the world.

The key of their success is the strong marketing campaign they follow in every embassy organizing events and photo walks to get customers engaged.

Offering a wide range of products, along with the fast developing service, is another of the key success factors. Most of the income comes from the developing service and for that reason they have achieved agreements with laboratories at reasonable prices. They know is a key of success and their service is fast (within 48 hours approximately)

Even though they only have one or two shops in each country, the shipping works very well since they do it in 24-48 hours. The website is highly customer oriented and it is easy to get information about the products and buying them.

Another key success factor is their positioning in the retro segment. They emphasize the retro movement, the love for everything old and vintage and continuously saying analog photography is not dead and it's much more exciting than digital.

Lomography knows how to do business, how to engage customers and how to make a product, that at first sight might look for kids, interesting and so used by the adult public.

In Spain the Lomography representatives who spread this movement are Pasquale Caprile and Cristina Hinrichsen. They are the owners of the most important Lomography shops; two of them are in Madrid and the other in Barcelona. Furthermore, certain shops which have a wide range of products also offer these types of cameras among them.

## 2.9- DISTRIBUTION CHANNELS

The first issue we need to face is the import of the cameras. The logistics will be based on ship containers coming from Thailand with our merchandise. Within the Spanish harbors we have chosen three: Algeciras', Barcelona's, Valencia's.

As we cannot distribute our merchandise in all of them we have chosen Algeciras' harbor for the start up of the company and when we open our store in Barcelona we will send part of it to that harbor in order to reduce transportation costs in Spain.

The main distribution channels to market will be the internet and the store. We will design an attractive web page in which the products will be displayed and we will offer to our customer the possibility of coming to the shop to pick up the order or if the client prefers receiving it at home we will do so.

The second distribution channel is going to be our shop, placed in Madrid and in 2014 we have planned to open a new one in Barcelona. One of the key success factors is the location, which will be in a crowded area in order to get ourselves known.

We are aware that ventures with amusement parks, zoos, museums, and tourism agencies could broaden the acknowledge of our brand. The main objective of these ventures is offering a camera renting service for a day. We will take care of the collection of the films and then the customer will come to our shop to pick the pictures up.

## 2.10- SUPPLIERS

Our supplier is from Asia. Although there are a lot not all of them can provide us with the quality product we want to offer to the market.

We have contact with one supplier from Thailand and we have negotiated prices, quantities and times. All this details will be explained in more detail in the operation chapter.

There's also the option of buying the cameras and films trough the internet in different web pages ([www.alibaba.com](http://www.alibaba.com)) but the prices wouldn't be as competitive as in the previous way.

## 3- INTERNAL ANALYSIS

### 3.1- INTERNAL ANALYSIS OVERVIEW

In this chapter, we will try to analyze PHOTOY internal factors affecting the performance of the company. Internal analysis will allow us to draw a strategic profile of the company, identifying which are its weaknesses and strengths. That information, besides the external analysis, that identifies opportunities and threats by making a deep research of the environment of the company, will set the basis of a complete strategic study of the company and consequently will drive the decision process to determine the strategic objective.

The objective of an internal analysis is to identify the Key Business Factors (KBFs). KBFs are those factors that represent the activities, departments, resources, etc. that have a direct impact on the results and performance of the company, and which status is needed to be known, in order to know and anticipate the possible effects that may cause, and place the adequate resources to avoid or to mitigate these effects. The internal analysis of each form is different, as any form is unique. It means that a company can identify a set of KBFs different from its competitor's sets. It can be assumed that the set of KBFs can be grouped in several generic KBFs, which, in this case, will allow us to benchmark our form with the competitors. When doing that benchmarking, we are getting an idea of the situation of our company regarding competitors, and thus, we can establish the correct measures to eliminate or mitigate negative differences, and to reinforce positive differences. These measures will be derived from the general strategic objective, which will be developed in next chapters. Before entering the study of KBFs, it is needed to say that PHOTOY is a new creation company. That means that the KBFs that will be shown and analyzed are those which are expected to be the most important in the company's operation and performance. The logic and correct way to proceed would imply periodically revisions and evaluations of KBFs from the moment the company starts operations, in order to correct any possible deviation from this initial evaluation. Also, as it will be explained later, once the KBFs are identified and consolidated they must be integrated in the company normal operation, to quickly supervise their status and evolution.

## 3.2- KEY BUSINESS FACTORS IDENTIFICATION

KBFs of any company can be grouped and reduced to a set of basic factors that can easily show the situation and strategic profile of the company. These basic factors are:

- Economic factors
- Financial factors
- Commercial factors
- Operational factors
- New products research factors
- Human Resources factors

In the next lines, each factor will be broken down and evaluated.

### 3.2.1- Economic Factors

**Cash position.** As the company starts operations, social capital plus sales derived from reached sales expectations plus external financing are expected to cover the costs incurred during initial phases, allowing having a certain level of cash. A good way to measure it in the initial phases is respect to social capital.

**Return on equity (ROE).** There is no previous data for PHOTOY as it is a starting company and there are also no data about the real market size so it is expected a low ROE during the first two years, while capacities are still limited and as a consequence, the possible problems reaching all customers that we would have expected.

### 3.2.2- Financial Factors

**Possibility to get the cheapest debt,** for instance ICO credits with first year of grace period and some extra funds for young entrepreneurs from the Comunidad de Madrid. Asking for external debt will be needed in order to operate, as it is explained in the financial part of the project. As a new creation company, with limited economic resources and assets, and lack of previous relationships with banks, it is expected to get not very favorable conditions on the loans asked. We have to take into account what kind of interests are we going to pay and

when. We have develop a real scenario as if we would get the ICO finance and a pessimistic scenario as if we would get normal loan conditions from a standard bank.

**Possibility to get equity at any moment.** If needed, extra capital from shareholders could be needed. Taking into consideration the risks associated to a starting company without consolidated customers and market, it could be difficult to find equity from new shareholders. As said before, sales expectations might not be as accurate as predicted so in case they are bigger, we will need new inventory immediately and more equity.

### 3.2.3- Commercial Factors

**Capability to reach at least as many customers as expected and predicted.** At the beginning, PHOTOY is going to focus in our shop in Madrid but we would like to reach all possible analog camera users from Spain through our Web page. In the good performance of the web page is based the right evolution of our sales.

**Capability to reach the good suppliers for products and transportation.** As we don't produce the items and we don't bring them from Asian countries to Spain we rely on our suppliers and logistics partner to do so. We need to be very accurate and precise with them in order not to have stock outs.

### 3.2.4- Operational Factors

In order to follow a **lean inventories management** we are going to outsource the development of an **ERP** for our inventories control. We cannot afford to have stock outs but also, we don't have so much cash to have huge inventories.

### 3.2.5- New products research Factors

We are concerned about this trendy movement. All the items we sell have short periods of life so customers change them quite often (once per year but depending on the use) and of course they don't want us to offer them always the same models. We have to be developing and finding new models in order to satisfy all customers as possible and be as precise as possible as we cannot have as many models as a big market could have.

**3.2.6- Human Resources Factors**

**Employees training and capabilities.** As a key factor to ensure the business success and competitiveness, the personnel hired in the company must be selected amongst customers/ professionals from the sector with contrasted background. Annual training programs/ courses will be carried out to keep up-to-date the company best intangible assets, the employees.

**Employee’s satisfaction.** Another important target in the company will be the employee’s satisfaction, as a key factor to improve productiveness and motivation, and translate it into a competitive edge. An employee satisfaction program must be held and followed in the company. PHOTOY is a young company, with young, trained and motivated employees and important challenges; this is a remarkable strength of the company. But a bonus program will be developed.

**3.3- COMPANY STRATEGIC PROFILE**

With the KBFs analyzed, a company profile can be established. The company profile will show the basic factors, with the corresponding evaluation. In the same graph, the company profile of the standard in the sector is shown (approximate and averaged information from the external analysis, where competitors are analyzed). By showing both profiles, PHOTOY and standard sector companies’ profile, strengths and weaknesses of our company can be easily determined at a view. With that information, preventive and corrective strategic measures to eliminate or mitigate the effects (in the case of a weakness) or to reinforce the effects (in the case of strength) can be determined.

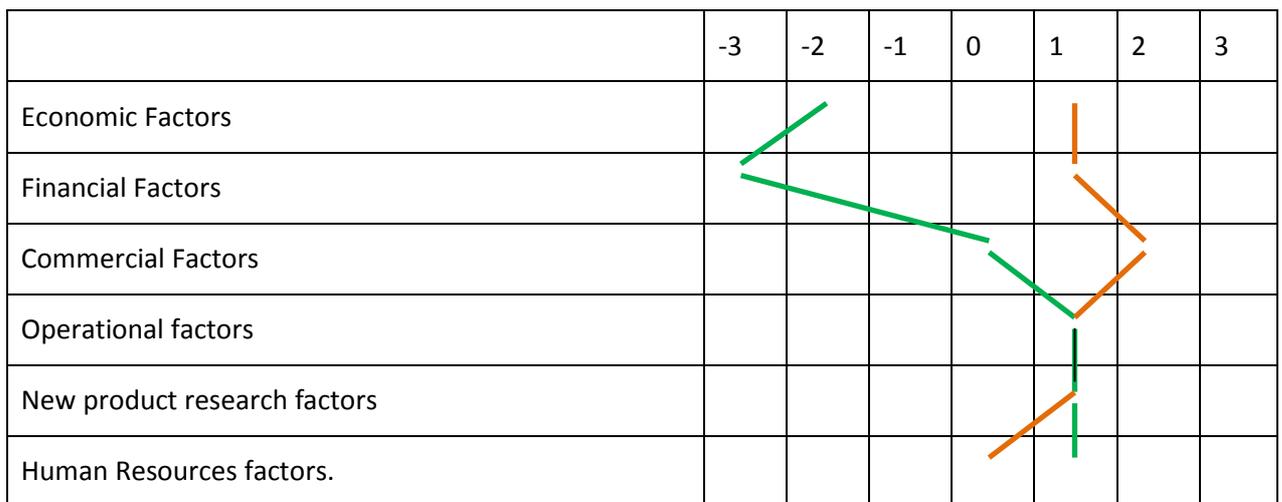


Figure 3.1: Strategic Profile of PHOTOY (green) and of LOMOGRAPHY, (orange), main and only competitor.

In the next sections, this information will help us to determine the companies' weaknesses and strengths, in order to develop a SWOT analysis and establish the strategic objective of the company.

### 3.4- SWOT ANALYSIS

<i>EXTERNAL FACTORS ANALYSIS</i>	<i>INTERNAL FACTORS ANALYSIS</i>
<p><b>OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>-Rebirth of Analog photography market</li> <li>-No barriers for EU trade&amp; new members</li> <li>-Subsidies for Young Entrepreneurs in la Comunidad de Madrid.</li> <li>- Retro movement is trendy</li> <li>- Online market.</li> <li>- Digital photography users are flood.</li> <li>-Market globalization</li> <li>-Many suppliers in Asian</li> <li>- Only one competitor</li> <li>-Low barriers of exit the business.</li> <li>- Publicity done by competitor</li> <li>-Changing customers taste.</li> </ul>	<p><b>STRENGTHS</b></p> <ul style="list-style-type: none"> <li>- Knowledge of the sector</li> <li>- Staff education.</li> <li>- Technology used well known.</li> <li>- e- marketing knowledge.</li> <li>- Well knowledge of social networks, blogs...</li> <li>- Young and highly motivated team.</li> <li>-Located in a premium place</li> <li>-Competitive prices</li> </ul>

<p><b>THREATS</b></p> <ul style="list-style-type: none"> <li>-Weak barriers to new entrances.</li> <li>-Existence of substitute products.</li> <li>-Suppliers not easily to access (distance).</li> <li>- Purchasing Not large volumes.</li> <li>-Strong and well positioned competitor</li> <li>-Lack of differentiation</li> <li>- Slow market growth.</li> </ul> <p>Competitors have superior access to channels of distributors.</p> <p>Price war with competitors.</p> <p>-Changing customers taste.</p>	<p><b>WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>-Experience in business management.</li> <li>- Ability to generate internal resources.</li> <li>- Number of customers and their loyalty.</li> <li>-Company’s differentiation.</li> <li>- Internal management systems.</li> <li>- No contacts in the supply chain.</li> </ul>
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EXTERNAL FACTORS ANALYSIS	INTERNAL FACTORS ANALYSIS
<p><b>MAXIMISE OPPORTUNITIES</b></p> <ul style="list-style-type: none"> <li>-Start with the study of different young entrepreneurial helping programmers.</li> <li>-Design web page in different languages.</li> </ul>	<p><b>BOOST STRENGTHS</b></p> <ul style="list-style-type: none"> <li>-Learn about advertising in social networks, blog, etc.</li> <li>- Master in e commerce &amp; Google apps.</li> </ul>
<p><b>FACE THREATS</b></p> <ul style="list-style-type: none"> <li>-More variety in Products.</li> <li>- Tight contacts during the trip to Shanghai.</li> <li>- Good post service in order to achieve differentiation.</li> <li>- Hiring/including a Cool hunter as part of the staff</li> </ul>	<p><b>CORRECT WEAKNESSES</b></p> <ul style="list-style-type: none"> <li>-Staff team doing a Global MBA.</li> <li>- Outstanding customer service.</li> <li>- Face to face contacts in our trip to Shanghai.</li> </ul>

## 4- INTERNAL ANALYSIS

### 4.1- PRODUCT / SERVICE DESCRIPTION.

#### 4.1.1- Product lines

Our lines of product will be four as described below:

The first and most important one, our core Business, will be the replica camera selling. Our portfolio will include the most important & popular cameras from all the times.

Secondly, the film development, which will be outsourced to a laboratory based in Madrid and named Interphoto (C/ Cartagena 142). As we outsource this service, we get a premium price with 20% compared to the normal price and it is here where we get part of our margins for this service.

The third service offered will be the selling of film rolls and the last one is the selling of accessories related with photography such as photo albums, calendars, posters and frames.

#### 4.1.2- Product development

PHOTOY will not design cameras in the immediate future. Our portfolio will be based on old replica cameras that have been a blockbuster in the past years.

The production will be in Asia, more exactly in Thailand. Thanks to the Chamber of Commerce of Thailand, which gave us several possible manufacturers, we were able to find the most suitable one: "OldCamera&ManualFocus". They accepted our quality inspection and the prices they gave us were very competitive. After giving him a list with the cameras we would like to replicate we found out that not all of them were possible to replicate but we got quite interesting models to replicate which are shown and described below.

Nonetheless, the idea of designing and manufacturing our own models will be studied in the future.

Since the main companies such as: Kodak, Nikon and Canon have stopped the production of the majority of their film cameras, we will take advantage of the patent expiration to use their models.

The most recent model we are going to manufacture was launched in the 90's and the eldest in the 70's. Therefore we will not face legal issues regarding patents. We will, nonetheless, research for a possible patent to protect our products under our brand.

Following there's a short description of the cameras that will be produced according to a research on the most famous cameras from all the times.

## 4.2- PRODUCT PORTFOLIO

### Primo JR



The Primo JR is a 4×4 TLR camera made by Tōkyō Kōgaku in 1958–60 and available in various configurations — metered, unmetered, grey-finished, and rebadged. The Primo Jr itself was distributed in Japan by Ōsawa Shōkai, owner of the Primo brand, and in the US by Beseler.

With the classical TLR shape, has a bright viewfinder, and the sharp Topcor 60 f/2.8 taking lens.

### Ricoh GR1V



The most “modern” camera of our collection, the GR1v was released in September 2001.

It is a luxury compact camera that offers a high-resolution GR lens 28mm f/2.8. It also has a manual ISO setting and works with no battery.

## Praktiflex



Is a 35mm SLR camera launched in 1939 and has the release button at the top of the right-hand side of the body. The mirror is raised by the force exerted by pressing the release button down. Only when the mirror is up is the shutter released.

The Praktiflex has a special 40mm diameter screw thread lens mount, and takes only Praktiflex lenses.

## Lubitel 2



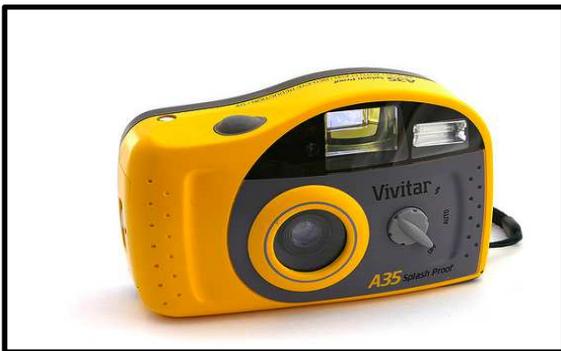
One of the most representative cameras of the 60's. The Russian camera has a body made of plastic and the waist level finder and focusing rings are made of metal. These cameras were delivered with a case and strap made of artificial leather. There is a steeples aperture scale under the taking lens with apertures from 4.5 to 22. Winding the film is done by a black knob on the right side of the camera.

### Canon AE-1



Probably the most popular camera which includes the program auto exposure mode. Because the relative scarcity and historical popularity, the AE-1 has a great value. It is a very usable camera and lenses are interchangeable.

### Vivitar A35 Splash Proof



The most sportive camera, a 35mm focus-free camera with a splash proof construction. The film loading, advance and rewind are all automatic, with a built-in flash.

### Konica AF3 and AF3-D



Another compact camera from Konica, dating from 1984 which has an active autofocus with an

infra-red beam. It utilized active autofocus with an infra-red beam. Most of these compact cameras have motor-drives, but it is not the case of this camera.

### Agfa Billy Record



The Agfa Billy Record was a folding camera launched in 1933 and that uses 120 film. Its dimensions are 165x88x37mm closed and 165x108x131 (open) and it weights 560g. Not the most usable camera but one of the most mythical models.

### Kodak Baby Brownie



The world known Baby Brownie manufactured by Kodak way back 1934 using 127 film providing with 6x4 cm photos.

### Kodak Brownie 127



The most popular snapshot viewfinder model of Kodak using 127 film, introduced in 1952 .

The shutter has a double-exposure prevention and flash sync, and a shoe for a special Kodak flash-holder added to the top. The shutter release was a large white square on the front, beside the viewfinder.

### Zeiss Ikon Kolibri



The Kolibri was made in the 30's by Zeiss Ikon in Germany and uses 127 film. Using collapsible lens and arranged in a vertical format with a viewfinder on the top. The lenses it uses are Carl Zeiss f/3.5 which provides with neat images.

### Hasselblad 1600 F



This Hasselblad model was introduced in 1948 and manufactured until 1953. It is a focal-plane Suter SLR camera that uses 120 film and provides with 6x6 images. A revolutionary camera, with interchangeable lens, viewfinder and film magazine which allows changing the film and also in mid-film, without losing a single frame inserting a magazine dark slide. The lenses used are the Kodak Ektar f/2.8 80 mm lenses and also the f/3.5 135mm.

### Polaroid One Step Rainbow



The one step rainbow is a folding single lens reflex produced in 1972 by Polaroid and was the first instant SLR in history and the first one to develop automatically. With a f/8 lens and an automatic exposure system, allows to manual focus as close as 27 cm. It also has a controlled flash-bar and the possibility of attaching an external flash unit.

### Kodak Pocket Instamatic 300



One of the most famous pocket cameras, produced by Kodak using 110 film, launched in 1972

The Kodak Pocket Instamatic 300 was one of Kodak's pocket cameras for the type No. 110 16mm film cartridges - one of a variety of Instamatic 110 camera types. It uses a single f/5.6 lens and it is easy to use thanks to its aperture settings based on symbols for dark clouds, cloudy, normal, sunny and bright sun and the one-speed shutter.

## 4.3- MANUFACTURE AND PRODUCTION

### 4.3.1- Material resources

A list of our resources is:

- 1- Store & warehouse.
- 2- Web page.
- 3- ERP system to control inventories.
- 4- Delivery Company, NACEX.
- 5- Logistics for imports company, DAMCO.

Our main resource is going to be our store placed in Madrid.

Bearing in mind that we have already fixed our renting budget at 3000€/month maximum and that we would like to have the warehouse and the store at the same place, we have come to the following renting places in Madrid:

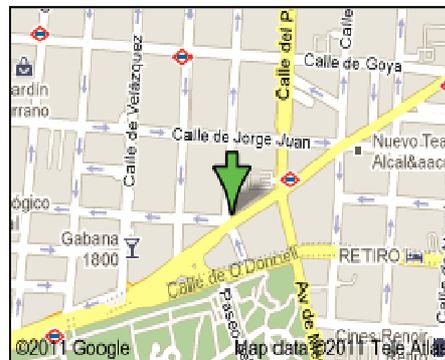
1. 113, Alcalá St: 59 m<sup>2</sup> laid out in two floors. The ground floor has a surface area of 39 square meters and 20 meters cellar. This distribution fits perfectly to our business due to the fact that the most suitable place is the one in which both, store and warehouse are found at the same place. Another very important matter is the display window which in this case is quite wide (2,5 m) which means people will be able to see our shop and our products directly from the street and this is basic in order to get known. The renting is 2,500 €/month so it fits perfectly in our budget.



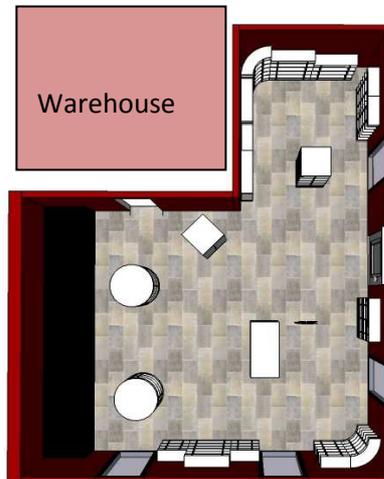
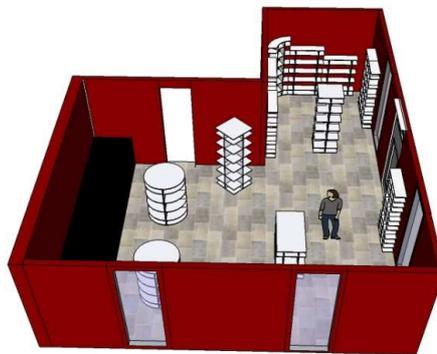


2. 68, Galileo St: 60 m<sup>2</sup> in one floor which is big enough to divide into two rooms; warehouse and store. Although the display window is not as big as the one described above, it is big enough to get noticed and it is placed in a very busy area. The renting is 1.200 €/month.

The one which best fits for us is the store in Alcalá St. as it is located in a busy place where a lot of people pass by during the week. It is also placed near Goya, a shopping area, and El Retiro where a lot of people spend their spare time at weekend. It is not only about the situation but also it is very well communicated by bus and by underground. Here you can see a map of the area.

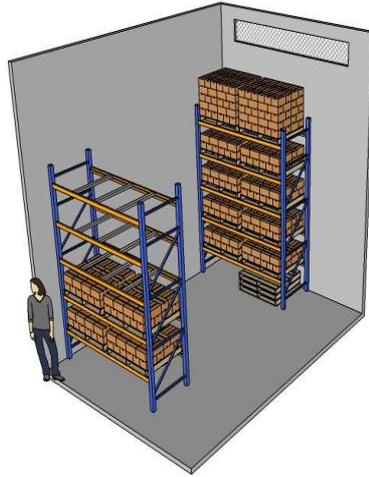


Possible ways of our store layout could be for instance as follows:



Of course the layout would depend on the local we hire but the main idea is to have lot of selves so our clients can have a full view of all our products. In the other hand, the

warehouse would be a corridor with selves in both sides. A possible distribution of the warehouse would be as follow (although not so high):



The web site will be developed in the marketing plan as it is going to be one of our most important assets to reach more clients. It has to be a really visual and friendly web page as no all of our clients are used to purchase through the internet. That is why it is crucial to PHOTOY to prepare and design a very intuitive web page.

The ERP system development will be outsourced to the same company that will prepare the web page as it has to be linked to it. Of course, as our portfolio is not huge, it will be a very simple ERP just to control the inventories with some automatic alerts when levels of products reach certain numbers.

After some market research, the company chosen for doing the delivery of all our products will be NACEX, and especially by its new service called e-N@CEX. Making an overall average of price, service, time to deliver and commitment, NACEX was the best.

NACEX delivery period is 24 hours from the moment our client makes the order in case the delivery address is located 50km maximum from a NACEX agency. In case the delivery place is located further, such time will be doubled to 48 hours.

There exist two possibilities:

On the one hand, when our client lives far from our store we offer them the NACEX delivery system which basically is described as follow:

- A NACEX employee goes to the client's house and takes the film to the developing laboratory. Then, in less than 24 hours the film will be ready to be sent back to our client. As said before, NACEX will be in charge of that part of the process and it will take from 24 hours to 48 hours depending on the factors explained above.

In the other hand, when our client comes directly to Photoy store the process is the following:

- The marketing assistant will take the film roll to the laboratory. The departure time to the laboratory will be set at 11:00 in order for the developing laboratory to have time to develop all the roll film we give them in 24 hours. This way we guarantee our clients that they will have it in the store the day after. The possibility also exists, at added cost, of having the film developed in the store on the afternoon of the same day it is handed in to us, at the behest of the client.

And the same happened to the Logistics Company to bring us our products Thailand to Madrid. The chosen one is DAMCO (free on board) in the port of origin and they take them to our store. This is explained in more detail in the international logistic section which is described below.

#### 4.3.2- Human resources

In spite of a broad description about PHOTOY human resources planning and the jobs description will be detailed later on, the basic human capital needs for our store are:

Store manager: This person will be in charge of the accountability of the business. He/she will have to have medium informatics knowledge and basic knowledge about how to manage a business

Shop-marketing assistant: Good attitude toward customer. Medium-high knowledge about analogue cameras. Good seller and communicator.

#### 4.3.3- Processes

PHOTOY has 3 main processes in order to offer its products and services:

- 1- Importing the replica cameras from Thailand.
- 2- Online orders processes.
- 3- Developing processes: Post & Shop.

#### 4.3.3.1. Import from Thailand of all the camera replicas



##### Place an order

First of all, before placing the first order we have to have an agreement with the manufacturer that is going to provide us with all the replica cameras. Once we have that deal closed we can place the first order. Our manufacturer with whom we have already reached an agreement is OldCamera&ManualFocus.

Then, a criterion for minimum inventory of our products has already been established. This criterion will be based in the inventory as a whole, that is to say, we are not going to place an order just for one type of our cameras. We are extremely focus on minimize the cost related to imports so we will definitely go for bulk orders. This means that our storage capacity will be a key issue for our business.

The order will be send to our supplier through the Internet .This step will not have a significant impact on the time requirements.

For placing the order and managing the inventory PHOTOY will be using an ERP system.

##### Manufacturer executes the order

After receiving our query, the manufacturer will send back us a confirmation saying that they have started to work on our request as well as the date in which the order will be completely finished. This period will depend on the volume asked.

### **Quality control process**

Before leaving the factory, all the products will pass through a quality control in order to guarantee the conditions previously agreed between all the parties.

### **International logistics operator**

Among the wide range of variety that it is available in the market we have chosen DAMCO as our logistic operator. This firm is a global company which provides end to end solutions. They have studied our case providing the optimal transportation mix solution among all the possibilities.

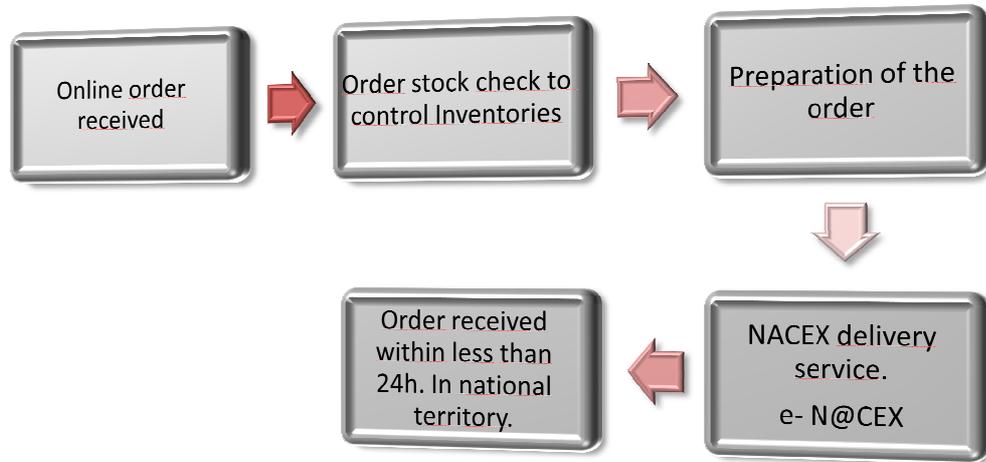
The final solution is based on a first stage where our cameras will be ship from China to the Puerto Bahía de Algeciras. From there, our merchandise will arrive to Madrid by truck.

DAMCO will be in charge of all the legal and administrative issues during the process in which they are involved.

### **Products reception & storage**

The merchandise will directly arrive to our store in Madrid where the order will be checked and correctly allocate in our shop. As it was said before, our storage capacity is going to be crucial. For that reason, our shop has a twenty square meters warehouse.

## 4.3.3.2. Online Orders



This process starts when the customer, through the web page makes an order. In that moment, the software sends the person on charge in the shop a text message to his cellular as well as an email.

This person checks the stock and place the order in the system in order to control inventories and starts packaging the order.

As the system is linked with the new service from NACEX, e-N@CEX, an alert is automatically send to Nacex and they come to our shop to get the package. In less than 24h the customer receives the package.

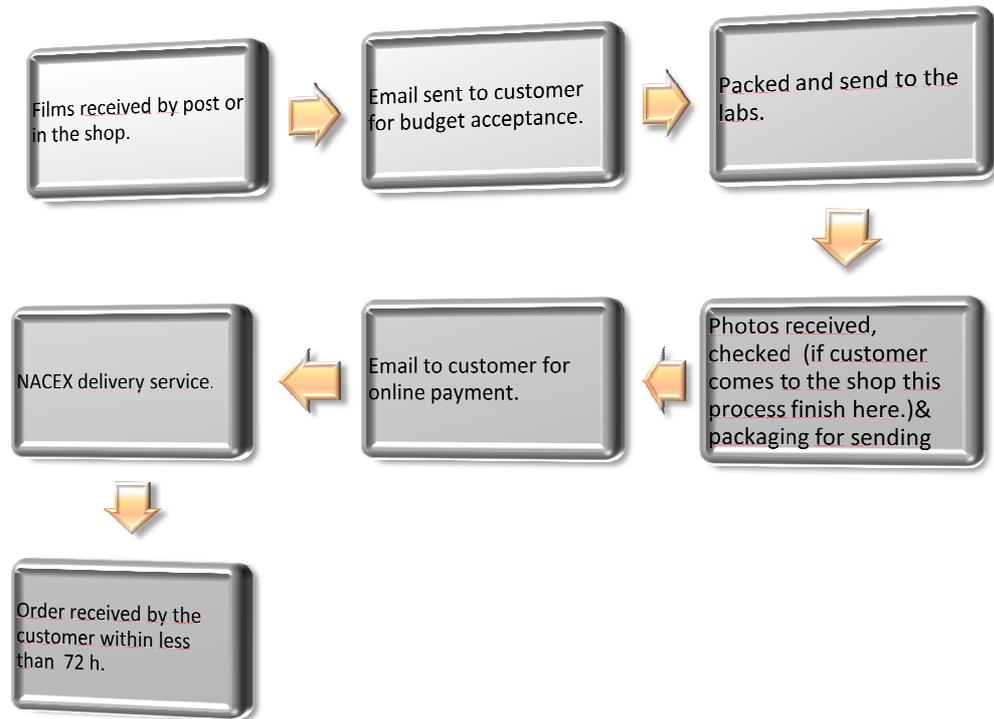
The expenses expected for this process are:

Web page design & creation and yearly maintenance (4000€ + 120€).

ERP to control inventories: simple design as we don't have many products (2500€).

Delivery service. Depending on the amounts of orders received, the prices per order vary between 6€- 16€ for the e- N@CEX service to deliver the product in less than 24 hours. (See annex 3).

## 4.3.3.3- Developing



One of the services we offer is the films developing. This process works as follows. The clients can either send us their films either through the post or by bringing them to our store in Madrid. Once the posted films are received an email to the client is send so he accepts the budget. During the same day of the budget acceptance, the films are sent to the labs. Once the labs have the photos ready the clients are contacted through an email either for them to come to the store to pick up the photos or to make the payment through the internet. Once the photos are paid, Nacex deliver them to the client. Depending on the availability of the client, a film can be developed and delivered in less than 72h from the moment it is received in our shop.

#### 4.3.3.4- Quality

As we are going to import products we need to hire a quality agency in order to fulfil all the necessary procedures to make sure our items are in perfect conditions.

Therefore we have contact a quality control services company named “Asialnspections”, <http://www.asiainspection.com/> which performs on-site product inspections and product testing in China, India and greater Asia for importers worldwide.

They carry out comprehensive assessment of the production facilities and organization according to ISO 9000 standards to confirm the factory we have chosen has the production capacity and quality to meet our production needs. They also ensure hygiene and safety standards are fulfilled as well as local labour laws and child labour policy according to SA 8000.

Apart from this, product inspections and product testing will be done following procedures:

1. Pre-Shipment Inspection (PSI): it guarantees the conformity of production to our specifications.
2. Product monitoring: constant oversight in the factory we chose with daily reports on quality and production status.
3. During Production Check: control and recommendations for production processes and capacity.
4. Initial Product Check: inspection of machinery and materials to be used for our order prior to production.
5. Container Loading Check: it guarantees the finished and packed goods meet our specifications (product type and quantity) and are securely loaded for shipment.

According to Asialnspections not all manufacturers agree on been inspected. Actually, only a 10% accept it which means that a great number of manufacturer’s don’t fulfil working and producing standards so we had to do a taught research in order to find the right manufacturer.

#### 4.3.3.5- Maintenance and Service

For PHOTOY the establishment of a long term relationship with the customer is very important. PHOTOY wants to build a long term relationship with its customers. For that reason an emphasis on pre-sales and post-sales activities will be needed.

- a. **Pre-sales:** we will offer photography courses for beginners and for current analogue camera users. We will hold exhibits and we will also organize a number of activities to create the sense of community and belonging. People will be able to share photos, techniques, ideas or simply get together to enjoy a photo shoot of anything they might find interesting. This section is explained in more detail in the marketing section.
- b. **Post-sales:** We will not provide camera maintenance for the low cost cameras as we consider it is not worth it due to the fact that the cost of repair is higher than the price of the camera itself. However, for the high quality replica cameras we will provide it as we consider it is necessary in order to give an excellent post-sales service since the price of these cameras is quite expensive and such investment need to have a guarantee. The service provided is a key issue: we want our customers to be satisfied so they will get all the information they may need about the cameras when purchasing to make the right decision. Recommendations on film will be also given every time they come to our shop.



## BARRIO DE GRACIA

The Distrito de Gracia is the smallest one of Barcelona but the more crowded one with a lot of cultural attraction such as the Parque Güel, of Antonio Gaudí. The streets are full of bars, restaurants and shops, which makes it one of the most attractive districts of Barcelona.



### 4.4.1- International expansion

Secondly, due to the fact that our competitor is already established in many countries (Germany, Brazil, Spain, UK, USA, Canada, South Chorea, Japan and China) we know that analogue lovers can be found all over the world and therefore, we will take advantage of it. We will not follow our competitor's steps but we will look for unexploited markets such as Argentina where, based on our experience in that country, we know it is trendy and we can get a high market size. We will start promoting our business in street markets at weekends in the city of Buenos Aires. The place we have chosen for the start-up is Plazita Serrano where many different trade fairs are set. This expansion will take place in the long-term.



Illustration 3:Plazita Serrano

This is just a light overview of a possible future expansion. Therefore a deeper study will be carry out before taking a step forward.

#### 4.5- RISK MANAGEMENT

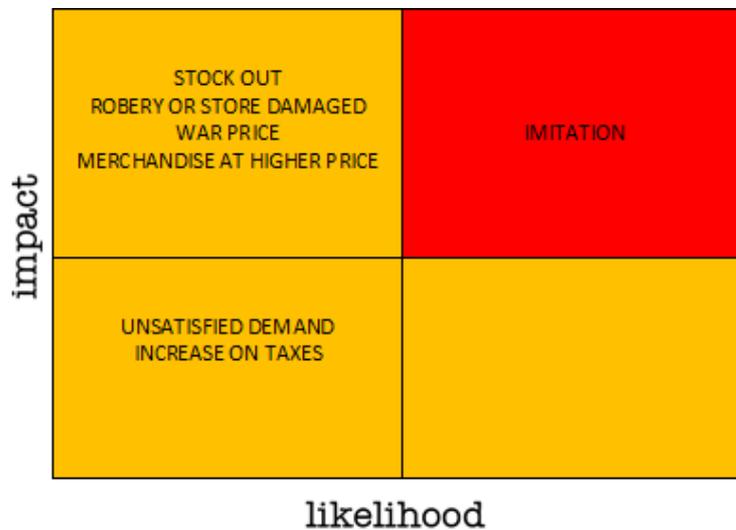
In this chapter we will discuss about the probable risks PHOTOY could face in the future, the causes and the consequences. Also, the possible mitigation plans that PHOTOY Could work on.

The following risks have been identified with the causes and the consequences.

CAUSE	RISK	CONSEQUENCE
Natural disaster Strike	Stock Out <b>(1)</b>	Brand image damaged Downturn revenues Loosing clients Looking for new suppliers
Break in	Robbery or store damaged <b>(2)</b>	New unexpected investment on cameras required / Restoring Closing store for a while
Bad forecasting	Unsatisfied demand <b>(3)</b>	Brand image damaged Downturn revenues Loosing clients
Competitor prices drop New competitor with lower price	War Price <b>(4)</b>	Over inventory Less sales Decrease of margins
€ low increased bath	Merchandising at higher price <b>(5)</b>	Less sales Less margin Higher prices

Government measures	Increase on taxes (VAT) <b>(6)</b>	Increase on prices Less sales
Easy to copy Many suppliers in Asian countries that can offer the same	Imitation <b>(7)</b>	Decrease on sales Shop closing

In this graphic we can see how these are positioned:



The very first risk is the stock out –this could happen due to natural disasters in Thailand or Stripes. This risk could mean that our brand image would be damages, the revenues would downturn, we could lose some clients and lastly we would need to look for new suppliers. This risk has been considered not very likely but with a high impact for Photoy.

The second risk we could face is a robbery or damage of the store because of a break in. This would mean that we would face an unexpected investment on cameras, Money needed to arrange the shop again and therefore closing for a while. This has been identified as a little likely risk with high impact.

Another risk identified is the unsatisfied demand / over demand due to a bad forecasting. This could mean a brand image damage, a downturn in revenues and losing clients. The probability of this risk is low and the impact is low too.

Another important risk is a war price that could happen because our new competitor can decrease the prices or face a new competitor that could enter with lower prices. This could mean to us an over inventory, a decrease on sales and margins. This has been identified as a not very likely risk but with a high impact.

The merchandise at a higher price could be another risk due to a difference in the Exchange rate between the euro and the BATH which could mean a decrease on sales, margins and higher prices. This has been identified as not being a very likely risk but with a high impact.

Another risk we could face is an increase on taxes due to government measures - resulting on an increase on prices and therefore on lower sales. This is not a very important risk since the likelihood is low and the impact is low too.

And the last and most important risk is the one of imitation – the reasons are the cameras are easy to copy, there are many suppliers in the Asian countries that can offer the same than us. This would mean a decrease on sales and even the shut-down of the shop.

This is the worst risk that could happen to us. The likelihood is high and so is the impact.

Here we can see the risk in a map which gives us an overview on the situation of them.

#### **4.5.1- How PHOTOY is going to face and mitigate those risks**

It is important to state that PHOTOY won't be able to manage and avoid all these risk since many factors are out of our reach , but some measures can be taken :

- The case of a stock out due to a natural disaster is something that can't be avoided. As mitigation plan B (having another supplier in case needed) or having more inventories would be a way to minimize the possible effects.
- The risk of robbery is something Photoy can't unfortunately avoid. For that reason the shop will have an insurance and alarm in the case this happens.
- The unsatisfied demand due to a bad forecast is something PHOTOY can manage with some experience improving the forecasting each time.
- If a war price happens the way we should act is entering as long as we can handle it. If not, we will try to decrease production prices in order to increase the margin.
- Merchandising at higher price due to a change on the Exchange rate can be minimized trying to decrease production cost

- In case a new competitor appears imitating our products we have to be innovative, always looking for new products and increase the difference in the service provided.

## 5- MARKETING PLAN

### 5.1- BRAND

#### 5.1.1- Name

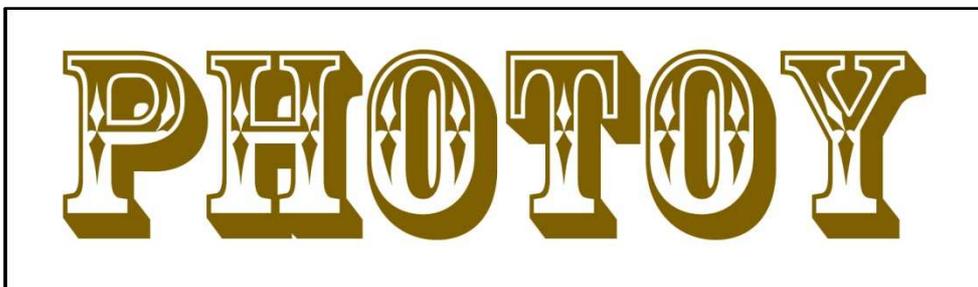
PHOTOY is the name of our brand which stands for Photo and Toy. With this name we want to position ourselves as fun and easy, as a young brand with a vintage reminiscence.

What goes around comes around: the actual tendency to go back to the basics is growing more each day. People listen again to VINILOS; in every aspect the recreation of classic models (not only in cameras, but cars, sunglasses, etc) and the love for vintage items such as furniture is the perfect scenario for PHOTOY to offer vintage look like cameras for all those nostalgic individuals.

#### 5.1.2- Logo

Our logo, with retro typography will reflect the vintage spirit of our company and our vintage cameras. The colors chosen, brown and white, want to transmit simplicity together with the name.

Below is the final logo. The font used is Rosewood std.



## 5.2- PRODUCT PORTFOLIO

### 5.2.1- Product

Product is an object that can be offered to the market and that can satisfy a wish or need. It is a collection of benefits or satisfactions that costumers perceive they obtain when they buy it and it is the sum of the physical, psychological, symbolic and service attributes and for that reason is the most important variable of the marketing mix.

Product dimensions:

- *Basic benefit*: is the service or benefit that the customer really purchases, in our case is the treatment that the customer receives when purchases the product and that provides him/her with the satisfaction of a good, detailed and efficient service.
- *Basic product*: Is the generic product to satisfy the basic benefit. This would be the product itself, the cameras, the film and the photos the customer is receiving.
- *Expected product*: it is the mix of the attributes; conditions and characteristics that the costumers expect to find when they purchase this kind of product. For that reason, it is mandatory that the expected and the actual product are the same to provide the customer with a benefit.
- *Increased product*: It is a product such that it exceeds the expectations of the costumer. For instance, offering a beautiful product, with a nice packaging or giving a free film sample every time a camera is purchased.

Our vintage alike cameras will provide with the vintage and old-fashion photography so trendy nowadays. We want to be modern, accessible, artistic and bring back the soul of analog photography.

### 5.2.2- Features

FEATURES	BENEFITS	COMPETITIVE ADVANTAGE
Product made in Asia with good quality	Low cost and accessible	The possibility of having a vintage camera at an affordable price
Mythical models from iconic classic cameras	Beautiful design that never gets old	The possibility of having a vintage –look alike camera in a hassle-free way
Film cameras	Photographs turn out more warm and beautiful	Not all digital cameras provide these type of effects

### 5.2.3- Portfolio: Cameras, Film & Gadgets

As described in the previous operations document, PHOTOY will have initially four lines:

- **Selling Replica Camera:** This will be our core business –selling, vintage-look alike cameras and replicas of iconic old models from various manufacturers. Our portfolio, previously described in the operations section and listed below will include the most popular cameras from early last Century. The 60% of our revenues come from this line of the business.
- **Film sales:** We have a wide range of film rolls and they are displayed in a table below. The revenues from this line represent 12% of the total revenues.
- **Film development:** This line is outsourced to Interphoto, a top quality laboratory located in C/Cartagena to ensure the best results in quality and prompt turnaround. We have arranged with them to get 20% discount as long as we develop 3,000 film roll a year in this laboratory. The revenues from this line represent 18% of total sales.

- **Gadgets:** This line includes all sorts of consumables related to photography such as photo albums, frames, etc. The revenues we get from it are small, 10%.

**5.2.4- Camera replica portfolio**

The criteria to choose our camera portfolio are based on those most mythical cameras of all times and of course, those which our supplier from Thailand was able to build. We want to offer a wide range of cameras, from those more simple and easy to use to those more professional which has become an icon over the years. Since patents expire after 20 years we will name them as they were originally sold, but stating clearly the replica characteristic.

Our portfolio will be divided in:

- Compact Cameras
- SLR Cameras

<b>Kodak Brownie 127</b>	<b>Kodak Pocket Instamatic 300</b>	<b>Konica AF3 and AF3-D</b>	<b>Vivitar A35 Splash Proof</b>	<b>Praktiflex</b>
				
<b>Hasselblad 1600 F</b>	<b>Canon AE-1</b>	<b>Polaroid Sx70</b>	<b>Agfa Billy Record</b>	<b>Kodak Baby Brownie</b>
				
<b>Three lens</b>	<b>Lubitel 2</b>	<b>Zeiss Ikon Kolibri</b>	<b>Primo JR</b>	<b>Twin lens</b>



- TLR Cameras

### 5.2.5- Film portfolio

#### 35mm film

The first cartridge of 35mm film was introduced in 1934. It quickly surpassed the 120 film sales and became very popular thanks to the Leica camera, which popularized the format. Since then, most single – lens reflex cameras use this kind of film.

We will offer a range of film that will cover from the 100 ASA to the 400 ASA, including B&W. The models are the following

- ISO 100 :
  - Lucky SHD
  - Lucky SHD BLACK AND WHITE
  - Kodak Ektar
- ISO 200 :
  - Lucky colour
  - Agfa vista 200
- ISO 400 :
  - Kodak TMAX

#### 120mm film

120 films is the one used by medium format cameras, and is a great film for professionals and amateurs. The appearance is a little bit different and has a spool made of plastic. The film only allows taking 12 frames and it is attached to a piece of backing paper that protects the film while it is wound on the spool. A great characteristic of this film is that it can be loaded and unloaded in the daylight without exposing any of the film.

In this case, the models used for 120mm will be the following:

- Shanghai GP3
- Kodak Ektar Color Pro 160
- PX 70 color

To make a little bit clearer the difference by not only looking the cartridges, we can observe that the 120mm film is wider than the 35mm



Difference between the 120 mm (left) and the 35 mm (right).

Here we can see the different models of film that will be sold :

<i>Lucky shd 100</i>	<i>Kodak 400 tmax</i>	<i>Lucky 100 b&amp;w</i>
		
<i>Lucky colour iso 200</i>	<i>Shanghai GP3</i>	<i>Ektar color pro 160</i>
		
<i>PX 70 Color Shade Push Film</i>	<i>Agfa vista 200</i>	<i>KODAK EKTAR 100</i>



### 5.2.6- Gadgets

Together with the cameras and the film we will offer a wide range of products complementary to all our portfolio as we can see here:

- **CAMERA BAGS:** we will offer different types of cases for the different camera models. Some of them will be more vintage and others will be more modern to satisfy different customer's taste



- **FLASHES :** we will offer a 3 different models of flashes (depending on the distance one wants to shoot) that can be used in all the cameras (the adapter is the same for all of them)
- **PHOTO ALBUMS:** in order to keep all the memories in one place we will offer different photo-albums with different measures: landscape for 10x15 and 13x18 photos and square format for 120 film photographs.
- **FRAMES:** this will be another accessory offered to our customers. Those will have different styles and measures.

### 5.3- PRODUCT WARRANTY AND RETURN POLICY

For PHOTOY the establishment of a long term relationship with the customer is very important. PHOTOY wants to build a long term relationship with its customers. For that reason an emphasis on pre-sales and post-sales activities will be needed.

We will not provide camera maintenance for the low cost cameras as we consider it is not worth it due to the fact that the cost of repair is higher than the price of the camera itself. However, for the high quality replica cameras we will provide it as we consider it is necessary in order to give an excellent post-sales service since the price of these cameras is quite expensive and such investment need to have a guarantee.

The service provided is a key issue: we want our customers to be satisfied so they will get all the information they may need about the cameras when purchasing to make the right decision. Recommendations on film will be also given every time they come to our shop.

About the return policy it will be only in those cases of cameras with a manufacturing fault. Our plastic cameras have a limited life and so it will be noticed to our customers in the box of the camera. They will be encouraged to take care of the camera and enjoy it as long as it last.

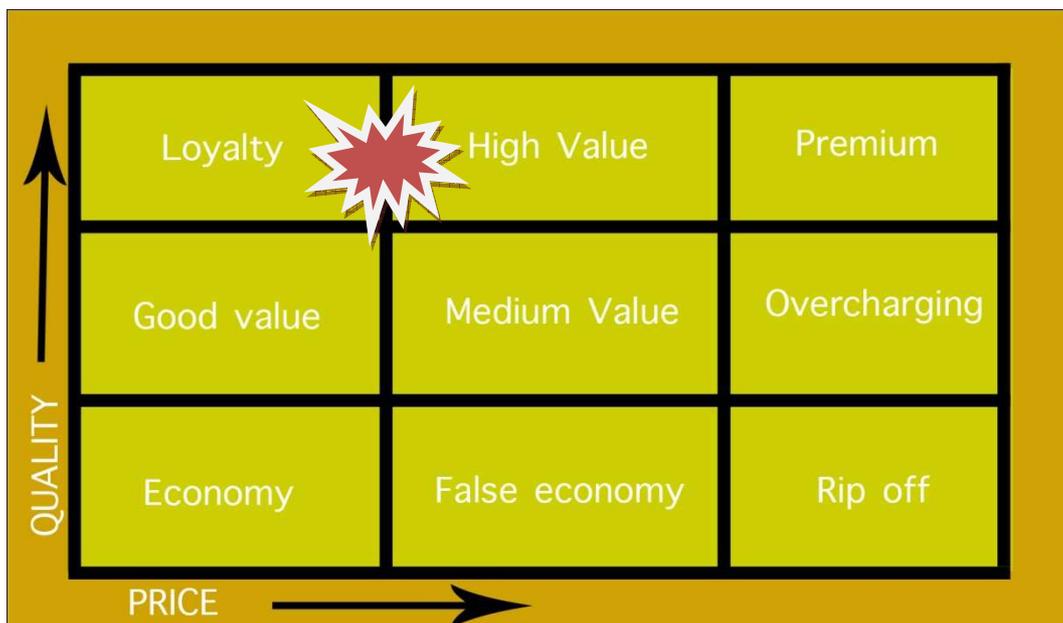
In order to reduce to zero items with defects, all the products will be checked in the factory of origin as well as visually checked as soon as received in the shop.

## 5.4- PRICING

The price is the only element of the marketing mix that provides incomes as the other ones are costs. The price estimation is problematic the first time because we have to determine how we want to position our cameras in our customers' minds.

Psychological aspects should be taken into account when fixing the price: customers rely on price as an indicator of the quality because it is the first reference and they can imagine the level of quality of the product. In a whole, customers relate high price with high quality.

The tactic is the following:



Our strategy will be based on offering a high quality product at a medium price. We will be focused on remarking the fact you get a vintage replica camera at a reasonable price.

Our first strategy for pricing will be a mix of two strategies. The Status Quo Strategy and the cost based strategies.

The first one consists in defining the prices of our product based on the competition and positioning that our company wants to target in the market. That is why our product can never be much higher or lower than the ones from our main competitor, Lomography.

The second strategy consists in calculate the sum of the fix and variable costs of each product and add a mark up to them.

For pricing them, our strategy will be calculating an approximate number of cameras that we expect to sell and calculate the price that it cost to us taking into account all the costs (product cost, transportation, local, salaries, etc) and we sum a mark up to that base price. That mark up will take into account that the breakeven point will always have to be under the expected number of cameras we want to sell.

Once our price strategy is established, possible situations of decrease of the price or promotions to incentives' the sales should be taken into account. Consumers understand those price modifications and their reaction will be immediate.

Also, the price should be appropriate to the value perceived by the customer, but the sensibility to the price and the importance given to it is not constant and depends on the economic phase taking place: in downturn phases the price is an important weapon.

For that reason, promotional prices will be made at the introduction of the product. Once this phase is over, the low price could be considered as a sign of low quality. This promotional price consists on making a reduction of the price in determined moment without previous notification to the customer.

More details about pricing is placed in the financial chapter.

## 5.5- PROMOTION

The communication plan has been made taking into consideration the customer profile that is identified with our portfolio.

It will encompass "Above the line" (ATL) and "Below the line" (BTL) strategies. Both of them will be supported with Public Relations.

In general terms, we want to have an emotional communication, reaching the hearts of our customers, appealing to the romantic and sentimental fact linked to analog cameras those evoke nostalgic memories in the customer. For those young users we want to satisfy that desire of being trendy and getting closer to the very first days of photography.

All the campaigns will be carried out by the Marketing Director, Barbara Franco, who holds a BA in Advertising and Public Relations and has marketing experience in a multinational company. All the campaigns designed will be following the communication requirements of PHOTOY.

### 5.5.1- Above the line

Mass Media is very important nowadays. Our impact will be higher and for that reason we consider we should be present in the main photography magazines of Spain which is:

- Super foto digital

It will let us reach Nontraditional media will be the tool used to target our customers. Our target spends a lot of time in internet, likes cameras and is creative and art aware.

The cost for the advertisement in this magazine is 600€ a month for a 195 x 130 mm.

Consequently, we will avoid traditional and mass media channels such as TV or Radio, and for that reason we will base our strategy on internet based campaigns : SEO (Search Engine Optimization), CPC (Cost per Click), Adverts, etc.

- **SEO (Search Engine Optimization):** Photoy will be marketed with Search Engines. SEO is the process of improving the volume or quality of the traffic to our site from search engines like Google, Yahoo or Bing. The targeting will be focused on different regions so we will target on different portals such as google.es for Spain in the first phase and then in google.com in a second expansion phase.

To appear here, we are going to spend more money in the web design in order to be present as higher as possible in the SEO Google.

- **CPC (Cost per Click):** this marketing tool lets us advertise the regions, hours and websites we want without paying for it unless people actually click on our adverts. In this way, we will only pay for what's really working for us. We will be able to control the budget by putting a daily or monthly ceiling to the amount of clicks paid. For instance, we could advertise in Google, Gmail or other suitable website for us.

It will be at the beginning around 10€ a day during the first three months and then it will depend on the impact it had. That would made a total of 900 € per campaign.

- **Advertising campaigns on Facebook:** since Facebook provides the possibility of advertising taking advantage of the profile information provided by users, we will be able to target our adverts properly depending on age, geographical situation and with the possibility of deciding the budget we want to spend in this kind of campaign.

We will launch special campaigns at different moments of the year. Depending on the campaign, the price will be between 0, 26 and 0, 86 € per click. (See annex 4). As we will use this tool for special campaigns, the budget will be for a month campaign of around.

### 5.5.2- Public Relations

Public Relations will be used to reinforce the ATL and BLT actions and those will be the following:

- Press conference: For the opening of the shop we will organize a press conference. It has been planned in the NH Eurobuilding hotel of Madrid or similar; placed in C/Damián, 23 with a space enough for 200 people.

Even though Photoy is just opening its shop in Madrid, we consider that it is necessary to be known in the whole territory (since we are selling through the Internet) and for that reason the capital city and the press release is a must.

The hotel, as well, counts with the facilities required for this event and counts with easy access and parking.

Also, they provide the catering service and a photographer, apart from all the technological devices.

The room will be organized in TEATRO so the Photoy team will be seating in front of the journalist and with the photocall at their back. In the first row, the press, at the back, the radio.

The NH Eurobuilding Hotel offers us the services of a photographer that will be present in the press release and the coffee break that will be offered later. The whole event will last about 2 hours.

The coffee break will be provided by the catering of the hotel. At the cost of 9 € per person juice, coffee and sweets will be included for 200 people.

The cost of the press conference, the catering and the photographer will be at 3200€.

Since PHOTOY sells vintage replica cameras, there's no other option than providing them with a sample of one of our cameras so they can get to know them better, use them and write about them. This will cost us about 20€ per journalist.

Taking into account the attendance of 20 journalists will be 400€.

- Press Releases: Information sent to the journalist to encourage the development of articles on a subject (in our case, our vintage cameras). This information will be based towards our objectives and will highlight important features of the product or events. Every time this press release is sent to a journalist it is important to include the "who, what, where, when, why and how". This will provide us will free publicity.

### 5.5.3- Below the line

The below the line actions will be crucial for our strategy. It will be the core of our marketing actions.

The tools that we will be using are the following:

- **Internet Social Groups and Platforms:**

We will be present in all the social groups that are strong nowadays. The impact of the Social Networks far exceed that of traditional advertising: 30% of users remember the advertising seen in Social Networks. These tools provide us with networks of interest, enabling us to enter those networks in a natural manner and build faster a greater empathy with the target consumer than with traditional advertising.

Social groups and profiles will be created in platforms such as Facebook, Tuenti, Vimeo, Youtube, Flickr and Twitter. This will promote PHOTOY and our products and will help us to interact with our customers, getting to know their opinions and feelings, engaging with them and having a close relationship. On a deeper analysis we can analyze the different social networks:

- Facebook – **www.facebook.com** Becoming bigger each day, the membership up to date is more than 500 million active users worldwide (10 million in Spain). More than the 50% log on everyday
- Tuenti – **www.tuenti.es** Very important in the Spanish market. It has around 5 million users in Spain (in particular 90% of the youth in the 15-20y range are users of Tuenti)
- Twitter – **www.twitter.com** Tool to update news about Photoy. It has around 200 million users in Spain, which is the third country by traffic in Twitter.
- Vimeo - **www.vimeo.com** High Quality video platform which, up to date has 3 million members.
- Youtube – **www.youtube.com** the most used video platform.
- Flickr – **www.flickr.com** High quality photography platform.

Having profiles in these different platforms will help us to build our customer brand and create brand awareness. Facebook and Tuenti will be used to create a profile which will help us to provide with information about us, events, special offers, etc. Vimeo will be the platform used to upload our promotional videos, those created during the events or those made for new

launches. Flickr will be the “container” of our photos, as a way of showing the effects of the cameras. Customers will be encouraged to submit their own pictures to be uploaded to our profile.

#### **Actions / Events:**

The core activities of our marketing plan will be focused on engaging customers in different activities which will take place all year round; some of them in specific situations and others focused more on a recurrent, long run. Combined, they will answer to the requirements and plans of our customer focused strategy. The Marketing Department will be accountable for designing these activities all of which will be relayed through website, Facebook, blog and Twitter.

The activities are described below:

- *Promotional activities:*

A number of promotional activities during punctual times will take place all year round, basically to get people to know Photoy, creating visual impact.

- **“A photo in a plastic bag”:** Our expert photographer will take 200 different photos of Madrid with the different cameras to show the different effects. Those photos will be introduced in plastic bags and will include a note informing the photo is a free sample and will incentive customers to visit our website. This activity will take place in the area of La Latina where young people, art and photography lovers regularly meet.

The cost of this activity will be 1800€.

- **“A free photo in El Retiro”:** We will carry it out on weekends. In this case the photos will be given to people by hand and thanks to it, we will have the chance to explain in more detail what Photoy is all about. At the back of the photo our web site will also be included. With this activity we will try to reach different segments of the population as we know that El Retiro is a place of diversity and we can take advantage of it.

The cost of this campaign, as we will do it three times a year will be 420€.

- *Customer focused activities*

- **Photo contest:** Every month there will be a photography contest. The theme will be published in our website, blog, twitter and PHOTOY Users will be proposed to submit their pictures to a platform available in the website and with the votes of the rest of the users, a winner will be chosen every month. The winner will receive a promotional check which will let him develop 3 films for free and the possibility of having their photo hanged up in the wall (an explicit consent of the users will be previously asked). The intent of this activity is to keep the interest of photography lovers on this analogue movement.
  
- **Photography courses:** Each month a four hour course will be organized on different issues. In all of them the camera will be provided by PHOTOY along with three rolls which development price will be included in the price of the course. The person in charge of the organization will be our sales and marketing assistant who will provide our clients with all the material required (cameras and film). We will start by providing basic level courses on the use of analogue cameras which will be given by our Marketing Manager. As the level of difficulty increases we will outsource a professional photographer that will lead the courses although they will be prepared by our marketing assistant. The price of these courses will depend on the level; beginner level courses will be affordable for everyone and advance level courses will have a higher price as the number of people allowed in them will be reduced and the cost of the professional photograph has to be covered. However, the development of all film used along the course will be provided to our clients for free. These courses will be given once a month in our store. Some of the issues to be treated are the following:
  - **Effects:** this course will be focused on finding out the different effects achievable depending on the camera and film used.
  - **Double exposure photography:** Two photos in one. How to achieve incredible results easily.
  - **Cross-processing:** slide as film and vice versa. The concept will be discovered and the effects too.

- **Black and white:** course focused on achieving the best results and compelling to the eye black and white photographs.
- **Long exposure photography :** how to get the best results at night
- **The use of the flash:** as the name states, the course will be about the use of the flash, how to get the right exposure when using it, different achievable effects and possibilities using a double flash.
- **Slide photography:** or how to achieve the best results / colors when shooting on slide.
- **The correct frame:** how to achieve photos that are compelling to the eye, frame correctly and create stories with a photo.

The marketing department will be in charge of organizing the different courses. Those, like the contest, will be published on the website, blog, Facebook and twitter. An email will be available for users who want to join the course. It will be also possible to join directly on the shop.

- **Photography meetings:** Once a month a meeting will be organized in Madrid among the Flickr users who post in the PHOTOY Flickr profile. A theme will be proposed and chosen previously by users. During the meeting they will take pictures based on that theme and they will be able to socialize and feel part of the community. With this activity we are not only providing a fun activity but also showing other people the existence of these cameras.
- **Trial option of new cameras for VIP customers:** Every time a new camera arrives to our shop, a number of regular customers will be chosen to be the first to get to know the new camera.
- **Events**
  - **Shop Opening Party:** The opening day of PHOTOY a party will be held in the shop. It will be announced in the website, via email and Facebook (the targeting will be made with the Facebook advertising campaign previously described )  
  
This party will cost us around 2500€
  - **Photo parties:** Each camera anniversary will bring together a small party at the shop. Music, cameras, photos, customers and drinks will be the key elements

of it. Three parties a year, with the cost of 500€ per party, makes a total of 1500€.

All this events will be focused to engage customers and create a closer relationship with them.

- *Agreements*

The idea behind this is to be present in different context that are considered fun and relaxed. For that reason we will look for agreements in trendy restaurants and entertainment places. We will provide the cameras to these places for free, and they will receive 20% of the charge for the renting of the cameras.

The renting charge will include in the fee for film processing (the restaurant, for example, will return us the film and we will be in charge of returning them to the customer).

- *Trendy restaurants* in Madrid: As most of these restaurants are located in very fashionable areas, we believe that we can capture the attention of potential customers. Therefore, we will take advantage of it by offering our cameras to the people in there. The restaurants we have chosen are: Ojalá and Laydown.
- *Zoos*: possibility of taking different photos in the Zoo de Madrid or Faunia.
- *Bicycle renting*: along with the possibility of renting a vintage bike, customers will be offered the camera with a film to take pictures during the day.

All the events, courses and parties will be recorded on video and captured on photos and will be uploaded to all the platforms in which we are present (vimeo, youtube, flickr and blog) .

- *Fairs :*

Being present in fairs of photography will be a key issue for us. It will be a way to showcase our products to the public. Researching on [www.expodatabase.com](http://www.expodatabase.com) and regarding the number of companies and visitors and location we consider relevant for us the fair Fotoventas Digital, which will take place in IFEMA (from the 11th to the 13th of November 2012, since it is a biannual fair)

- **Fotoventas Digital:** IFEMA (November 2012 - 11th – 13th)

Biannual fair, taking place in Madrid.

“SALÓN INTERNACIONAL DE FOTOGRAFIA E IMAGEN”

- *Website*

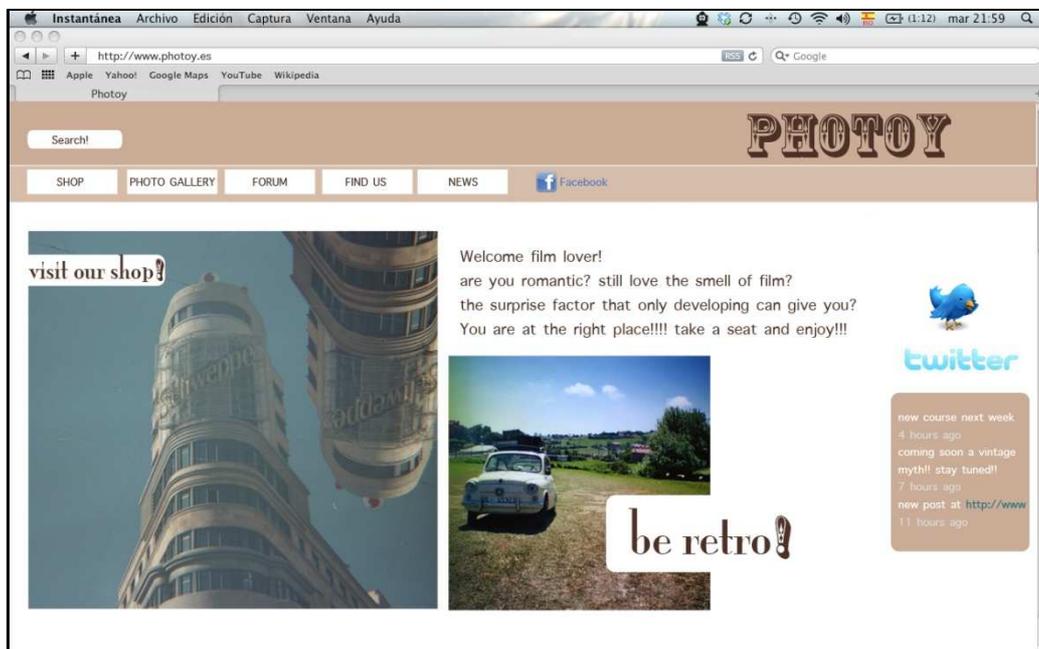
Our website will be designed by a communication company using html and php5 language. The reason for this is that the search engine robots will be capable of reading the website.

As an important tool to inform our customers and give the possibility of purchasing cameras and film it is crucial to make it visual, easy to use and updated regularly with news and events.

The areas it will include are the following:

- Online shop: in this section customers will be able to purchase and have their products delivered home: films and cameras.
- Photo Gallery: Here customers will be able to see the different effects that the cameras provide. This will also let the customers create their own profile and upload and share with other users.
- Forum: a place to share knowledge, questions and information with other users.
- Where to find us: Information regarding our shop, including a map.
- Twitter: a section where the twitter updates will be visible.
- News: Detailed information of the latest news, releases and information.

Here there's an overview of the webpage:



- **Brochures :**

We will distribute brochures with information regarding photo and developing fares in two main places: development store and Photoy store.

Also it is necessary an internal communication tactic, based on the treatment the staff gives to our customers during telephone conversations and in our store. The motivation in this is crucial, as it is the camera and film knowledge. For that reason our workers will be motivated to increase their knowledge to provide a better service. These courses will be given by the Marketing Director who has photography skills – and will help us to provide with a better service. As well as giving them courses on photography, we will also offer to our employees courses on customer services every six months to develop the skills which will help them to give a better service. The budget estimated for them is 2,000€ for all our employees. Moreover, we will also take advantage of the courses offered by Bonificalia for which we won't have to pay any cost as the price of it will be deducted from the Social Security monthly payment. These courses will be given in three different ways, depending on the needs and availability of our employees:

- In company courses
- Distance education courses
- Online courses

There is a wide variety of courses such as: languages, administration, marketing, communication, etc.

## 5.6- PROCESSES

The process we want to achieve is, once the customer is exposed to the marketing campaign and buys our cameras, we want to create continuous cycle of film purchasing and development and so on and so forth.

Eventually we want to create in our customer a need to have different cameras since they provide different effects. Therefore, an effort on sales will be made.





## 5.7- PLACEMENT: CHANNELS TO MARKET

PHOTOY wants to establish a direct relationship with the final customer. Therefore, we will operate along two channels to market: direct sales in our retail shop and internet sales through our website.

Nowadays the Internet is a very important tool: it is expected that e-commerce in general will grow in Spain by 19% this year and represent 3.5% of the retail market. About 28% of the Spanish customers buy through Internet, (with Madrid, Catalonia and Balearic Islands being the more active in this respect). Men are more regular users and particularly those in the 25-34 years range, which represent more than 27% of the Internet purchases. Therefore our website will be very customer-focused, easy to use and friendly. The globalized vision is not only an advantage, also the low investment required – it will be designed by the company in charge of our communication using html and php5 language. Since buying operations require and extra guarantee of security, the hosting will be made by a server that will ensure the security as a top issue.

Thanks to tools like Google Analytics we will be able to get statistics that will provide us with information concerning the audience of our internet website such as the number of visitors, number of visits, most viewed pages, etc.

The service provided in the shop will be very high, with photography and film experts that will help our customers to make the best choice to satisfy their needs.

## 5.8- MARKETING ORGANIZATION

PHOTOY's Marketing Department will, entirely, be in charge of designing and monitoring the important marketing campaign. It will be based on the office of our main retail shop. The Marketing Department will consist initially of two people, the Marketing Director a Marketing Assistant who works in the shop. The anticipated main accountabilities of both positions are:

The positions are the following:

- Marketing Manager
  - o Responsible for the marketing of products
  - o Develop annual marketing plan
  - o Develop marketing strategy
  - o Develop price strategy
  - o Monitor trends : determine new products and services
  - o Monitor marketing, advertise and promotional activities
  - o Management of social network marketing efforts
  - o Manage customer database
- Marketing Assistant
  - o Assist Marketing Manager in all the functions
  - o Research and Communicate new trends to MM
  - o Follow-up with suppliers
  - o Follow-up of marketing guidelines
  - o Website supervision
  - o Follow up social network marketing efforts
  - o Transferring of ideas or recommendations of customers
  - o Updating complains and feedback
  - o Follow up website and hosting
  - o Organizing photography courses

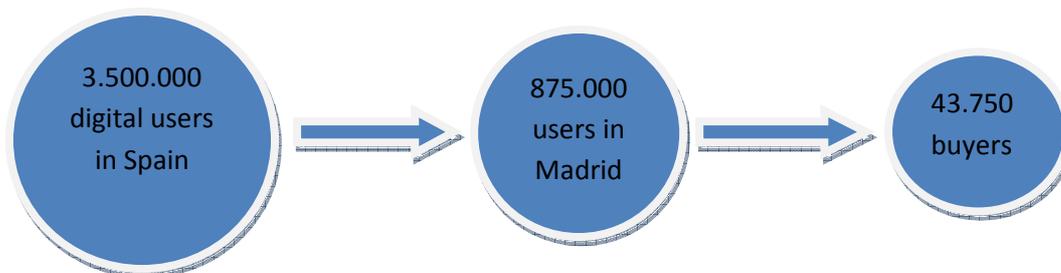
## 5.9- SEGMENTATION AND TARGETING

In order to find out the volume of our market, researches have been done and, based on the results, we have come to a complex multiple segmentation which is explain above.

### 5.9.1- In store sales segmentation

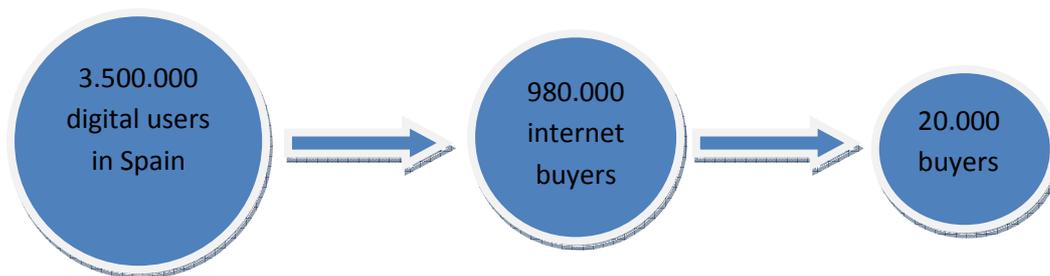
Considering that Spain has 3.500.000 digital users we have done an estimation of the number of digital users in the Madrid Community. Taking into account that Madrid has 9% of the total population of Spain and the fact that, among the 10,399 photography establishments in Spain, 1.648 are located in Madrid, which represents 16%, we have applied these two percentages in order to estimate the digital users in Madrid reaching 875.000 people.

To narrow this figure and to make it more accurate we have done a research on the analogue market, whose most important manufacturers stop their production in 2006 with 64,000 cameras sold. One year later, this figure was reduced to 25,000. If new cameras had been designed and launched the sales would have been increased as well. Therefore, we believe that there is an unsatisfied analogue market of 55,000 people which represents around 2% of the total digital market. As well as using this percentage to find out a more accurate figure we are considering the fact that our store is located in a very crowded area closed to Goya and El Retiro where we can be found more easily and therefore we consider we will reach 3% more people due to our excellent location. (See annexes 5,6 and 7 for further information).

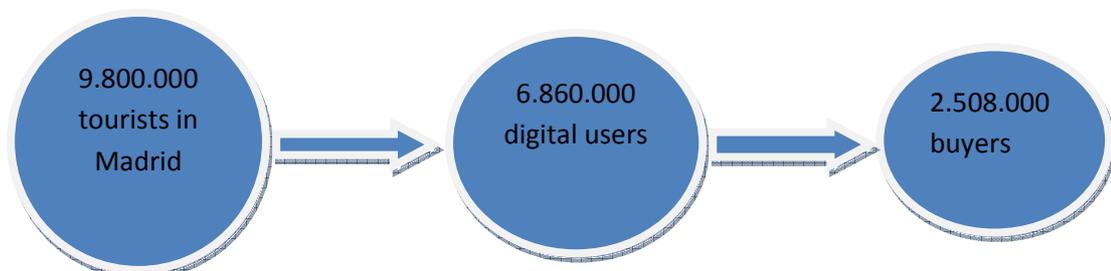


### 5.9.2- On the internet sales segmentation

First of all, the segmentation we are going to explain is based on the internet sales in Spain. As the number of Spanish people who buy directly from the internet represents 28% of the total population this leads to 980,000 people. Considering the same assumptions that we took in the first segmentation we know that from this digital market 2% belongs to the analogue market representing 20,000 potential buyers.



On the other hand we consider the fact of taking advantage of the tourism. According to the National Institute of Statistics, 9,800,000 tourists came to the Community of Madrid in 2010. We estimate that 70% of tourists use digital cameras and that 30% of them would, somehow, visit our store and become interested in acquiring our cameras. Applying these percentages, the number of potential tourist buyers is 2,508,000. This hasn't been taken into account in the financial plan so any sale coming from this segment is a plus in our revenues.



## 5.10- MARKETING IN DATES AND EUROS

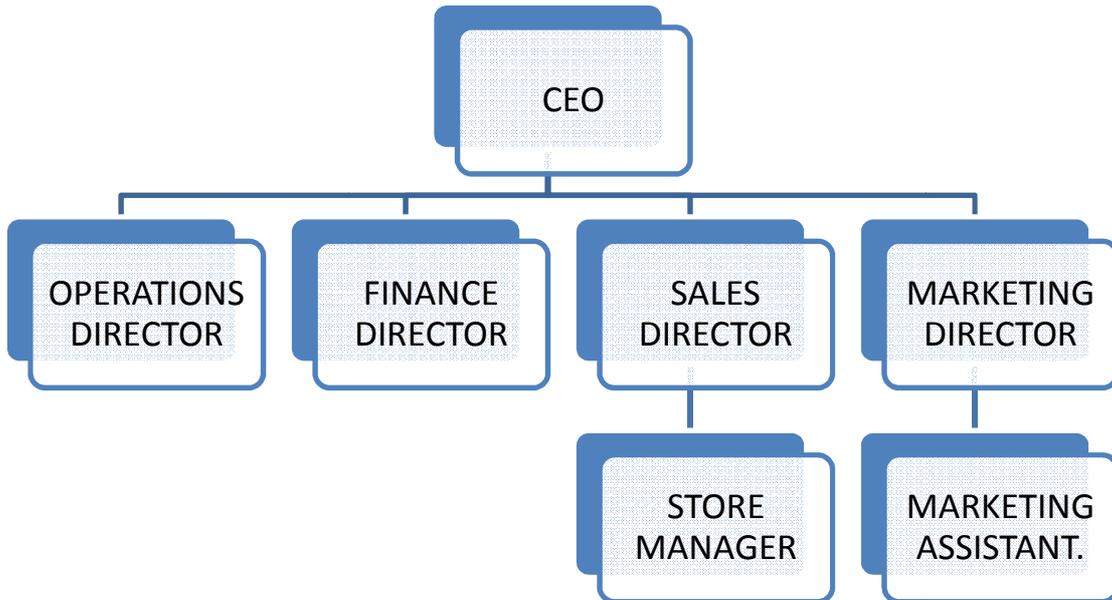
As a resume of the prices of each campaign described above we show the following table:

MARKETING ACTIVITIES	cost per campaign	1 st Year costs
Super foto magazine	7.200,00 €	7.200,00 €
SEO	- €	- €
Cost per click (Google)	900,00 €	900,00 €
Facebook campaigns	1.350,00 €	2.700,00 €
Twenty, facebook, twitter profiles	- €	- €
Press conference	3.200,00 €	3.200,00 €
A photo in a plastic bag	900,00 €	1.800,00 €
A free photo in the retiro	420,00 €	420,00 €
Opening party	- €	2.500,00 €
Photo parties	500,00 €	1.500,00 €
Front campaign	900,00 €	900,00 €
Brochures	2.000,00 €	2.000,00 €
Publireportaje	2.500,00 €	2.500,00 €

## 6- ORGANISATION AND HUMAN RESOURCES PLAN

### 6.1- ORGANIZATION CHART

As a small company, Photoy doesn't have a very complex structure regarding human resources. In the following chart we present you how PHOTOY is organized.



## 6.2- JOB DESCRIPTIONS

### 6.2.1- Marketing Director

#### JOB DESCRIPTION

The Marketing Director will provide vital marketing support to help build upon and maintain the growing PHOTOY brand to its many diverse audiences.

Reports to: CEO

#### ACCOUNTABILITY

Maintain a high level of project ownership and accountability for marketing initiatives, contributing substantially to company efficiency and brand growth.

- Event coordination and execution.
- Assist with seasonal asset development, both digital and print via freelance designers and contractors.
- Manage company website to ensure product inventory, specs, etc. are up to date and site is working properly.
- Oversee measuring, reporting and analysis of SEO and Google Analytics, identifying and troubleshooting pitfalls in traffic, site abandonment, etc.
- Initiate and execute online and email marketing materials and campaigns such as e-newsletters.
- Update website as needed with press, photos, and video content to keep it dynamic.
- Support social media campaigns, coordinate blog posts and guest contributors.
- Plan, manage and support events.
- Ensure the maximization and leveraging of all marketing Euros spent and every opportunity taken.
- Maintain a high level of project ownership and accountability for marketing initiatives, contributing substantially to company efficiency and brand growth.
- Event coordination and execution.
- Assist with seasonal asset development, both digital and print via freelance designers and contractors.

- Manage company website to ensure product inventory, specs, etc. are up to date and site is working properly.
- Oversee measuring, reporting and analysis of SEO and Google Analytics, identifying and troubleshooting pitfalls in traffic, site abandonment, etc.
- Initiate and execute online and email marketing materials and campaigns such as e-newsletters.
- Update website as needed with press, photos, and video content to keep it dynamic.
- Support social media campaigns, coordinate blog posts and guest contributors.
- Plan, manage and support events.
- Ensure the maximization and leveraging of all marketing Euros spent and every opportunity taken.

#### KNOWLEDGE

- Bachelor's degree in marketing or business communications.
- Proficient in Apple OS, Adobe CS (Photoshop, Illustrator, InDesign) and Microsoft Office (Word, Excel, PowerPoint), Email management software (ex: ExactTarget, Emma, etc.), and web CMS software.

#### COMPETENCES

- 3-5 years professional experience minimum—this is not an entry-level position.
- Experience in related outdoor or sporting industry preferred.
- High level of ownership, forward thinking and needs anticipation.
- Capable of managing multiple concurrent projects with a high level of attention to detail and work quality.
- Must possess excellent time management and problem-solving skills.
- Must be self-motivated and able to work independently, as well as part of a team
- Impeccable follow-up and follow-through.
- Creative mind with ability to envision a finished product and execute accordingly
- Travel to trade shows and other events.

#### POSITION TYPE

- From “work from home” to part time. More details in financial chapter.

### 6.2.2- Operations director

#### JOB DESCRIPTION

The Chief Operations Director will be responsible for enhancing the internal organization processes and infrastructure that will allow PHOTOY to continue to grow and fulfill its mission.

Reports to: CEO

#### ACCOUNTABILITY

- Plan, develop and implement strategy for operational management and development so as to meet agreed organizational performance plans within agreed budgets and timescales (covering relevant areas of operation - eg manufacturing, distribution, administration, whatever falls within remit according to organization’s structure) .
- Establish and maintain appropriate systems for measuring necessary aspects of operational management and development.
- Monitor, measure and report on operational issues, opportunities and development plans and achievements within agreed formats and timescales.
- Manage and develop direct reporting staff.
- Manage logistic activities.
- Manage and control departmental expenditure within agreed budgets.
- Liaise with other functional/departmental managers so as to understand all necessary aspects and needs of operational development, and to ensure they are fully informed of operational objectives, purposes and achievements.
- Contribute to the evaluation and development of operational strategy and performance in co-optation with the executive team.
- Ensure activities meet with and integrate with organizational requirements for quality management, health and safety, legal stipulations, environmental policies and general duty of care.

#### KNOWLEDGE

- Bachelor’s degree in engineer or business administration.

- Proficient in Microsoft Office (Word, Excel, PowerPoint & Outlook), Email management software (ex: Exact Target, Emma, etc.), and web CMS software.

#### COMPETENCES

- 3-5 years professional experience minimum (operations or project management)—this is not an entry-level position.
- High level of ownership, forward thinking and needs anticipation.
- Capable of managing multiple concurrent projects with a high level of attention to detail and work quality.
- Must possess excellent time management, problem-solving and negotiation skills.
- Must be self-motivated and able to work independently, as well as part of a team.
- Impeccable follow-up and follow-through.
- Proficient in Microsoft Office (Word, Excel, PowerPoint & Outlook), Email management software (ex: Exact Target, Emma, etc.), and web CMS software.
- Creative mind with ability to envision a finished product and execute accordingly
- Travel availability to Thailand and other Asian countries.

#### POSITION TYPE

- From “work from home” to part time. More details in financial chapter

### 6.2.3- Sales director

#### JOB DESCRIPTION

Responsible for the development and performance of all sales activities in assigned market. Staffs and directs a sales team and provides leadership towards the achievement of maximum profitability and growth in line with company vision and values.

Report to: CEO

#### ACCOUNTABILITIES

- Creating and delivering the sales strategy for the company, product range and designated market when he considers it is suitable to go international.
- Developing future growth policies and procedures to meet the objectives of the company's sales strategy.
- Directing and controlling the company's sales staff to ensure that they are appropriately motivated and trained to meet all sales targets and that they carry out their responsibilities to the required standards.
- Developing all necessary procedures and processes to ensure that the sales function operates efficiently and effectively and achieves all sales objectives. If the sales force performs badly he will take remedial action to ensure that sales targets are met.
- Keeping contact with our manufacturer in order to ask and control the budget for the sales function to ensure that all financial targets are met and that all necessary financial controls are in place to comply with company and regulatory requirements.
- Establishing and maintaining relationships with key customers and other relevant bodies to ensure that the company's maximum sales potential is realized and be aware of developments in sales techniques and technology to ensure that the company maintains and develops its competitive position.
- Follow-up of the orders made by Internet.

#### KNOWLEDGE

- Degree level
- Marketing and Sales
- Company Products

COMPETENCES

- Planning and organizing
- Leadership
- Proactive
- Problem solving
- Good communicator
- Decision making
- Time management
- Negotiation skills

POSITION TYPE

- From “work from home” to part time. More details in financial chapter.

### 6.2.4- Finance director

#### JOB DESCRIPTION

The director of finance and administration will define the process and implement the infrastructure/systems needed to support substantial growth over the 3 to 5 years.

S/he will continue to build and manage effective and streamlined administrative/financial systems, including financial, accounting, legal, information technology (IT), human resources (HR), and physical infrastructure.

As a member of the management team, the director will be involved in strategic planning, evaluation, and professional development initiatives, as well as planning for PHOTOY's expansion to new cities. S/he will continually evaluate best industry practices in comparison to internal systems and needed resources, with an eye toward both future needs and budget realities.

S/he will be the CEO as well so s/he will communicate to the board of directors the decisions taken according to PHOTOY's board meetings.

#### COMPETENCES

The director of finance and administration will have the following experience and attributes:

- Bachelor's degree (MA/MBA preferred) in Business, Management, or Finance.
- Excellent people skills, with experience collaborating in a multi-disciplinary, diverse, and dynamic team.
- Knowledge in financial management and accounting. It should include legal, audit, compliance, budget, and resource development.
- Demonstrated resourcefulness in setting priorities, proposing new ways of creating efficiencies, and guiding investment in people and systems.
- Constantly looking to apply best practices.
- Proven effectiveness leading professionals in finance and accounting.
- Technologically savvy, with an ability to point to examples of having worked with IT staff to develop and implement new processes and systems that increased efficiency in a fast-moving environment.

- Flexible and a self-starter; able to multi-task while also being highly detail-oriented.
- Personal qualities of integrity, credibility, and a commitment to PHOTOY's mission.

#### RESPONSABILITIES

##### **Finance and Budgeting**

The Managing Director of Finance and Administration will have overall financial management responsibility including the review and approval of monthly, quarterly, and annual financial reporting materials and metrics for the ED and board of directors. S/he will oversee budgeting, financial forecasting, cash flow and coordination of audit activities as well as accounts payable and receivable. The ideal candidate will not only be able to reconcile financial activities but should also be skilled at capturing key data and processes in order to demonstrate the relationship between PHOTOY's goals and resulting fundraising needs.

##### **Administration/Operations**

The executive will serve as a partner to the ED on the organization's administrative and operational processes, with a goal of continuously developing and improving systems. S/he must evaluate and improve PHOTOY's information technology infrastructure, implementing new technologies to support key capabilities as required for future growth, and to support and drive key human resource initiatives.

In addition, s/he will have overall responsibility for recruitment of staff. This will include marketing, operations and management of this process. The Managing Director of Finance and Administration will also partner with CEO and the rest of the management team to ensure that the focus remain on the organization's mission while maintaining the culture that makes PHOTOY unique.

#### POSITION TYPE

- From "work from home" to part time. More details in financial chapter.

### 6.2.5- Marketing assistant

#### JOB DESCRIPTION

The marketing assistant will support to Marketing department and provide backup.

- Writes, edits and/or proofreads copy for a variety purposes (e.g., newsletters, brochures, web sites, flyers, invitations, etc.) ☐.
- Collaborates with external/internal design services on creative ideas and design options while maintaining consistency with brand or sub-branding guidelines.
- Coordinates the submission of advertisements to media outlets, maintaining deadlines and production requirements.
- Maintains PHOTOY web site with current information, graphics and links. ☐
- Assists with development of e-newsletters. ☐
- Helps develop content to support social media strategy.
- Direct mail including list development, mail merge and coordination of distribution.
- Seminars and special event support.

REPORTS: Marketing Director

#### ACCOUNTABILITY

- Assist Marketing Coordinator with day to day activities and fulfill all administrative duties.
- Responsible for the coordination and distribution of sales materials and creation of sales meeting PowerPoint presentations.
- Coordinate and execute mailings.
- Responsible for the execution of buzz marketing program as well as our monthly e-newsletter creation.
- Update of website with news / information.
- Manage social media such as blog, twitter, social network profiles, youtube, vimeo and all the online communication.

KNOWLEDGE

- Bachelor's degree in marketing or related field.
- Proficient with Microsoft Office (Word, Excel, PowerPoint, Outlook), social media applications, search engines and other online marketing programs/products.

SKILLS REQUIRED

- Demonstrated work-related experience including familiarity with professional services or marketing / advertising agency. Photography knowledge a plus.
- Excellent communication skills, verbal and written.
- Proficient with Microsoft Office (Word, Excel, PowerPoint, Outlook), social media applications, search engines and other online marketing programs/products.
- Ability to perform multiple projects simultaneously while maintaining quality and meeting deadlines.
- Ability to quickly switch among duties.
- Detail orientation with excellent organizational skills and memory retention.

POSITION TYPE

- Full time.

### 6.2.6- Store manager

#### JOB DESCRIPTION

The Store will be in charge of giving an excellent customer service, controlling cash, purchasing and maintaining the store and facilities.

#### ACCOUNTABILITIES

- Handling and overseeing all the day-to-day processes that are carried out in the store as well as managing the product inventory, shop assistants, goods for display, sales, etc.
- Taking care of the interests of the employees as they will also be exposed to direct contact with the consumers. He will hire efficient employees, supervise and participate in recruiting by taking interviews of eligible candidates.
- Imparting customer service training to the marketing assistant as it is essentially needed for him/her to increase sales and give a better customer service.
- Motivating on is a significant factor that contributes to encourage employees in performing their job efficiently.
- Helping shop assistants in determining where to place the items that will attract the attention of consumers and he will set how many goods are on display, how many products are in the store inventory and what the primary demands of customers are.
- The store manager job accountabilities may change progressively when there is a growth in our store. However, his/her main aim will always remain the same: increasing store profits and providing satisfactory service to customers.

#### KNOWLEDGE

- Customer service.
- Microsoft office.
- Computerized accounting.
- Developing process.

#### COMPETENCES

- Excellent customer service.
- Problem solving.

- Decision making.
- Good communication.
- Time management.

POSITION TYPE

- Full time.

### 6.3- REMUNERATION POLICY

The salary will be established depending on the position and contribution each employee gives to the company. We consider that attaching great importance to our store staff is crucial because somehow our business depends on them. Here is displayed the salary for each position.

JOB	2011 4 MONTHS	2012	2013	2014	2015	2016
<b>CEO</b>	9.139,3€	5.648,1€	5.817,6€	5.992,1€	6.171,8€	6.357,0€
<b>Marketing Director</b>	9.139,3€	14.120,3€	14.543,9€	14.980,2€	15.429,6€	15.892,5€
<b>Operation Director</b>	9.139,3€	5.648,1€	5.817,6€	14.980,2€	15.429,6€	15.892,5€
<b>Sales Director</b>	9.139,3€	5.648,1€	5.817,6€	5.992,1€	6.171,8€	6.357,0€
<b>Store Manager</b>	4.837,0€	19.928,4€	20.526,3€	21.142,1€	21.776,3€	22.429,6€
<b>Marketing Assistant</b>	4.342,8€	17.892,1€	18.428,9€	18.981,8€	19.551,2€	20.137,7€

September 2011 is the date Photoy will be opened. In 2011 we will have the CEO, the Marketing Director, the Operations Director and the Sales Director working part time. However, the Store Manager and the Marketing Assistant will work full time from the first day onwards as their presence in the store is fundamental in order to give a big push to the business.

In 2012 there will be some changes. The CEO, the Operations Director and the Sales Director will work from home whereas the Marketing Director will work part time.

From 2013 onwards the CEO and the Sales Director will work from home and the Marketing Director and Operations Director will work part time.

JOB	2011 4 MONTHS	2012	2013	2014	2015	2016
CEO	PART TIME	WORK FROM HOME				
Marketing Director	PART TIME	PART TIME	PART TIME	PART TIME	PART TIME	PART TIME
Operations Director	PART TIME	WORK FROM HOME	WORK FROM HOME	PART TIME	PART TIME	PART TIME
Sales Director	PART TIME	WORK FROM HOME				
Store manager	FULL TIME	FULL TIME	FULL TIME	FULL TIME	FULL TIME	FULL TIME
Marketing Assistant	FULL TIME	FULL TIME	FULL TIME	FULL TIME	FULL TIME	FULL TIME

## 6.4- BONUS POLICY

When motivation is nonexistent, employees are unsatisfied and therefore they don't perform as they should. The culture of our company is based on the fact that every single employee deserves to be treated with respect and be considered as valuable for the company. Even though motivation doesn't guarantee success it is clear that its absence leads to failures. In order to avoid such failure we will motivate our staff in two ways:

1. Economic: fair salary and variable reward depending on the performance and achieved targets.
2. Emotional: stability and promotion.

Reward will depend on factors such as: productivity, attendance, cross-selling, achievement of targets, high quality management, care of the store.

Promotions will depend on attitude, levels of competence and seniority in the company.

On one hand, we will set a percentage of the total profits and the end of the year as a bonus. This will make of the staff involve not just even the ones who are going to be at the store but also all the directors. This percentage will be higher for the directors, around 5 to 10 percent each and 1 percent for the staff of the store.

On the other hand we will give a commission of 4 percent of the sales in cameras and other goods sold in the store to the store manager and marketing assistant as bonuses, 2 percent each, developing, which it could be up to 10% of the annual net salary.

## 6.5- STAFF DEVELOPMENT AND APPRAISAL

All employees in PHOTOY will have a target set at the beginning of each quarter and their performance, result and goals achieved will be measured. A photography course will be given to all the store employees in order to give a satisfy service to the client and being able to answer to any enquire they might have regarding cameras, developing, film or photography techniques. By continuous follow-up on performance we will try to avoid not reaching targets. In case our staff doesn't succeed we will take actions such as: client service training programs, more supervision, etc. When goals are achieved they will be rewarded.

## 7- STRATEGIC OBJECTIVES

### 7.1- INTRODUCTION

The company will have a strategy based on selling imported replica cameras mainly (although we sell other products) and going for the quality of its services in the developing and copies. The company will continuously grow in a stable way, showing particular attention in maintaining an excellent service to the customer and a financial balance of the company.

PHOTOY S.L will pursue these strategic objectives through positioning, marketing, sales and profitability.

#### 7.1.1- Position Objective

Analogue cameras can be considered a niche market. Last cameras producers stopped producing in 2005-2006. Since that dates, traditional camera users had to find these products only in second hand markets. Right now, there is just one player that offers these kind of products, Lomography. We want to position ourselves by offering potential users a wide range of camera replicas and any other products needed to experience the film photography.

Hence, the strategic objective for positioning our company is to have around 12% of the total market share in Spain. The geographical area where we will focus our activity is Madrid, where the market activity is more active than in the rest of Spain and then open a new store in Barcelona. Nevertheless, our expansion plan foresees the possibility of extending our business to the rest of Europe, mainly in London and Berlin and to Argentina.

Our target clients will be those who follow new trends, nostalgics and mainly those who still use traditional cameras. The products provided by PHOTOY S.L. will seek to cover all the analogue customers' needs.

According to all these objectives and taking into account the special wide range of products that our company is going to offer and that there is just one international player, we think that PHOTOY will be positioned in the market as a co-leader company.

7.1.2- Sales Objective

The future of the company is subjected to achieve a certain amount of sales, so PHOTOY S.L. will need to concentrate its marketing efforts in order to sell a minimum number of products given that it is a key factor for the sustainability of the company. To determine this objective we have to analyze the potential sales, which are described in the Marketing Analysis. After this, we have made an estimation of its evolution over time (5 years). For the cash flows we made estimations for the monthly sales as this product is more likely to be sold in some months than in others as it is shown in the following table 7.1

CALENDAR 2014 - 2016													
	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	TOTAL 100%
	Sales		Holy week	Weddings	First Holy Communion Weddings	Weddings	Holydays	Holydays	Weddings			Christmas	
CAMERAS	13,50%	4,00%	12,00%	8,00%	12,00%	9,00%	10,00%	4,00%	5,00%	3,00%	2,50%	17,00%	100,00%
FILMS	9,00%	4,00%	12,00%	10,00%	10,00%	10,00%	12,00%	8,00%	7,00%	3,00%	3,00%	12,00%	100,00%
DEVELOPING	11,50%	5,00%	7,00%	12,00%	11,00%	10,00%	10,00%	10,00%	10,00%	6,00%	3,50%	4,00%	100,00%
GADGETS	14,00%	6,00%	7,00%	7,00%	7,00%	10,00%	10,00%	7,00%	7,00%	5,00%	5,00%	15,00%	100,00%

As described in the Market Research section in Chapter 5, the potential market for PHOTOY is quite focus and in consequence it is not very difficult to establish the potential sales as a percentage (market share) of the potential market.

After having analyzed the sector it has been estimated that in five years time, PHOTOY will reach a level of sales higher than the average sales of our main competitor. PHOTOY sales objective by 2016 will be around 9,000 cameras in the Madrid store and through the internet.

Another key factor is the profitability. PHOTOY will focus on obtaining a high profitability of its sales. We will achieve it by reducing operating costs, being more efficient and having good margins.

## 8- FINANCIAL PLAN

### 8.1- INTRODUCTION

In this chapter, the financial plan of PHOTOY S.L. will be explained in depth.

It has been considered five-years and 4 months forecast to analyze the feasibility of this company; from September 2011 until December 2016. During the first year and four months all analysis has been developed in a monthly basis, in order to ensure the correct operation at the beginning, when the investment is higher and the revenues usually are shorter.

Our company aim is to get a certain amount of market share of the total market size. We know that it is usual to begin with pretty low market sizes and increase year by year as people know us better. Consequently we have done the study of three different scenarios. The main differences between them are the increase of the market size and also the increase of the market share. Depending on the sales, we grow different and so our income and orders to our suppliers vary as well as expectations on the expansion plan.

In all the scenarios, we start with a minimum of market size, different in each scenario and then we assume a constant growth, also different between scenarios.

All the financial data is explained into the following sections. All tables regarding the realistic scenario will be attached in their section.

## 8.2- FINANCIAL OBJECTIVES

Main objectives we wanted to reach were as follows:

IRR bigger than 25%: we estimate around 49%.

Payback period smaller than 4 years: we calculate it in less than 3 years

Profitability ratio bigger than 40%: last year's remain at around 50%

ROI higher than 15%: except the year we open the store in Barcelona.

## 8.3- FINANCIAL ESTIMATIONS

In this chapter, some estimations are presented, on which all the numbers in the financial plan have been based. We have estimated for each scenario and according to the market research developed in the marketing plan, a sales-load, and as a consequence a number of orders.

Regarding operational factors we have considered the following:

- \_ Collection period: 0 days.
- \_ Average payment period: 35 days.
- \_ Working days per year: 211.
- \_ Money devoted to training: 2000€/ year/ store.
- \_ Time devoted to R&D: 50% of the time of the Marketing & Operations Managers as well as 6000€ in concept of trips to Thailand & China to visit new suppliers and visit fairs.
- \_ Initial capital: 125.000€
- \_ Financial needs apart from shareholders capital: 80.000€(Amount decision explained in the Funding Needs and Cash Flow sections).
- \_ Long term Loan amortization: 3 years according to an ICO loan from Banco Popular.
- \_ Long term Loan interest rate: 8% according to an ICO loan from Banco Popular.
- \_ Loan grace period: 1 year.
- \_ We contact NACEX for shipping our products to our customers. As we charge the same as NACEX charges us, we don't take into account that money for the financials and cash flow calculations.

Currency changes used as in the table below:

EUROS	DOLLARS	BAHTS	TAIWAN RM
1	0,7	0,02	0,23

Estimations for the market size and the market share we expect for Madrid are shown in the table and graph below:

Madrid:

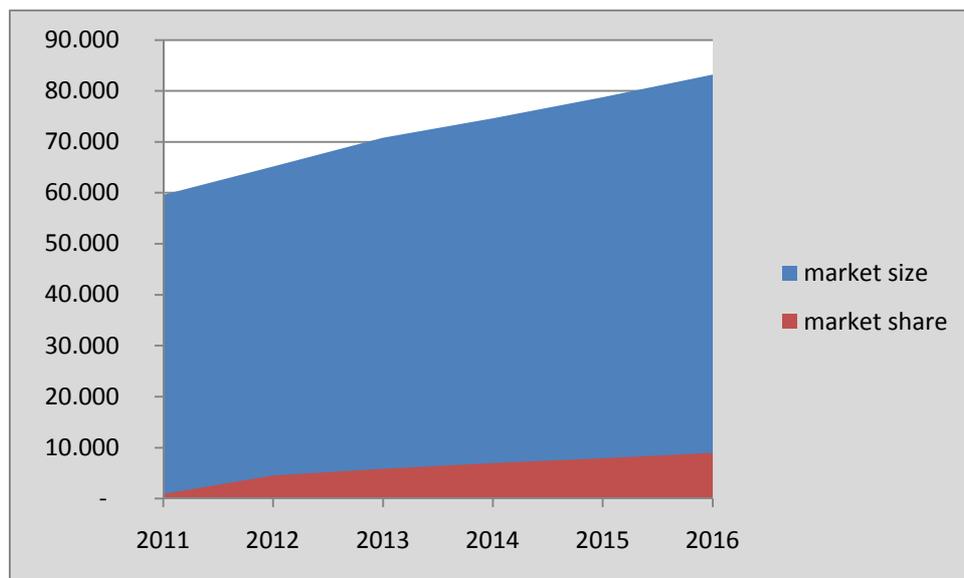
	2011			2012			2013		
	SHOP	E-COMMERCE	TOTAL	SHOP	E-COMMERC	TOTAL	SHOP	E-COMMERC	TOTAL
MARKET-SIZE	40000	19600	59.600	43200	21952	65152	46224	24586	70810
MARKET SHARE	6,00%	6,00%	6,00%	7,00%	7,00%	7,00%	8,20%	8,50%	8,30%
TOTAL CAMERAS	600	294	<b>894</b>	3.024	1.537	<b>4.561</b>	3.790	2.090	<b>5.880</b>

2014			2015			2016		
SHOP	E-COMMERC	TOTAL	SHOP	E-COMMERC	TOTAL	SHOP	E-COMMERC	TOTAL
47611	27045	74656	49039	29749	78788	50510	32724	83234
9,00%	10,00%	9,36%	9,50%	11,00%	10,07%	10,00%	12,00%	10,79%
4.285	2.704	<b>6.989</b>	4.659	3.272	<b>7.931</b>	5.051	3.927	<b>8.978</b>

Barcelona:

	2014			2015			2016		
	SHOP	E-COMMERCE	TOTAL	SHOP	E-COMMERCE	TOTAL	SHOP	E-COMMERCE	TOTAL
MARKET-SIZE	45000	0	45000	46350	0	46350	47741	0	47741
MARKET SHARE	7,00%	0,00%	7,00%	8,50%	0,00%	8,50%	9,50%	0,00%	9,50%
TOTAL CAMERAS	3.150	-	<b>3.150</b>	3.940	-	<b>3.940</b>	4.535	-	<b>4.535</b>
% Madrid			<b>45,07%</b>			<b>49,67%</b>			<b>50,52%</b>

The evolution of market size vs. market share for Madrid Store is as follows:



In the following pages we will go through the different stages of the financial plan.

### 8.4- PRODUCT & SERVICES – INVENTORY MANAGEMENT

We offer our clients different products that we divided in four categories: Cameras, Films, Developing and Gadgets. In all the prices given below as cost of the items it is included the shipping, insurance, quality controls, FOBs...as all these activities are outsourced and all the costs divided per item.

- CAMERAS:

- o That we also divided into what we called “low quality replicas” and “high quality replicas”. They differ in the price. To calculate the sales we assume that 90% of our sales will be low quality cameras and 10% high quality ones. Instead of estimating sales per model, we made a weighted average of price/order and also per low quality replicas and high quality ones. That means that we get an average price per low quality replica camera and another one for the high quality replicas. Prices for the low quality replicas increase year by year according to inflation; cost prices increase according to supplier’s countries inflation rate and we increase the prices 5% per year which is around 2% higher than inflation in order to obtain some more profit per year. Prices/costs for the high quality replicas remain the same in the years as a company policy.

Costs price per model, Weight per model, sales price per model and evolution in time is shown in the table below.

CAMERA MODELS "LOW QUALITY"	Weight per model	Store cost	Store price (VAT not included)
KODAK BROWNIE	0,075	15,36 €	50,00 €
KODAK POCKET INSTANT	0,05	18,97 €	56,90 €
KONICA AF3	0,125	6,95 €	29,50 €
VIVITAR A35	0,125	5,95 €	32,00 €
PRAKTIFLEX	0,125	9,95 €	34,50 €
CANON AE1	0,125	9,95 €	34,50 €
ZEISS IKON KOLIBRI	0,0625	18,97 €	58,00 €
TWIN LENS CAMERA STAR	0,125	3,20 €	22,50 €
THREE LENS/FOUR LENS	0,1875	3,27 €	24,00 €
<b>AVERAGE PRICE</b>	<b>1</b>	<b>8,40 €</b>	<b>33,85 €</b>

Average costs and prices 2012 in “low quality models”

2013		2014		2015		2016	
Cost	Price	Cost	Price	Cost	Price	Cost	Price
8,65 €	35,54 €	8,48 €	37,31 €	8,73 €	39,18 €	8,99 €	41,14 €

Evolution on our average costs and prices

CAMERA MODELS "HIGH QUALITY"	Weight per model	Store cost	Store price (VAT not included)
HASSELBLAD 1600 F	0,227	80,00 €	120,00 €
POLAROID ONE STEP RAINBOW	0,227	66,70 €	100,05 €
AGFA BILLY RECORD	0,227	80,00 €	120,00 €
PRIMO JR	0,091	250,00 €	337,50 €
BLACK BIRD FLY, BBF	0,227	100,00 €	150,00 €
<b>AVERAGE PRICE</b>	<b>1</b>	<b>96,98 €</b>	<b>142,06 €</b>

Average costs and prices in "High quality model"

- FILMS:
  - o According to our research in stores that sell films in Madrid, we estimate to sell around up to 2, 1 films per camera, starting from 1,8. For the price we use the same criteria as for the cameras as we have different models. Details shown in the table below.

FILM MODELS	Weight per model	Cost	Price (VAT not included)
PX 70 Color Shade Push Film	0,03	11,50 €	16,10 €
KODAK EKTAR 100	0,093	4,06 €	6,29 €
Agfa vista 200	0,093	2,80 €	5,60 €
lucky colour iso 200	0,217	1,68 €	3,02 €
lucky shd 100	0,217	1,82 €	2,91 €
kodak 400 tmx	0,0525	3,36 €	5,04 €
lucky 10 b&w	0,1225	1,82 €	2,91 €
Shanghai GP3	0,1225	1,82 €	2,91 €
Ektar color pro	0,0525	2,80 €	4,48 €
<b>AVERAGE PRICE</b>	<b>1</b>	<b>2,51 €</b>	<b>4,09 €</b>

Average costs and prices 2012 in Films.

2013		2014		2015		2016	
Cost	Price	Cost	Price	Cost	Price	Cost	Price
2,59 €	4,29 €	2,54 €	4,51 €	2,61 €	4,74 €	2,69 €	4,97 €

Evolution on our films average costs and prices

- DEVELOPING:
  - o We outsource developing and copies to a Lab in Madrid. After negotiations with them we get a 20% discount for the volume we estimate. Then we raise the price a bit higher than theirs. Here we made an average of the price of film developing and copies made per film. Prices are shown below as well as their evolution in time.

2012		2013		2014		2015		2016	
Cost	Price								
5,73 €	10,13 €	5,90 €	10,64 €	6,07 €	11,17 €	6,26 €	11,73 €	6,44 €	12,31 €

Evolution in our developing and copies average costs and prices

- GADGETS:

- o We include here Camera covers, Flashes, Albums... and we estimate that from every 10 cameras we sell, we sell 4 gadgets. Evolution in price and costs according to the criteria followed, is:

2012		2013		2014		2015		2016	
Cost	Price								
6,25 €	12,50 €	6,44 €	13,13 €	6,31 €	13,78 €	6,50 €	14,47 €	6,69 €	15,19 €

Evolution in our gadgets average costs and prices

Taking into account the space we have in our store, we only have to mind about minimum orders we need. After negotiations with the suppliers for the minimum orders and sales expectations we manage them to avoid stock outs. Once the Barcelona Store opens, in 2014, this becomes easier as in case of a possible stock out; Items can be delivered from Madrid to Barcelona or in the other way.

## 8.5- OPERATIONAL COST. OPERATIONS, PLANT AND INVESTMENT.

In this Chapter we include all investments we have to do to open the store, first in Madrid and then in Barcelona although the Barcelona costs are just estimations, duplicating the costs we get in Madrid.

The table bellow shows the resume of all the costs that we took into account and the source where we got them.

Operations and P&E	Cost (€)	Source
Refurbishment store	37.400	Mundo reforma.
Rent	2.500 /Month	<b>www.idealista.com</b>
Web page	4.000	Duero Imagen
Web page maintenance	10/Month	Duero Imagen
ERP	3.000	Grupo Tramec
Utilities (water, power, insurance, internet, telephone, alarm )	300/Month	Various sources (Mapfre, Orange, Securitas)
Fairs & visits to suppliers	6.000	3 trips (own research)
Scooter	1.500	Motos-ocasión
Laptop, screen, Equipment	2.800	Fnac
Creation of the company and name	2.500	Asesoría Sauquillo

Expenses from the operational plan

## 8.6- MARKETING BUDGET

According to the description of activities in marketing plan, in the first table we show the activities planned for marketing and its costs in the first year. Then the total expenses from each activity are as shown in the next table below for the first 4 months and then for the first year.

MARKETING ACTIVITIES	cost per campaign	1 st Year costs
Super foto magazine	7.200,00 €	7.200,00 €
SEO	- €	- €
Cost per click (Google)	900,00 €	900,00 €
Facebook campaigns	1.350,00 €	2.700,00 €
Twenty, facebook, twitter profiles	- €	- €
Press conference	3.200,00 €	3.200,00 €
A photo in a plastic bag	900,00 €	1.800,00 €
A free photo in the retiro	420,00 €	420,00 €
Opening party	- €	2.500,00 €
Photo parties	500,00 €	1.500,00 €
Front campaign	900,00 €	900,00 €
Brochures	2.000,00 €	2.000,00 €
Publireportaje	2.500,00 €	2.500,00 €

Activities for the marketing campaigns.

MARKETING	2011												2012											
	STARTUP				QUARTER1				QUARTER2				QUARTER3				QUARTER4							
	sep-11	oct-11	nov-11	dic-11	jan-12	feb-12	mar-12	ap-12	may-12	jun-12	jul-12	aug-12	sep-12	oct-12	nov-12	dic-12								
SUPERFOTO MAGAZINE	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €	600,00 €								
COST PER CLICK	-	300,00 €	300,00 €	300,00 €	300,00 €				300,00 €	300,00 €						300,00 €								
FACEBOOK				1.350,00 €						1.350,00 €						1.350,00 €								
PRESS CONFERENCE		3.200,00 €																						
PHOTO PLASTIC BAG			900,00 €						900,00 €															
FREE PHOTO			400,00 €								400,00 €													
OPENING PARTY			2.300,00 €																					
PHOTO PARTIES					500,00 €				500,00 €							500,00 €								
FRONT CAMPAIGN		900,00 €																						
BROCHURES		2.000,00 €			2.000,00 €																			
PUBLIC RELATIONS				2.300,00 €																				
<b>TOTAL</b>	<b>MONTHLY</b>	3.900,00 €	6.600,00 €	2.220,00 €	4.750,00 €	3.400,00 €	600,00 €	600,00 €	600,00 €	2.000,00 €	900,00 €	2.250,00 €	1.020,00 €	600,00 €	600,00 €	600,00 €	2.730,00 €							
<b>QUARTERLY</b>						4.600,00 €			5.150,00 €			2.220,00 €					3.950,00 €							
<b>YEARLY</b>					17.070,00 €												15.920,00 €							

These are the costs for year 2014 of the Barcelona.

MARKETING BARCELONA	2014				
	QUARTER 9	QUARTER 10	QUARTER 11	QUARTER 12	
	2014				
SUPER FOTO MAGAZINE	- €	- €	- €	- €	
COST PER CLICK	- €	- €		- €	
FACEBOOK	1.350,00 €	1.350,00 €		1.350,00 €	
PRESS CONFERENCE	3.200,00 €				
PHOTO PLASTIC BAG		- €			
FREE PHOTO			420,00 €		
OPENING PARTY	2.500,00 €				
PHOTO PARTIES	500,00 €	500,00 €		500,00 €	
FRONT CAMPAIGN	900,00 €				
BROCHURES	2.000,00 €				
PUBLIREPORTAJE					
<b>TOTAL</b>	<b>QUATERLY</b>	<b>10.450,00 €</b>	<b>1.850,00 €</b>	<b>420,00 €</b>	<b>1.850,00 €</b>
	<b>YEARLY</b>	<b>14.570,00 €</b>			

Marketing costs for Barcelona 2014

## 8.7- PERSONEL COST

According to the HR chapter, distribution and costs for personnel are as shown in table below.

	2011	2012	2013	2014	2015	2016
CEO	PART TIME	WORKING FROM HOME				
Marketing Director	PART TIME	PART TIME	PART TIME	PART TIME	PART TIME	PART TIME
Operations Director	PART TIME	WORKING FROM HOME	PART TIME	PART TIME	PART TIME	PART TIME
Sales Director	PART TIME	WORKING FROM HOME				
Store manager	FULL TIME	FULL TIME	FULL TIME	FULL TIME	FULL TIME	FULL TIME
Marketing Assistant	FULL TIME	FULL TIME	FULL TIME	FULL TIME	FULL TIME	FULL TIME

PART TIME	50%
WORKING FROM HOME	20%
FULL TIME	100%

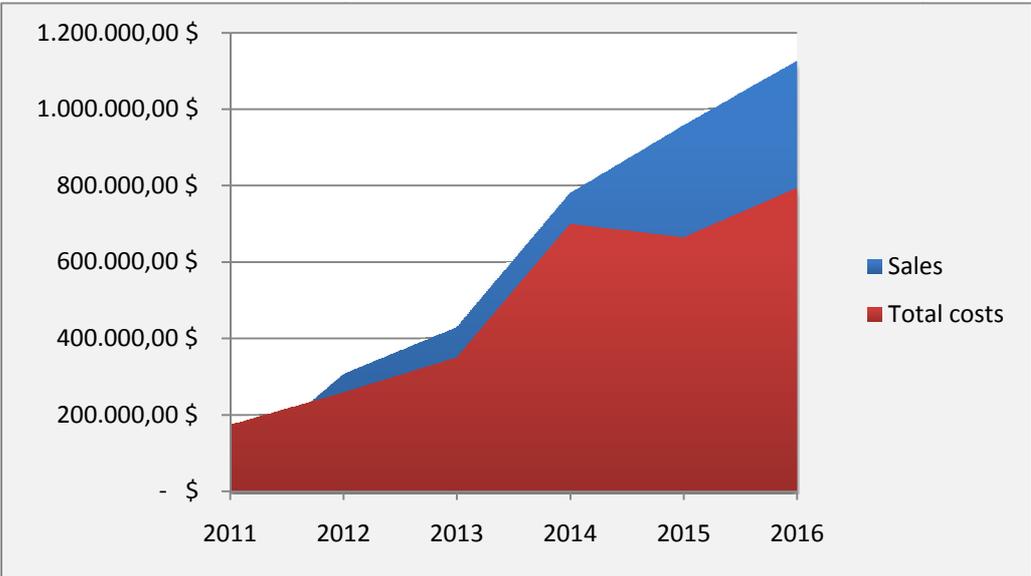
Distribution of our personnel

JOB	People	Yearly salary	2011 4 MONTHS Yearly salary	2012 Yearly salary	2013 Yearly salary	2014 Yearly salary	2015 Yearly salary	2016 Yearly salary
CEO	1	27.418,0€	9.139,3€	5.648,1€	5.817,6€	5.992,1€	6.171,8€	6.357,0€
Marketing Director	1	27.418,0€	9.139,3€	14.120,3€	14.543,9€	14.980,2€	15.429,6€	15.892,5€
Operations Director	1	27.418,0€	9.139,3€	5.648,1€	5.817,6€	14.980,2€	15.429,6€	15.892,5€
Sales Director	1	27.418,0€	9.139,3€	5.648,1€	5.817,6€	5.992,1€	6.171,8€	6.357,0€
Store manager	1	19.348,0€	4.837,0€	19.928,4€	20.526,3€	21.142,1€	21.776,3€	22.429,6€
Marketing Assistant	1	17.371,0€	4.342,8€	17.892,1€	18.428,9€	18.981,8€	19.551,2€	20.137,7€
<b>Variable Salary</b>								
CEO	1	-	0,0€	0,0€	0,0€	0,0€	0,0€	0,0€
Marketing Director	1	-	0,0€	0,0€	0,0€	0,0€	0,0€	0,0€
Operations Director	1	-	0,0€	0,0€	0,0€	0,0€	0,0€	0,0€
Sales Director	1	-	0,0€	0,0€	0,0€	0,0€	0,0€	0,0€
Store manager	1	2% of Sales	0,0€	1.852,3€	2.388,2€	2.838,7€	3.221,2€	3.317,8€
Marketing Assistant	1	2% of Sales	0,0€	1.852,3€	2.388,2€	2.838,7€	3.221,2€	3.317,8€
<b>TOTAL REMUNERATION</b>	<b>F+V</b>	-	45.737,1€	72.589,7€	75.728,1€	87.745,8€	90.972,7€	93.701,9€
	<b>F</b>	-	45.737,1€	68.885,2€	70.951,7€	82.068,4€	84.530,4€	87.066,4€
<b>SOCIAL SECURITY (30,9%)</b>								
CEO	1	-	2.824,1€	1.745,3€	1.797,6€	1.851,6€	1.907,1€	1.964,3€
Marketing Director	1	-	2.824,1€	4.363,2€	4.494,1€	4.628,9€	4.767,7€	4.910,8€
Operations Director	1	-	2.824,1€	1.745,3€	1.797,6€	4.628,9€	4.767,7€	4.910,8€
Sales Director	1	-	2.824,1€	1.745,3€	1.797,6€	1.851,6€	1.907,1€	1.964,3€
Store manager	1	-	1.494,6€	6.730,2€	7.080,6€	7.410,1€	7.724,2€	7.956,0€
Sales & Marketing Assistant	1	-	1.341,9€	6.101,0€	6.432,5€	6.742,5€	7.036,7€	7.247,8€
<b>TOTAL SOCIAL SECURITY</b>		-	14.132,8€	22.430,2€	23.103,1€	23.796,2€	24.510,1€	25.245,4€
<b>TRAINNING</b>		-	500,0€	2.000,0€	2.060,0€	2.121,8€	2.185,5€	2.251,0€
<b>TOTAL (F+V)</b>		-	60.369,8€	97.019,9€	100.891,2€	113.663,8€	117.668,3€	121.198,3€
<b>TOTAL F</b>		-	60.369,8€	93.315,4€	96.114,8€	107.986,4€	111.226,0€	114.562,8€

Personnel costs for Madrid Store

8.8- EXPECTED COST AND SALES

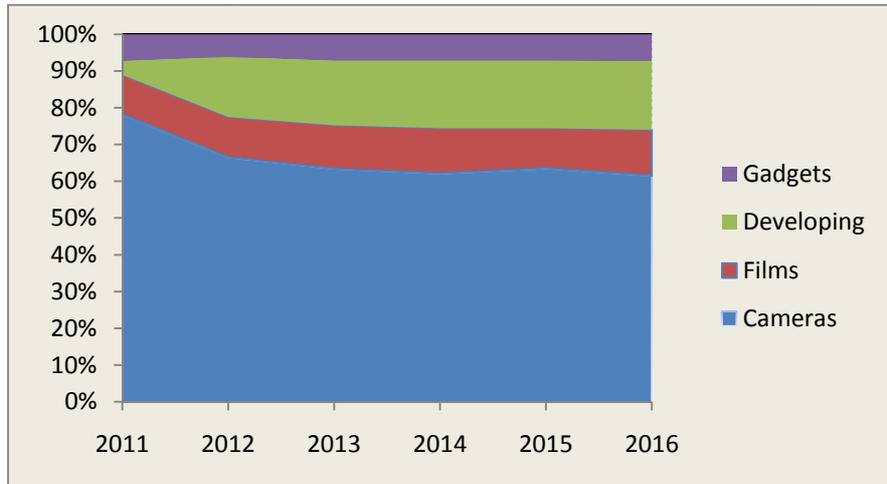
Evolution of total costs, including variable and fixed costs and sales are shown below. We take into account the opening of the new store in Barcelona in the year 2014.



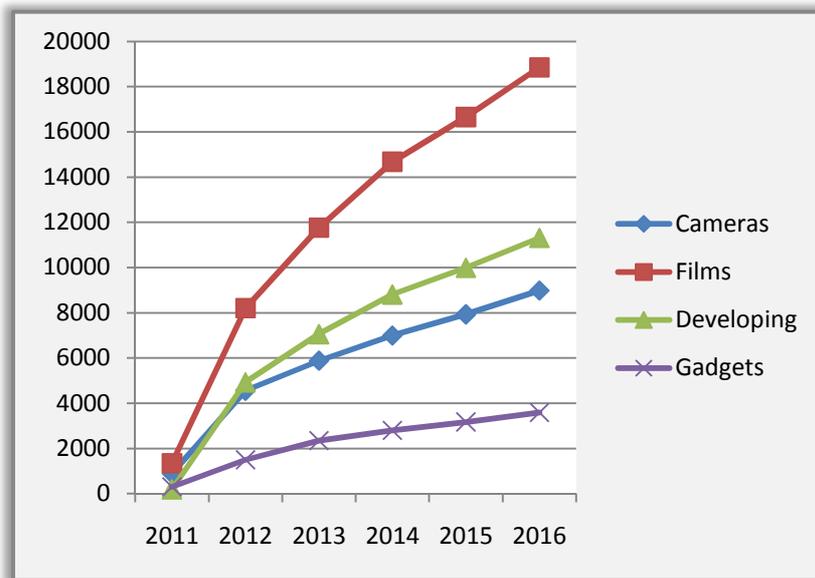
Cash outlay it's shown in the table below:



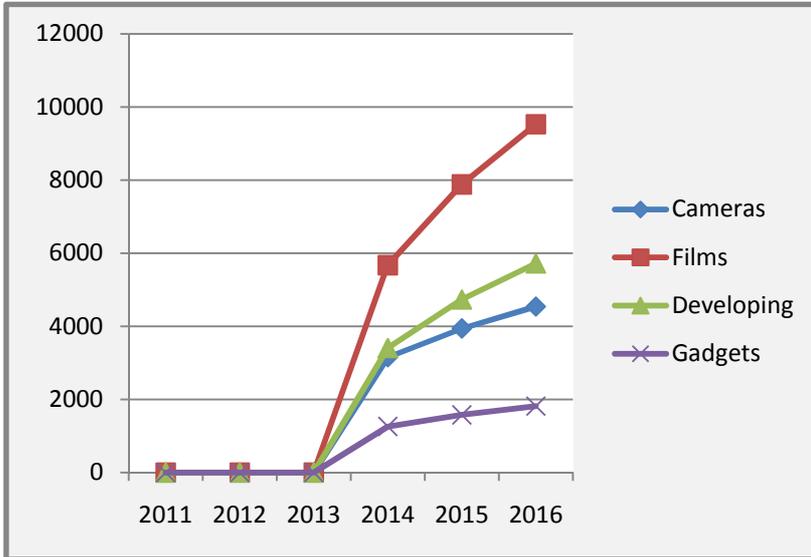
Contributions to total sales per product are as shown below:



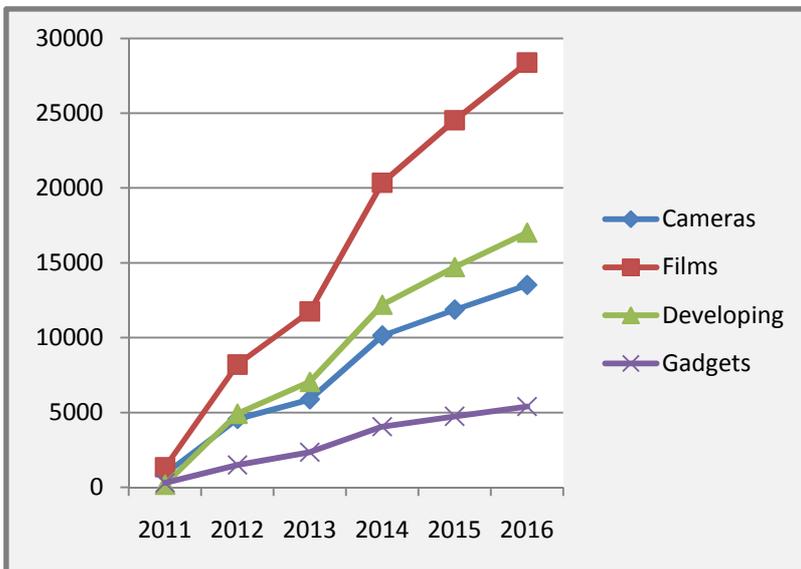
The evolution of the sales per product in Madrid Store is as follows:



The evolution of the sales per product in Barcelona Store is shown in the following graph:



Finally PHOTOY total evolution of Sales/Product is:



## 8.9- VAT MANAGEMENT

In our accounting we decided not to include the VAT. The prices given are all without VAT. The VAT we should include to our products is an 18%. For the year 2012 the PVP for our products would be as follow:

<b>CAMERA MODELS "LOW QUALITY"</b>	<b>Store price (VAT not included)</b>	<b>PVP</b>
KODAK BROWNIE	50,00 €	59,00 €
KODAK POCKET INSTANT	56,90 €	67,14 €
KONICA AF3	29,50 €	34,81 €
VIVITAR A35	32,00 €	37,76 €
PRAKTIFLEX	34,50 €	40,71 €
CANON AE1	34,50 €	40,71 €
ZEISS IKON KOLIBRI	58,00 €	68,44 €
TWIN LENS CAMERA STAR	22,50 €	26,55 €
THREE LENS/FOUR LENS	24,00 €	28,32 €
<b>CAMERA MODELS "HIGH QUALITY"</b>	<b>Store price (VAT not included)</b>	<b>PVP</b>
HASSELBLAD 1600 F	120,00 €	141,60 €
POLAROID ONE STEP RAINBOW	100,05 €	118,06 €
AGFA BILLY RECORD	120,00 €	141,60 €
PRIMO JR	337,50 €	398,25 €
BLACK BIRD FLY, BBF	150,00 €	177,00 €
<b>FILM MODELS</b>	<b>Store Price (VAT not included)</b>	<b>PVP</b>
PX 70 Color Shade Push Film	16,10 €	19,00 €
KODAK EKTAR 100	6,29 €	7,43 €
Agfa vista 200	5,60 €	6,61 €
lucky colour iso 200	3,02 €	3,57 €
lucky shd 100	2,91 €	3,44 €
kodak 400 tmx	5,04 €	5,95 €
lucky 10 b&w	2,91 €	3,44 €
Shanghai GP3	2,91 €	3,44 €
Ektar color pro	4,48 €	5,29 €
<b>DEVELOPING</b>	10,13 €	11,95 €

**8.10- INVESTMENT PLAN**

PHOTOY S.L. requires facing an initial investment in order to refurbish the store, design the web page and ERP, hire the personnel, start the marketing campaigns and of course, pay the first orders to our different suppliers. The equipment and operations we do amortizations/depreciations are shown in the table below. Depending on the equipment or investments, we have decided an amortization/depreciation period of 10, 5 and 4 years.

			VALUE	DEP/AMORT PERIOD	2011	2012	2013	2014
MADRID	TANGIBLE	Refurbishment	37.400,00 €	10	935	3740	3740	3740
		Laptop & equipment	2.800,00 €	4	175	700	700	700
		Scooter	1.500,00 €	5	75	300	300	300
	INTANGIBLE	Web page	4.000,00 €	5	200	800	800	800
		ERP	3.000,00 €	5	150	600	600	600
BARCELONA	TANGIBLE	Refurbishment	40.000,00 €	10	0	0	0	4000
		Laptop & equipment	3.000,00 €	4	0	0	0	750
		Scooter	1.500,00 €	5	0	0	0	300
	TOTAL				1185	4740	4740	9790
					350	1400	1400	1400

2015	2016	2017	2018	2019	2020	2021	2022	2023
3740	3740	3740	3740	3740	3740	2805		
525								
300	225							
800	600							
600	450							
4000	4000	4000	4000	4000	4000	4000	4000	4000
750	750	750						
300	300	300	300					
9615	9015	8790	8040	7740	7740	6805	4000	4000
1400	1050	0	0	0	0	0	0	0

## 8.11- PROFIT AND LOSS

According to the sales level and operating and variable costs described in previous sections, we present in the following table for the realistic scenario. The tables for the optimistic and the pessimistic scenario are shown in the annexes. The payback period for the realistic scenario is 2 years and 6 months, with the opening of our new store in Barcelona en the year 2014. For the pessimistic scenario, the payback period is four years and we wouldn't open the new store until the end 2016 or for the year 2017. In the other hand, for the optimistic scenario, the payback would be less than 2 years, 1 year and 8 months and it could be possible to open the new store even before the 2014.

PROFIT & LOSS ACCOUNT

	2011				2012				2013		2014		2015		2016	
	SEP	OCT	NOV	DEC	TOTAL	Q1	Q2	Q3	Q4	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	
<b>SALES</b>	0,00	8.187,23	12.379,56	30.812,55	<b>51.379,34</b>	85.275,94	90.113,89	67.239,03	63.340,46	<b>305.930,32</b>	<b>428.036,39</b>	<b>779.148,62</b>	<b>956.290,06</b>	<b>1.125.164,95</b>		
CAMERAS	0,00	6.833,93	9.265,90	24.119,74	40.199,56	60.093,38	59.074,85	38.704,21	45.833,93	203.706,38	271.601,70	484.547,98	608.152,81	692.293,73		
FLIMS	0,00	828,31	1.480,95	3.202,78	5.522,04	8.394,68	10.073,62	9.068,26	6.044,17	33.578,72	50.509,98	96.023,65	104.026,47	141.092,28		
DEVELOPING	0,00	0,00	667,71	1.240,03	1.907,73	11.275,38	16.465,42	14.985,27	6.235,86	49.895,23	75.053,68	142.889,26	175.400,60	209.651,54		
GOODIES	0,00	525,00	975,00	2.250,00	3.750,00	5.082,50	4.500,00	4.500,00	4.687,50	18.750,00	30.871,04	55.893,72	68.710,18	82.127,40		
<b>FIXED COST</b>	<b>-55.142,46</b>	<b>-43.203,46</b>	<b>-20.183,46</b>	<b>-22.692,46</b>	<b>-141.199,84</b>	37.404,97	43.984,97	35.034,97	36.734,97	<b>-153.139,89</b>	<b>-152.937,20</b>	<b>-317.711,30</b>	<b>-272.436,56</b>	<b>-280.640,60</b>		
OPERATIONS	-36.550,00	-21.510,00	-2.890,00	-2.890,00	-63.760,00	-8.550,00	-14.550,00	-8.550,00	-8.550,00	-40.200,00	-41.226,00	-122.842,78	-78.968,06	-81.157,11		
MARKETING	-3.500,00	-6.600,00	-2.200,00	-4.750,00	-17.070,00	-4.600,00	-5.150,00	-2.220,00	-3.950,00	-15.920,00	-10.820,00	-22.990,00	-15.040,00	-15.040,00		
RH	-15.092,46	-15.092,46	-15.092,46	-15.092,46	-60.369,84	-24.254,97	-24.254,97	-24.254,97	-24.254,97	-97.019,89	-100.891,20	-171.878,52	-178.428,50	-184.443,50		
<b>VARIABLE COST</b>	<b>-30.638,56</b>	<b>0,00</b>	<b>-377,42</b>	<b>-700,93</b>	<b>-31.696,91</b>	-22.199,23	-39.925,67	-18.508,13	-24.378,90	<b>-105.011,93</b>	<b>-196.583,96</b>	<b>-380.797,76</b>	<b>-391.453,36</b>	<b>-512.506,85</b>		
CAMERAS	-15.571,44	0,00	0,00	0,00	-15.571,44	-15.571,44	-15.571,44	0,00	-15.571,44	-46.714,33	-104.900,01	-207.931,48	-210.678,24	-284.676,54		
FLIMS	-10.047,12	0,00	0,00	0,00	-10.047,12	-10.047,12	-10.047,12	0,00	0,00	-20.094,24	-34.926,30	-60.849,38	-62.674,86	-64.555,10		
DEVELOPING	0,00	0,00	-377,42	-700,93	-1.078,35	-6.627,79	-9.907,13	-8.468,08	-3.807,85	-28.203,86	-41.616,14	-74.464,41	-92.108,21	-109.731,99		
GOODIES	-5.000,00	0,00	0,00	0,00	-5.000,00	-5.000,00	-5.000,00	0,00	-5.000,00	-10.000,00	-15.141,51	-37.852,50	-25.992,05	-53.549,62		
<b>EBITDA</b>	<b>-85.761,02</b>	<b>-35.015,23</b>	<b>-8.160,33</b>	<b>7.419,16</b>	<b>-121.517,42</b>	25.671,73	6.233,25	13.705,93	2.167,59	<b>47.778,50</b>	<b>78.515,23</b>	<b>80.639,56</b>	<b>292.400,14</b>	<b>332.017,50</b>		
DEREGATED INDEBITALS	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	-4.740,00	-4.740,00	-9.790,00	-9.615,00			
AMORTIZATION INDEBITALS	0,00	0,00	0,00	0,00	-350,00	0,00	0,00	0,00	0,00	-1.400,00	-1.400,00	-1.400,00	-1.400,00			
<b>EBIT</b>	<b>-85.761,02</b>	<b>-35.015,23</b>	<b>-8.160,33</b>	<b>7.419,16</b>	<b>-123.052,42</b>	25.671,73	6.233,25	13.705,93	2.167,59	<b>41.638,50</b>	<b>72.375,23</b>	<b>69.449,56</b>	<b>281.385,14</b>	<b>321.952,50</b>		
FINANCIAL EXPENSES	0,00	-400,00	-553,33	-551,11	<b>-1.484,44</b>	-1.635,55	-1.635,55	-1.599,99	-1.604,61	<b>-6.475,70</b>	<b>-5.183,28</b>	<b>-3.116,62</b>	<b>-2.545,14</b>	0,00		
FINANCIAL INCOME	0,00	0,00	0,00	0,00	773,84	0,00	0,00	0,00	0,00	901,91	2.716,71	1.450,21	1.975,96	3.458,81		
<b>EARNINGS BEFORE TAXES</b>	<b>-85.761,02</b>	<b>-35.415,23</b>	<b>-8.663,66</b>	<b>6.888,05</b>	<b>-123.763,02</b>	24.036,18	4.597,70	12.105,94	562,38	<b>36.064,72</b>	<b>69.908,65</b>	<b>67.783,16</b>	<b>280.815,96</b>	<b>325.411,31</b>		
INCOME TAXES 55%	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00	<b>-23.724,10</b>	<b>-98.285,58</b>	<b>-113.893,96</b>			
<b>NET PROFIT</b>					<b>-123.763,02</b>	<b>36.064,72</b>	<b>69.908,65</b>	<b>44.059,05</b>	<b>182.530,37</b>	<b>211.517,35</b>						



## 8.12- BALANCE SHEET FORECAST

Next table shows a five-year forecast for the Balance Sheet of PHOTOY S.L. in the scenario (Other scenarios balance sheet forecast in given in the annexes). In the three scenarios, the borrowing is paid in three years, with one year grace period. In the pessimistic scenario, due to the low profits of the company, an increase of capital would be required but of just 25.000€ more which represents only less than a 20% of the total capital. Also, there is no place to pay income taxes, as the results of the first years create a tax shield that lasts until the year 2015. It does not happen in the other two scenarios, where retained earnings and income taxes appear during 2014.

BALANCE SHEET ( AFTER DISTRIBUTION OF RESULTS )

ASSETS		BALANCE SHEET ( AFTER DISTRIBUTION OF RESULTS )						
		INITIAL	2011	2012	2013	2014	2015	2016
<b>NET INTANGIBLE FIXED ASSETS</b>		7,000.00	6,650.00	5,250.00	3,850.00	2,450.00	1,050.00	0.00
	Software / license / webpage	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00	7,000.00
	Accumulated amortization	0.00	-350.00	-1,750.00	-3,150.00	-4,550.00	-5,950.00	-7,000.00
<b>NET FIXED ASSETS</b>		41,700.00	40,515.00	35,775.00	31,035.00	26,745.00	23,130.00	19,115.00
	Equipment	4,300.00	4,300.00	4,300.00	4,300.00	4,300.00	4,300.00	4,300.00
	Furniture	37,400.00	37,400.00	37,400.00	37,400.00	37,400.00	37,400.00	37,400.00
	Accumulated depreciation	0.00	-1,185.00	-5,925.00	-10,665.00	-20,455.00	-30,070.00	-39,085.00
<b>STOCK</b>		0.00	22,990.46	27,220.65	42,596.75	95,802.04	93,702.25	87,272.99
<b>ACCOUNTS RECEIVABLE</b>		0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>CASH / BANKS</b>		76,300.00	38,692.04	45,095.73	75,835.32	72,510.61	68,798.01	67,940.47
<b>SHORT TERM FINANCIAL INVESTMENTS</b>		0.00	0.00	0.00	40,000.00	0.00	20,000.00	70,000.00
<b>TOTAL ASSETS</b>		125,000.00	108,847.50	113,341.38	193,317.07	236,507.65	239,680.26	272,328.45
<b>LIABILITIES</b>								
<b>EQUITY</b>		125,000.00	1,236.98	37,301.70	107,210.36	151,269.41	183,799.78	245,317.13
	Share Capital	125,000.00	125,000.00	125,000.00	125,000.00	125,000.00	125,000.00	125,000.00
	Retained earnings	0.00	0.00	36,064.72	105,973.37	150,082.42	182,562.79	244,080.14
	Accumulated losses		0.00	-123,763.02	-123,763.02	-123,763.02	-123,763.02	-123,763.02
	Losses of the year		-123,763.02	0.00	0.00	0.00	0.00	0.00
<b>LONG TERM LOANS</b>		0.00	80,000.00	76,039.68	51,140.04	24,173.74	0.00	0.00
<b>ACCOUNTS PAYABLE</b>			27,610.51	0.00	34,966.67	46,064.50	55,880.48	27,011.33
<b>SHORT TERM BANK CREDITS</b>			0.00			15,000.00		
<b>TOTAL LIABILITIES</b>		125,000.00	108,847.50	113,341.38	193,317.07	236,507.65	239,680.26	272,328.45
<b>WORKING CAPITAL</b>		76,300.00	34,071.98	72,316.38	123,465.40	107,248.15	126,619.78	198,202.13
<b>MATCHING ASSETS = LIABILITIES</b>		0.00	-4,620.05	0.00	7,630.08	49,737.54	37,821.77	60,261.66
<b>NET OPERATING FUNDS</b>								



### 8.13- CASH FLOW FORECAST

The cash flows for the realistic scenario for the first 5 years are as follows:

<b>CASH FLOWS</b>							
	INITIAL	2011	2012	2013	2014	2015	2016
<b>NET PROFIT</b>		-123.763,02	36.064,72	69.908,65	44.059,05	182.530,37	211.517,35
INTEREST PAID	0,00	1.484,44	6.475,70	5.183,28	3.116,62	2.545,14	0,00
AMORTIZATION/DEPRECIATION	0	1.535,00	6.140,00	6.140,00	11.190,00	11.015,00	10.065,00
NET INVESTMENTS IN FIXED ASSETS	-48.700,00	0,00	0,00	0,00	-44.500,00	0,00	0,00
INVESTMENTS IN NOF	0,00	-4.620,05	27.220,65	7.630,08	49.737,54	37.821,77	60.261,66
<b>CASH FLOWS</b>	<b>-48.700,00</b>	<b>-125.363,63</b>	<b>75.901,07</b>	<b>88.862,01</b>	<b>63.603,21</b>	<b>233.912,28</b>	<b>281.844,01</b>

### 8.14- BUSINESS PROFITABILITY AND DIVIDENDS PAID

If estimations are as expected, we give dividends for the amount of 150.000€ in 2015 and the same in 2016. We also expect to open a new store in Barcelona in 2014 without asking for a big loan. We would just need a short term loan of 15.000€ in 2014.

Our business starts being profitable since the second year, our payback period is 2 years and 6 months and we expect from 2014 to open a new store every two years. First one in Barcelona, then in Germany and in the UK although the international openings are not taking into account in the financials as they are planned for the year 2017.

### 8.15- RATIOS ANALYSIS Ratios Analysis.

The main Ratios studied and where they come from for the first five years of the Project, including the new store in Barcelona are as following:

Ratios		2011	2012	2013	2014	2015	2016
Liquidity ratio	CA/CL	2,23	CL=0	4,53	2,76	3,27	8,34
Liquidity ratio	(CA-inventory)/CL	1,40	CL=0	3,31	1,19	1,59	5,11
inventory turnover	Cost of sales/Average inventory	1,38	3,86	4,61	3,97	4,18	5,87
inventory period	Average inventory/(annual cost of sales/365)	65,28	94,61	79,09	91,83	87,37	62,15
interest coverage	EBIT/Interest charges	-8289,5%	643,0%	1396,3%	2228,4%	11055,8%	-
profitability	Gross margin= (sales-cost of sales)/sales	83,1%	51,3%	57,7%	58,0%	58,8%	53,9%
ROE	Net profit/ Equity	-10005,2%	96,7%	65,2%	29,1%	99,3%	86,2%
ROI	Net profit/((Total assets rotation))	-71,6%	14,0%	20,0%	6,3%	27,5%	26,7%
Financial leverage	liabilities/ equity	87,99	3,04	1,80	1,56	1,30	1,11

### 8.16- EQUITY AND LIABILITIES

This section explains PHOTOY's funding strategy, i.e. which proportions of equity and liabilities are used and how this money will be obtained. The chapter also brings out the amounts of equity and liabilities that are presented in the balance sheet.

#### 8.16.1- Equity

Each partner contributes with 15.000€. Considering that there are 5 partners, it means an initial equity of 75.000 € and so we still need investment of another 50.00€ from other investors. This will make a total of share initial capital of 125.000€. It will be deposited when the company is settled down. After the initial capital, PHOTOY S.L will study new sources of stock capital for the future.

#### 8.16.2- Liabilities

In our financial forecast, we have considered a long-term loan through ICO (Instituto de Crédito Oficial) given by the Banco popular for the amount of 80.000€. As the company is considered a SME according to the ICO standards, the credit is given with an interest of Euribor+ 0, 85 % for a period of 3 years, with a 1 year of grace period. The table of the amortization of the credit at an 8% given by the Banco Popular is as follows:

Núm.	Date	Concept	Amortization	Tipo	Interests/other expenses	Total	Total left
1	01/10/2011	LQ. CAR.		8,000	400,00	400,00	80.000,00
2	01/11/2011	LQ. CAR.		8,000	533,33	533,33	80.000,00
3	01/12/2011	LQ. CAR.		8,000	551,11	551,11	80.000,00
4	01/01/2012	LQ. CAR.		8,000	551,11	551,11	80.000,00
5	01/02/2012	LQ. CAR.		8,000	533,33	533,33	80.000,00
6	01/03/2012	LQ. CAR.		8,000	551,11	551,11	80.000,00
7	01/04/2012	LQ. CAR.		8,000	533,33	533,33	80.000,00
8	01/05/2012	LQ. CAR.		8,000	551,11	551,11	80.000,00
9	01/06/2012	LQ. CAR.		8,000	551,11	551,11	80.000,00
10	01/07/2012	LQ. CAR.		8,000	515,55	515,55	80.000,00
11	01/08/2012	LQ. CAR.		8,000	551,11	551,11	80.000,00
12	01/09/2012	LQ. CAR.		8,000	533,33	533,33	80.000,00
13	01/10/2012	LQ. CAR.		8,000	551,11	551,11	80.000,00
14	01/11/2012	CT. PER.	1.973,58	8,000	533,33	2.506,91	78.026,42
15	01/12/2012	CT. PER.	1.986,74	8,000	520,17	2.506,91	76.039,68
16	01/01/2013	CT. PER.	1.999,98	8,000	506,93	2.506,91	74.039,70
17	01/02/2013	CT. PER.	2.013,32	8,000	493,59	2.506,91	72.026,38
18	01/03/2013	CT. PER.	2.026,74	8,000	480,17	2.506,91	69.999,64
19	01/04/2013	CT. PER.	2.040,25	8,000	466,66	2.506,91	67.959,39
20	01/05/2013	CT. PER.	2.053,85	8,000	453,06	2.506,91	65.905,54
21	01/06/2013	CT. PER.	2.067,54	8,000	439,37	2.506,91	63.838,00
22	01/07/2013	CT. PER.	2.081,33	8,000	425,58	2.506,91	61.756,67
23	01/08/2013	CT. PER.	2.095,20	8,000	411,71	2.506,91	59.661,47
24	01/09/2013	CT. PER.	2.109,17	8,000	397,74	2.506,91	57.552,30
25	01/10/2013	CT. PER.	2.123,23	8,000	383,68	2.506,91	55.429,07
26	01/11/2013	CT. PER.	2.137,39	8,000	369,52	2.506,91	53.291,68
27	01/12/2013	CT. PER.	2.151,64	8,000	355,27	2.506,91	51.140,04
28	01/01/2014	CT. PER.	2.165,98	8,000	340,93	2.506,91	48.974,06
29	01/02/2014	CT. PER.	2.180,42	8,000	326,49	2.506,91	46.793,64
30	01/03/2014	CT. PER.	2.194,96	8,000	311,95	2.506,91	44.598,68
31	01/04/2014	CT. PER.	2.209,59	8,000	297,32	2.506,91	42.389,09
32	01/05/2014	CT. PER.	2.224,32	8,000	282,59	2.506,91	40.164,77
33	01/06/2014	CT. PER.	2.239,15	8,000	267,76	2.506,91	37.925,62
34	01/07/2014	CT. PER.	2.254,08	8,000	252,83	2.506,91	35.671,54
35	01/08/2014	CT. PER.	2.269,10	8,000	237,81	2.506,91	33.402,44
36	01/09/2014	CT. PER.	2.284,23	8,000	222,68	2.506,91	31.118,21
37	01/10/2014	CT. PER.	2.299,46	8,000	207,45	2.506,91	28.818,75
38	01/11/2014	CT. PER.	2.314,79	8,000	192,12	2.506,91	26.503,96
39	01/12/2014	CT. PER.	2.330,22	8,000	176,69	2.506,91	24.173,74
40	01/01/2015	CT. PER.	2.345,76	8,000	161,15	2.506,91	21.827,98
41	01/02/2015	CT. PER.	2.361,40	8,000	145,51	2.506,91	19.466,58
42	01/03/2015	CT. PER.	2.377,14	8,000	129,77	2.506,91	17.089,44
43	01/04/2015	CT. PER.	2.392,99	8,000	113,92	2.506,91	14.696,45
44	01/05/2015	CT. PER.	2.408,94	8,000	97,97	2.506,91	12.287,51
45	01/06/2015	CT. PER.	2.425,00	8,000	81,91	2.506,91	9.862,51
46	01/07/2015	CT. PER.	2.441,16	8,000	65,75	2.506,91	7.421,35
47	01/08/2015	CT. PER.	2.457,44	8,000	49,47	2.506,91	4.963,91
48	01/09/2015	CT. PER.	2.473,82	8,000	33,09	2.506,91	2.490,09
49	01/10/2015	CT. PER.	2.490,09	8,000	16,60	2.506,69	

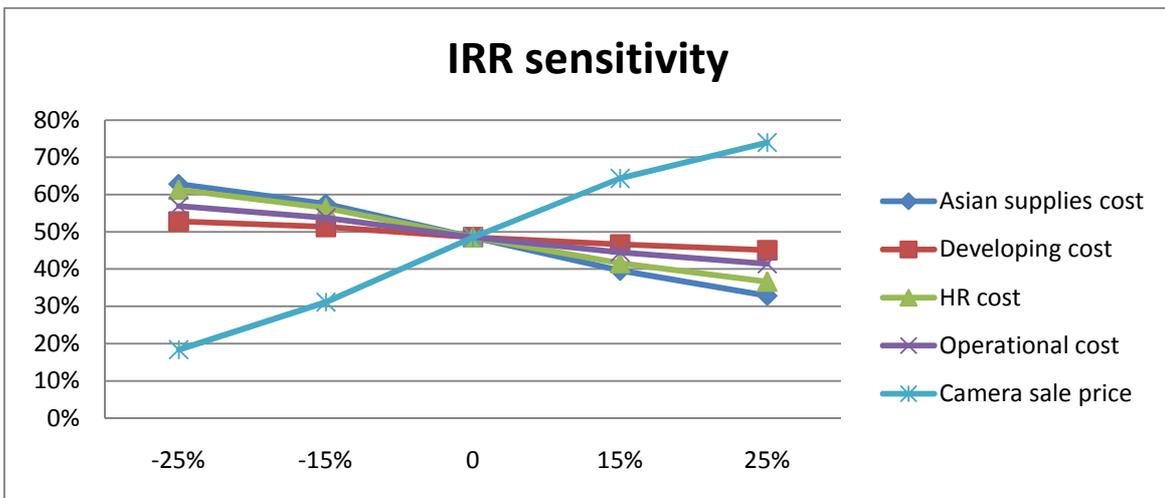
As a resume of the loan:

	2011	2012	2013	2014	2015	2016
Openning	400,00	0	0	0	0	0
Interest	1.084,44	6.475,70	5.183,28	3.116,62	895,14	0
Remaining loan	80.000,00	76.039,68	51.140,04	24.173,74	0,00	0,00

Our company will not depend on subsidies to operate and survive. The setup of our company will be a small sized company (SME), which gets support from governments that try to promote competitiveness in their region, Madrid.

### 8.17- Sensitivity Analysis

We have done a sensitivity analysis in terms of the internal rate of return with the main factor that could affect directly to our Cash Flows. The analysis is shown in the following graph.



As it is shown in the graph, Photoy is going to be more sensitive to a increase/decrease of the sales price. Anyway, a war price with Lomography is not very likely to happen due to their international presence. However, the appearance of new competitors will be possible in the future and maybe then we will have to reduce our prices but always taking into account that we have very competitive prices.

## 9- CONCLUSIONS

This Business Plan describes all the aspects of PHOTOY S.L.

The objective of this document is to prove the viability and profitability of this business in order to find the necessary support from economical institutions and other investors aiming to take part in this ambitious project.

These are the highlights of the business plan:

\_ **Mission:** "Satisfy nostalgic users and those who enjoy toying with old technology/gadgetry by offering a mix of products related to analogue photography"

\_ **Vision:** "Capture some of this niche market of the Analogue photography"

\_ **General Strategic Objective:** To obtain 12% of the niche analogue photography Spanish market

\_ **Products and Services:** Full product mix with wide range of cameras and film.

\_ **Niche Market:** Analogue cameras users.

\_ **Competitive Advantage:** Knowledge of the sector, knowledge of suppliers and wide and changeable portfolio

\_ **Proposed set-up of the Venture:** Sept 2011.(see annex 9 to have an overall of all the steps)

\_ **Location:** Madrid.

\_ **Required Workforce:** From 2 external fulltime employees and 4 part time employees.

\_ **Projected Time to Break-even:** Year 1 and 8 months.

\_ **Projected Average ROE:** 20%.

\_ **Initial Investment:** 125000€ share capital and 80000€ loan.

PHOTOY is born as a response to the current analogue cameras demand that is only fulfilled by the second hand market and our only competitor. It takes advantage of the growing demand as well as from the easiness of importing products from the Asian countries.

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