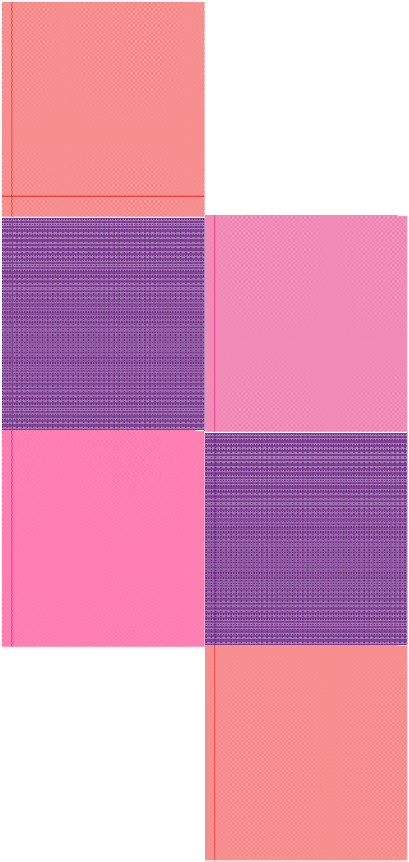




Business Plan WS 2011/12  
University of Applied Sciences Aachen  
Lecture by Prof. Dr. Ulrich Daldrup



# IRIS

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## I. EXECUTIVE SUMMARY

What do your nails look like today?

... Still worrying that you have to remove your green nail polish from the crazy party last night and putting on the appropriate colour for work or school today?

... Do you not even allow yourself to apply nail polish because... TIME IS MONEY?

...Do you not have enough patience to sit down and apply nail polish?

...Or is it just the fact that you get bored of the colour you are wearing way too fast?

Those problems are now gone with only one wipe of Precious coloured nail polish tissues!

You can choose from a big variation of seasonal nail polish colours

Each season you can choose from 15 stunning colours to spice up your outfit

A Precious nail polish saves you a lot of time. It's a new way of applying  
Nail polish fast and very easy

This innovative nail polish helps your nails to match your clothes. Every day and in any  
Situation

A Precious nail polish is for the busy, trendsetting, young woman.

The nail polish comes in a stylish bottle which looks lovely on your shelf.

Precious nail polish will last for approximately 2 weeks

All parts are environmental and health friendly.

The nail polish will save you a lot of money

‘Time is precious and so are you!’

# I. Internal Analysis

(References : Images and logo inspired from “A Report by the National Healthy Nail Salon Alliance, 2009”)

## 1.1 Mission Statement

We want to provide our target group – the young and modern women - with something Special and unique. Our aim is to make nail polish available and interesting for more women, Especially for those who do not have enough time to treat their nails. The change of colours Offers a wide and unique variety Just one wipe with our coloured tissues and the outfit will be complete.

Just one wipe with coloured tissues and women will be convinced to enjoy treating their nails.

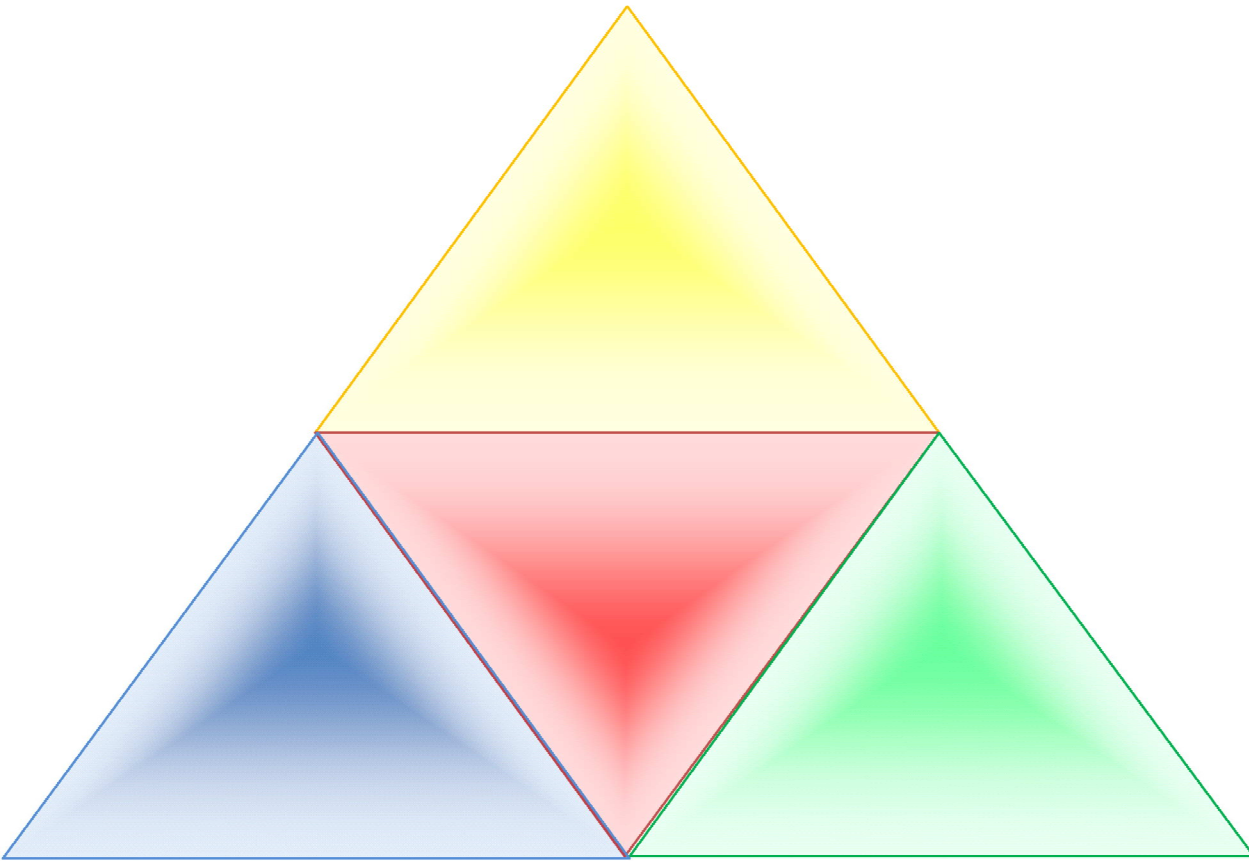
## 1.2 Company description

The name originates from the Greek word “ ἵρις “ meaning rainbow. We are a business to Consumer Company in the cosmetic sector focusing on nail polish and located in Düsseldorf.

Generally, there are two different legal entities in the Germany

The public liability company and the private limited liability company.

We decided to become a private limited liability company. We are involved in management ourselves and our liability is limited to our share in ownership. This means that in case of bankruptcy we only lose the money we put in, and our personal assets cannot be claimed.



Iris logo

# 1.3 Product description

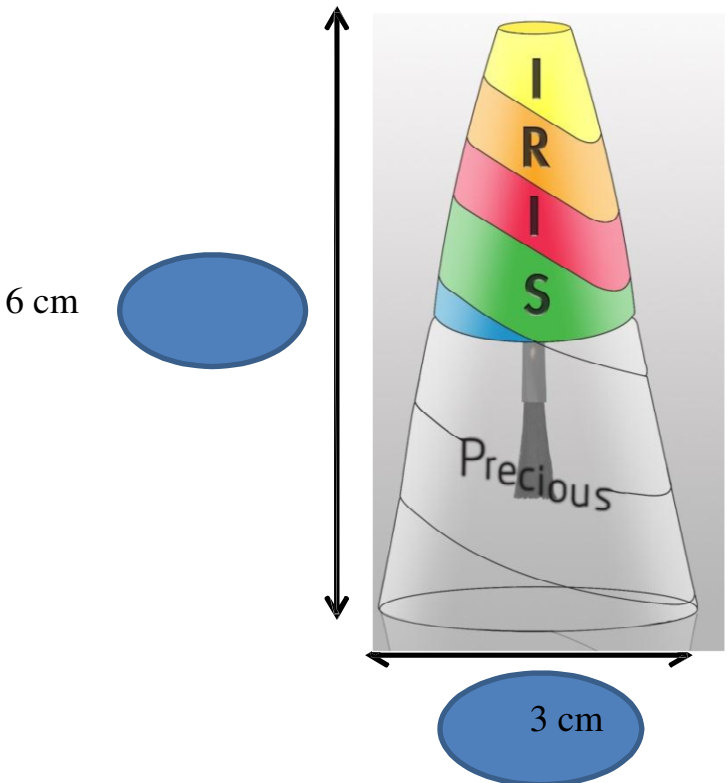
## Product description

Our product is a transparent nail polish in combination with coloured tissues, with which you wipe your nails in order to change it into the tissues' colour. The nail polish will last for about two weeks, considering how fast someone's nails grow out. You apply it like a common nail polish and can use ordinary nail polish remover. The tissues consist of two colours, each on one side of the tissue. While applying on the nails, the colour will vanish from the tissue, so the consumer knows when to purchase new ones.

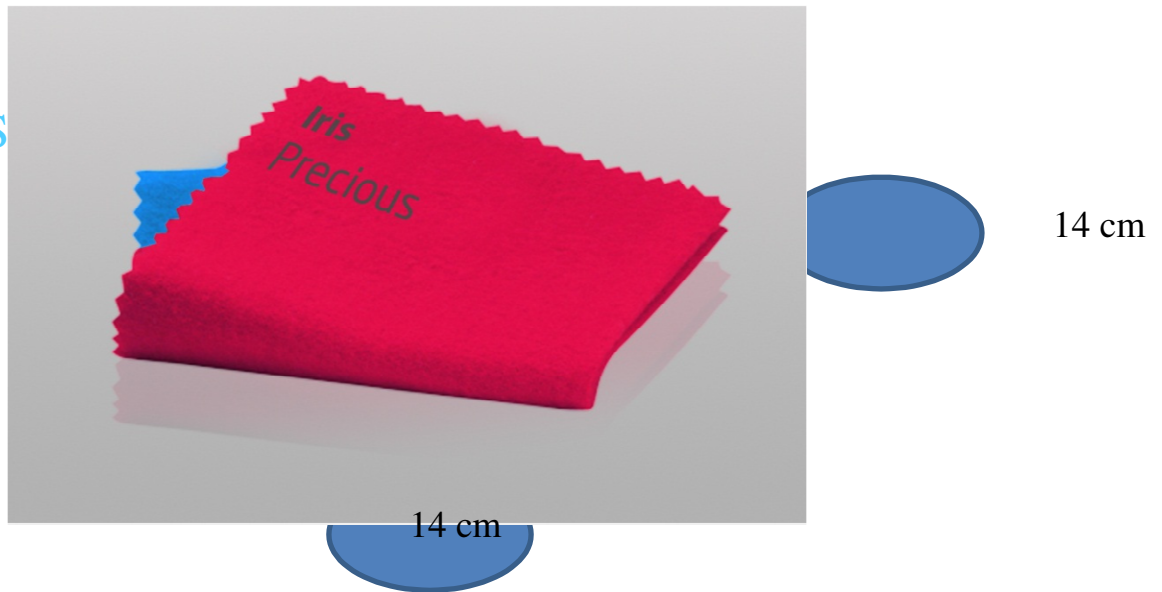
## Product design nail polish bottle

The product consists of a glass bottle containing the transparent nail polish with an aluminium oxide cap and a plastic brusher. The transparent nail polish is made out of a secret formula of chemicals. The glass bottle can be recycled. The chemical substances were the transparent nail polish is made of are environmental and health friendly.

Weight filled bottle	48 gr
Amount transparent nail polish	8 ml
Height	6 cm
Diameter (bottom)	3 cm



RRRR SSS



Guarantee

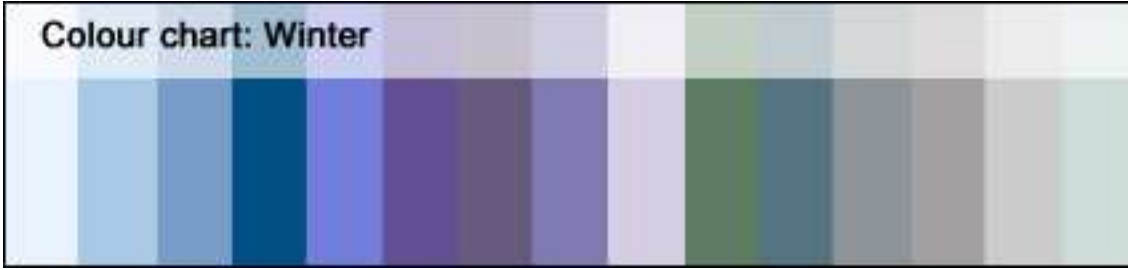
We guarantee a qualitative product that is body- and environmental friendly. The promised benefits of our product are guaranteed in all aspects.

Colour Chart

We decided to pick up the colour scheme of all four seasons. Each season, the available colour range will change. We will make sure that all colours fit to the current season and are trend colours. There are 15 colours each season. During spring there is a mix out of very light but also warm pastel colours. The colours for summer are a little bit more intense and should stand for hot and nice weather as well as colourful clothes



## Colour chart: Winter



(References: colour shades Inspired from L'oreal Paris)

### 1.4 Core competencies

#### Long lasting nail polish

Our aim is to make the appliance of nail polish a quick and easy procedure. The transparent nail polish stays on as long as you can leave it, which depends on the speed of the growth of your nails.

#### Quick change of colour of nail polish

This is the main aspect of this product. The change from one colour to another with just some wipes will save you the time you usually need to remove the old nail polish and apply a new one.

#### Wide variety of colours available

We provide a seasonal range of colours meaning special bright colours in summer and darker and cooler colours in winter.

#### Money saving

With the purchase of only one bottle of nail polish and the low priced tissues, the consumer will also save money.



## II. EXTERNAL ANALYSIS

(Reference: Original Survey done by NAILS MAGAZINE 2010, Reference file Attached)

### 2.1 Research for decision

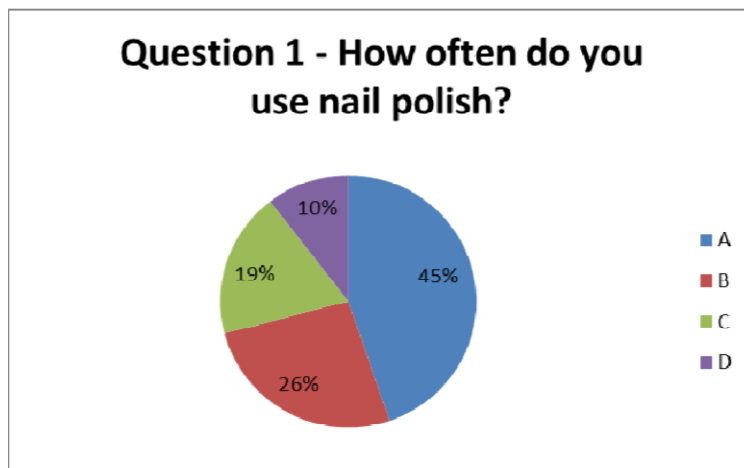
#### Survey Objectives

Research is a necessary aspect to make an adequate decision. Our goal was to figure out if our product fits to the market and if there are customers for our product. It is important to know what the customer wants. It is a necessary factor to success in any type of business. A survey is the best way to find out what the customer needs.

#### 2.1.2 Analysis of questionnaire

##### Question 1:

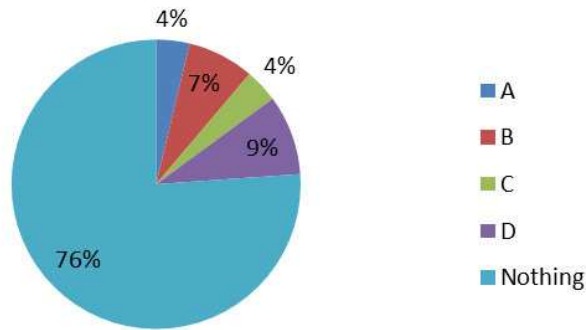
As you can see most of the interviewees which represent 45% of the surveyed people use nail polish weekly. Only 10% of the surveyed women never use nail polish. This is in relation to the amount of the women which use nail polish very small.



##### Question 2:

102 interviewees of our surveyed people use nail polish and therefore did not need to answer this question. 7% from the people who had to answer this question stated that the reason for not using it is that it takes too long.

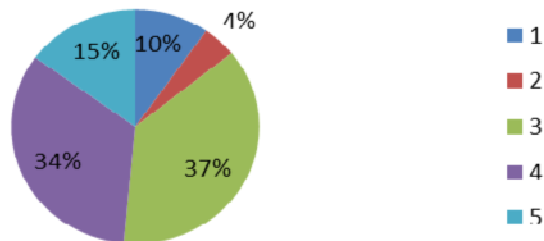
### Question 2 - If never, what is the reason?



### Question 3:

On a scale from 1 to 5, 37% consider the importance of the nail polish colour matching their close as middle important. So they chose on the scale number 3. The opportunity for us is now that we can increase this value with our product. This is closely followed by 34% for the scale number of 4.

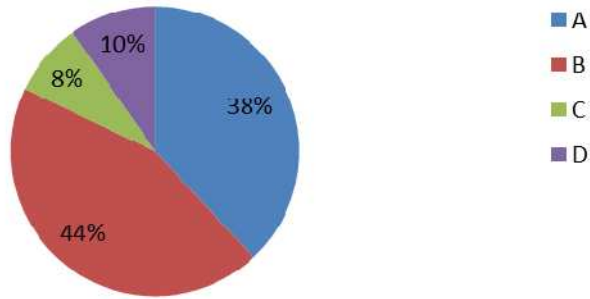
### Question 3 - Is it important that the nail polish matches your clothes?



### Question 4:

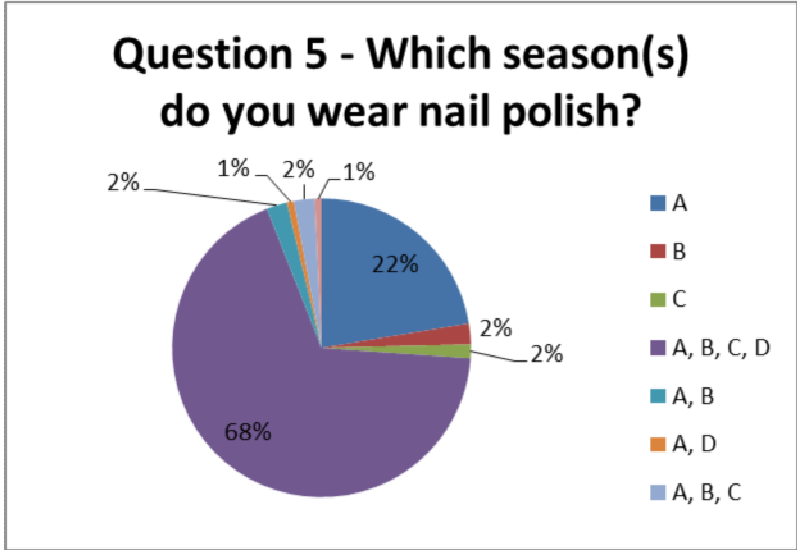
The biggest portion belongs to the answer if you would try colour changing nail polish with a free sample. 44% would try our nail polish with a free sample. Followed by it 38% of the surveyed women would buy our product. So these two parts which are most important got the highest percentage.

### Question 4 - What do you think of colour changing nail polish?



### Question 5:

68% of our surveyed people use nail polish the whole year, thus there is not a period in which it is most suitable for our product launch. 22% use nail polish intensified during summer. As you can see the other seasons got a much lower percentage.



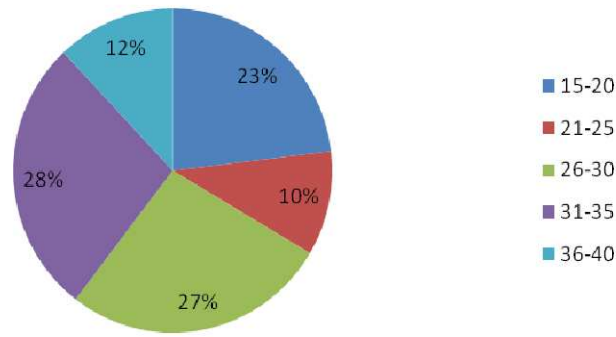
### Question 6:

75.4 % are willed to change or try out a new brand. Only 24.6 % of the people we have surveyed would not change their brand.

### Question 7:

23.1 % of the people we have asked are in the age of 15-20 years. 10.4% are 21-25 years old. 26.9% are between 26-30 years old, 27.6% are 31-35 years and 12 % are in the age of 36-40 years.

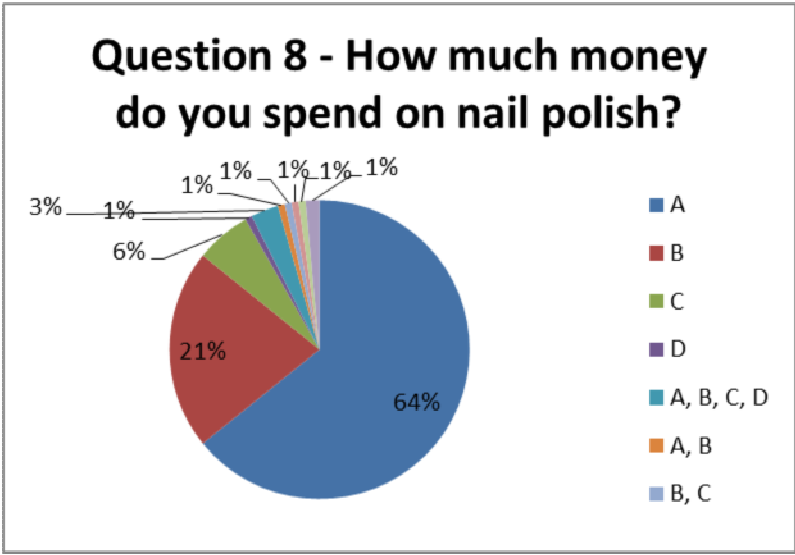
### Question 7 - How old are you?



### Question 8:

64% would spend €0-5 for a common nail polish. The second highest proportion is 21%. It belongs to the price of €5-10.

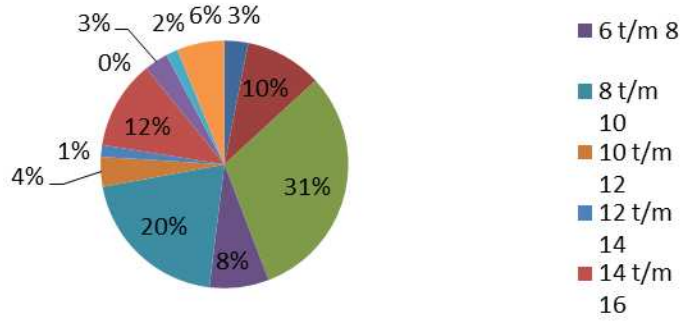
### Question 8 - How much money do you spend on nail polish?



### Question 9:

31% would spend €4-6 on our nail polish that changes colours and 20% would spend €8-10 for our nail polish. So half of the women we asked would not go over the €10-limit.

# Question 9 - How much would you spend on colour changing nail polish?



### 2.1.3 Survey conclusion

We consulted women from Germany and the Netherlands. Our goal was to query women with different ages to find out how our product fits to the different ages. We asked people from the age of 15 to 40 to fill in our survey. Due to our age results we saw that women in the age of 15-40 are interested in our product. Based on this information we define our target group which is women between the ages of 15-40 years. Also, we found out that younger women would buy our product, as well as a significant part of the middle-aged women and the majority would change their brand or try out a new one. Due to the survey it is shown that nail polish is a common used product with a high demand. Furthermore, the results tell us that almost half of the interviewees want a big range of colour diversity within a short period of time. That is an advantage for our unique product features as this is the core competency of our product.

So we found out that nail polish is a common product with a high demand. In addition to that we found out that summer is the season where nail polish is most often used. That is an evidence for us to increase our promotion activities during summer.

But we also wanted to know why someone does not use nail polish. The outcome of the survey shows that taking too much time is a main problem of using nail polish. That shows us that our product can solve the problem of the nail polish use taking too long. Due to that our product targets those people who have less time to spend on varnishing their nails.

Not only time is a core aspect for our product but also the money is even very important for launching it. We found out that €0-5 for a common nail polish is the most paid price. Therefore we want to adjust the price for our nail polish. Only a few of the younger women would pay €5,- to €10,-. The other amounts seem to be too high. That finally tells us that our price for the colour changing nail polish could not be higher than the suggested price from the surveyed women.

Most of the surveyed people would try out our product. The survey in the Netherlands and Germany shows that almost half of our potential customers would buy or test our newly developed product. We now know that we should give away free promotion samples to create awareness. Furthermore, our colour changing nail polish was introduced to help people from different ages to get another colour quicker. We are aiming for saving money and time. In the economy of modern countries it is an important aspect to save money and time.

## 2.2 DESTEP-Analysis

(Reference: Wikipedia)

### Demographical

Our product can be bought by every single customer. But we want to make sure which group of customers will definitely buy our product. Therefore we had done a demographic research. We are focused on the female population. We are focused on the group of customers which are between the ages of 15 to 40. We have to attract them and make sure that they will buy our product. We can say that the Germany is a well populated country with a lot of possibilities to market our product.

### Economical

With a per capita GDP of 45000 the Germany belong to the Top 10 countries considering the most successful and technology economy in Europe. The Germany has a growing industry and a labour force compared to the other countries in Europe.

The country has a low unemployment rate. The most important trade partners are China, Belgium, France, Great Britain, USA and Italy. The Germany has a high-performance infrastructure, high-qualified manpower and business friendly authorization procedures.

Germany has a social market economy with a highly qualified labour force, a large capital stock, a low level of corruption and a high level of innovation. It has the largest national economy in Europe, the fourth largest by nominal GDP in the world, and the fifth largest by PPP in 2009. The service sector contributes approximately 71% of the total GDP, industry 28%, and agriculture 0.9%. The average national unemployment rate in 2010 was about 7.5%. First estimates indicate a 3.6% increase in the price-adjusted GDP for 2010, following a 4.7% drop in 2009.

### Socio-Cultural

The Germany is a middle sized country but it has a variety of different cultures living there. There are inhabitants from all over the globe such as Poland or Turkey. Germans are very open to other countries. They are thus a tolerant and modest population. Multiculturalism is the key word. The German society is egalitarian, individualistic and modern. Everyone is valued and shown respect. They are warmhearted and show respect to others. They have their own economy and a modern way of living.

They are punctual, down-to-earth and open-minded even if it comes to the process of trying and buying new products. To make a link to the business, business people are down-to-earth as well. Furthermore the German people disclaim naming academic titles and they have an antipathy against cockiness.

As the German people are such an open and internationally orientated country, they can switch into speaking English pretty quick. You can also take a reference to business. When business partners could not speak any Deutsch, the German people will use English as commercial language. They command this language very well.

### Technological

Technology changes fast. Technology is a very important part in our society and life. Almost every day something new is invented. Having this in mind, people usually think of new electric systems or devices. But there is also a lot of innovative progress in all kinds of science every day. Most of the time you do not think of innovations within the Cosmetic market but this Market which works closely with certain areas of science together, creates innovations or product developments frequently. If it would not be for new Technology, we could never introduce our product to the market.

### Ecological

Nowadays people are caring for the environment. Companies have to pay attention to the ever-changing environment. Furthermore they have to realize that the consumers are aware of the environment and mainly the global warming. A lot of people are looking to protect the environment to stop the consistently changing environment.

### Political

Germany is a federal, parliamentary, representative democratic republic. The German political system operates under a framework laid out in the 1949 constitutional document known as the *Grundgesetz* (Basic Law). Amendments generally

require a two-thirds majority of both chambers of parliament; the fundamental principles of the constitution, as expressed in the articles guaranteeing human dignity, the separation of powers, the federal structure, and the rule of law are valid in perpetuity.

As we are starting a new business there is one very important law for us. We have to register for VAT (value added tax). For our product it will be 19% of the selling price.

## III. MARKETING STRATEGIES

### 3.1 Strategic objectives

(References: 'Marketing – Real people, real choices', page 279)

We want to call attention to our product through the internet, radio, magazines and handing out samples. Of course we want to make sure that we will have a representative market share. Our goal is that our customers remember our product and that there are buyers for our product. We want to create awareness for our product. So the branding must be high.

In the following you will find a detailed overview of our strategic objectives for the first two years.

Year 1:

- Successful product launch in the Germany
- Gain customer interest
- Achieve a market share of 8%
- Create a brand awareness of 45% in our target group
- Get a positive brand image

Year 2:

- Expand to the Netherlands cosmetics market
- Increase of sales of 15% compared to year 1
- Extend product line
- Expand distribution channels within the Germany
- Create an higher awareness by intensified advertising activities



## 3.2 Marketing Strategy

In this chapter our developed Marketing Strategy is to be found. We developed several steps on which we want to focus in the next years. We based it on market research, strengths, opportunities and goals we want to achieve. On the basis of these facts we will create our marketing strategy.

- In the first year we want to introduce our product to the nail polish market which is a sub segment of the decorative cosmetic market in the Germany.
- After the first year we would like to expand our business to countries which have the same development standard as the Germany.
- We want to attract customers that will identify themselves with our aims and visions.  
We are aiming to target the trend-setting and joyful woman in the age of 15 to 40 years.
- We will support or product launch by several promotion activities such as magazine and radio campaigns.
- We want to expand our product line in the second year to attract a different target group.

## 3.3 Marketing Mix

(References : 'Marketing, Real people, real choices' )

### 3.3.1 Price

The table below shows the calculation of sales for one new consumer:

Nail polish price per unit	€4.95
Tissue price per unit	€0.60
Total package price for per unit	€5.55

Since we offer a variety of colours a new consumer will probably buy an average of three tissues. Each tissue contains two colours, so the consumer has six colours. This means that on each bottle of nail polish we sell we make an average sale of three tissues, which adds up to revenue of €1.80.

Our nail polish will be sold for €4.95. The customer can buy the tissues for €0.60. This means that seller has a profit margin of 20% on our product.

### 3.3.2 Promotion

There are many ways of introducing a product to the market. Since we are offering a totally new product we have to adapt our promotional strategies. As a starting company our promotional budget is relatively low.

Six steps to develop promotional strategies

1) Identify target group

We target the early adopters. These early adopters must be socially and stylish women between 15 and 40 years. These women are our first representatives to the bigger audience.

2) Set budget objectives

Since we are starting a new company we want to keep the budget for promotion as low as possible. But since promotion is the way to make sure people will notice our product it is important to invest money. That is why we will set a budget of €60,000 for the first year.

3) Create message and ads

We want our image of style and uniqueness to be reflected in our ads. So the message of our image must be broadcasted clearly

4) Pre-test the ads

To make sure that the message comes through the way we intended it to be, it is important for us to pre-test our ads. If it is not clear to people what image we intend to broadcast we have to change our ads.

5) Choose the medium

The medium we choose to broadcast our message has to meet several criteria. First it must not influence the message we want to spread. And second it is important that the costs of the medium will be as low as possible.

#### Magazines

We are offering a product for young and middle-aged women. That is why we are going to place advertisements in magazines that appeal to this group. We will advertise in magazines that have a good image in focusing on style and fashion, since our image for 'Precious nail polish' is stylish and fashionable. So we are going to advertise in the number one women magazine Cosmopolitan, the Flair magazine and Marie Claire.

#### Sales promotion

To represent our product we will go to public places in big cities, big events and festivals. We will represent our product ourselves by having a stand in public places. We will stand at public places with a stand. We should make a stand for €350 that is easy to fold and to carry with us. The stand will be full of posters with 'Precious nail polish' on it. We will hand out free

samples and flyers. This is to create strong brand awareness. You make the product more personal for people this way. Good places to do this type of promotion are going to the big cities. Big cities included are Dusseldorf, Berlin, Frankfurt, Aachen, Cologne, Hamm, Dortmund, Munich and Duisburg. Going to these cities will give the biggest change to reach a big part of the population

We use this type of promotion only to create brand awareness, so using it just before and when we've just started our business makes it useful. So we will use this type of promotion from November 2012 until March 2013. The amount of free samples (small nail polish bottle and small tissue) that we can hand out is 7,143. The price of these smaller samples is €5285.82. Together with the samples we will give the passer-by flyers. We order these flyers in an amount of 10,000 for €200. These flyers are in A6-format.

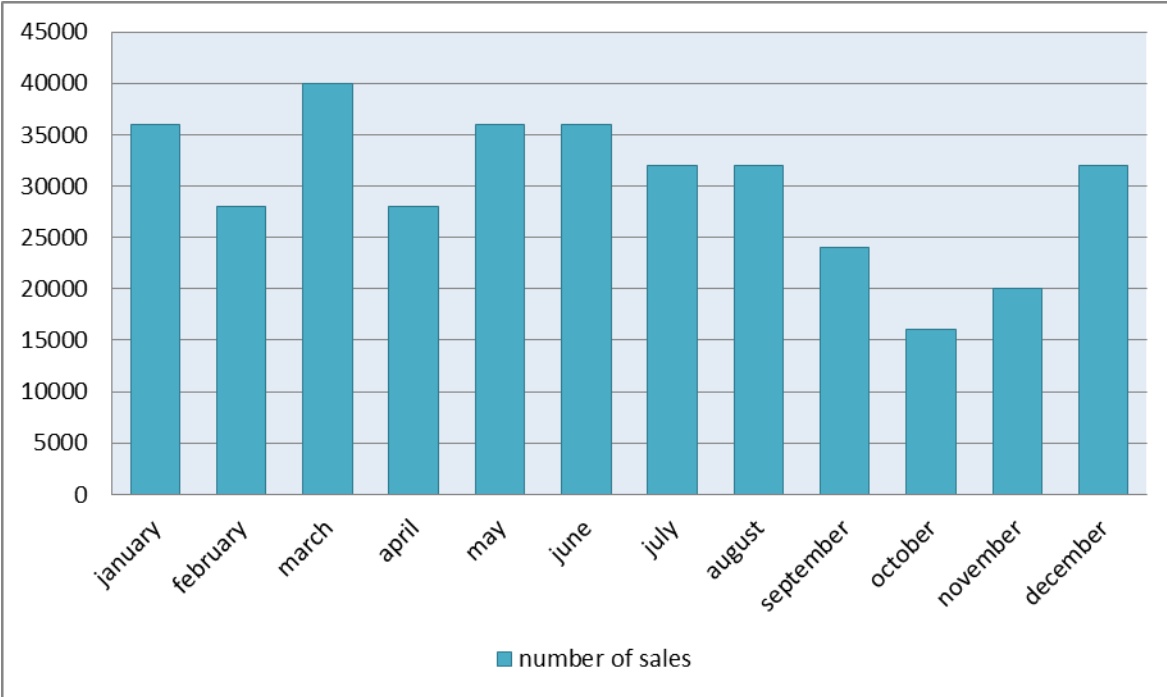
## V. FINANCIAL ANALYSIS

### 4.1 Sales forecast

#### Sales estimation

In January we estimate our sales to be 9000 bottles, because of the good promotion and the affordable price for curious customers. This number goes down to 7000 bottles in January because of the decreased demands. In March we expect a high and rapid increase, because of our expanded range of coloured tissues to welcome the colourful spring season. The demand is quite satisfying in April, but the upcoming summer months will evoke high sales because considering our survey the usage of nail polish rises. In autumn the demand decreases because nail polish is not used as much as in the summer months. Christmas on the other hand will stimulate our sales again as our product is a very nice and affordable present.

We estimate the same figure for the tissues as they are bought for the same reasons as the nail polish. As the demand of tissues is generally higher than the demand of the bottle we estimated the sales to be three times bigger than the bottles.



## 4.2 Cash flow statement

Please note: our purchases from the supplier as well as the usage of the logistic service are paid on Accounts payable so they will only be paid one month later. The same happens with the provision for our retailer.

Bank loan: We get a loan from the Deutsche bank with interest of 4.5 %.

	January	February	March	April	May	June	July	August	September	October	November	December	Total
	35.592	2.618	6.335	3.959	3.512	2.203	1.702	4.637	5.077	3.429	2.743	335	72.142
	0	29952	23296	33280	23296	29952	29952	26624	26624	19968	13312	16640	272896
	0	10800	8400	12000	8400	10800	10800	9600	9600	7200	4800	6000	98400
	0	40752	31696	45280	31696	40752	40752	36224	36224	27168	18112	22640	371296
	42855	0	5076	37779	5076	0	0	42855	0	0	5076	0	138717,00
	100	100	100	100	100	100	100	100	100	100	100	100	1200
	0	0	0	875	875	875	875	875	875	875	875	875	7875
	251,72	251,72	251,72	251,72	251,72	251,72	251,72	251,72	251,72	251,72	251,72	251,72	3020,64
	42,5	42,5	42,5	42,5	42,5	42,5	42,5	42,5	42,5	42,5	42,5	42,5	510
	0	913	913	913	913	913	913	913	913	913	913	913	10043
	17500	17500	17500	17500	17500	17500	17500	17500	17500	17500	17500	17500	210000
	123	0	0	0	0	0	0	0	0	0	0	0	123
	112	112	112	112	112	112	112	112	112	112	112	112	1344
	100	100	100	100	100	100	100	100	100	100	100	100	1200
	26683,034	2866,0714	4846,0714	2866,0714	2866,0714	6246,0714	2866,0714	2866,0714	2866,071429	2866,0714	3426,071429	8366,071429	69629,82
	<b>87767,254</b>	<b>21885,291</b>	<b>28941,291</b>	<b>60539,291</b>	<b>27836,291</b>	<b>26140,291</b>	<b>22760,291</b>	<b>65615,291</b>	<b>22760,29143</b>	<b>22760,291</b>	<b>28396,29143</b>	<b>28260,29143</b>	<b>448662,46</b>
	<b>-52.175</b>	<b>21.485</b>	<b>9.090</b>	<b>-11.301</b>	<b>7.372</b>	<b>16.815</b>	<b>19.694</b>	<b>-24.754</b>	<b>18.541</b>	<b>7.836</b>	<b>-7.542</b>	<b>-5.286</b>	<b>-225</b>
	55000	-15000	-5000	15000	-5000	-15000	-15000	30000	-15000	-5000	8000	7000	40000
	206,25	150	131,25	187,5	168,75	112,5	56,25	168,75	112,5	93,75	123,75	150	1661,25
	<b>2.618</b>	<b>6.335</b>	<b>3.959</b>	<b>3.512</b>	<b>2.203</b>	<b>1.702</b>	<b>4.637</b>	<b>5.077</b>	<b>3.429</b>	<b>2.743</b>	<b>335</b>	<b>1.564</b>	<b>38.114</b>





## Beginning balance sheet

### Prepaid Rent

We pay three months of rent in advance.

### Owner's equity

I pay in €10,000, and six of my friends will equally contribute so that each of us owns an equal share and we have a total equity of €70,000.

<b><u>Current assets:</u></b>		<b><u>Current liabilities:</u></b>	
Cash	35.592	Accounts Payable	42855
Accounts Receivable	0		
Inventory bottle	37779		
Inventory tissue	5076		
Prepaid rent office	2625		
Prepaid insurance	6000		
<b><u>Fixed assets:</u></b>		<b><u>Common shareholder Equity:</u></b>	
Office supplies	5.783	Owner's Equity	70.000
Patent	20000	Retained Earnings	0
<b><u>Total assets</u></b>	<b><u>112.855</u></b>	<b><u>Total liabilities and equity</u></b>	<b><u>112.855</u></b>

## *Operating Expenses*

Reference: Federal Ministry of Finance (Bundesfinanzministerium)

### Rent

€875.00 per month. The cost per m<sup>2</sup> per month is €12.50; our office size is 70m<sup>2</sup>. The office rent is prepaid for the first three months and will then become a monthly cost.

### Insurance

Our insurance ads up to €500 a month. This includes insurance for employees and our inventory.

### Electricity/water

Annual electricity €346.60 per year 28.88 € per month.

### Mobile phones

We have a telephone company, Telecom, where we pay a monthly fee of €35.96 for each cell phone. The total monthly fee is €251.72.

### Telephone/internet

We use the service of unitymedia, offering a three in one business package, including telephone, internet and TV service for €42.50 per month.

### Salary

Each employee or partner receives a monthly salary of €2,500. The cleaning service is rewarded with €112 a month (we think of 4 hours a week; cleaner gets paid €7 per hour)

### Miscellaneous expenses

Our estimated office supply budget is €100 a month (such as paper, pens, etc.)

### Marketing/Promotion

The total purchasing price for the bottles is €5,000.10 (€7,143\*€0.7) and the tissues cost €285.72 (7,143\*0.04€).

We are also promoting our product via the radio. It will be broadcasted for one week, twice a day in January, May and November. We have to pay a development fee once which is €769 and then we have to pay €3,800 for the weekly broadcast.

### Interest

We pay 4.5% interest on our bank loan. We have a mortgage with a continuous credit up to €100,000. If we have not reached that amount we can borrow and pay back credit all the time. We can take up money and even take more money if we have not reached the €100,000.

### Taxes

We pay 19% so called VAT. This is a tax we have to pay over our income.

## **Promotion expenses**



## Promotion expenses

Type of promotion expense	Amounts used during 1st year	Price in total (€)
Big advertisement magazine	3	5,940
Small advertisement magazine	4	2,240
Making radio ad	1	769
Week of radio campaign	2	7,600
Printing 10,000 A6 flyers	1	200
7,143 samples nail polish bottles & tissues	1	5,285.82
Printing 200 A1 posters	1	450
Internet advertising	Whole year	19,125
Posters back of buses	2	2,870
Poster bus and train stations	4	6,800
Stand	1	350
Google AdWords	Whole year	18,000

**Total price of promotion is 669,629.82.**

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**Total price of promotion is 669,629.82.**

## Supplies

As we start our business from scratch, there are a lot of high costs in the beginning. But we have to supply an office.

Therefore we think of the following costs:

2 conference tables 498.00

7 notebooks 2443.00

1 computer 700.00

17 chairs 1003.00  
 7 desks 784.00  
 1 office phone 40.00  
 7 cell phones 315.00

## Depreciation

Depreciation per year:

Computer (3 years) 233,33  
 Notebook (3 years) 814,33  
 Cell phone (3 years) 105,00  
 Phone (5 years) 8,00  
 Table (7 years) 71,01  
 Desk (7 years) 112,00  
 Chair (3 years) 334,33

Total depreciation per year 1678,00

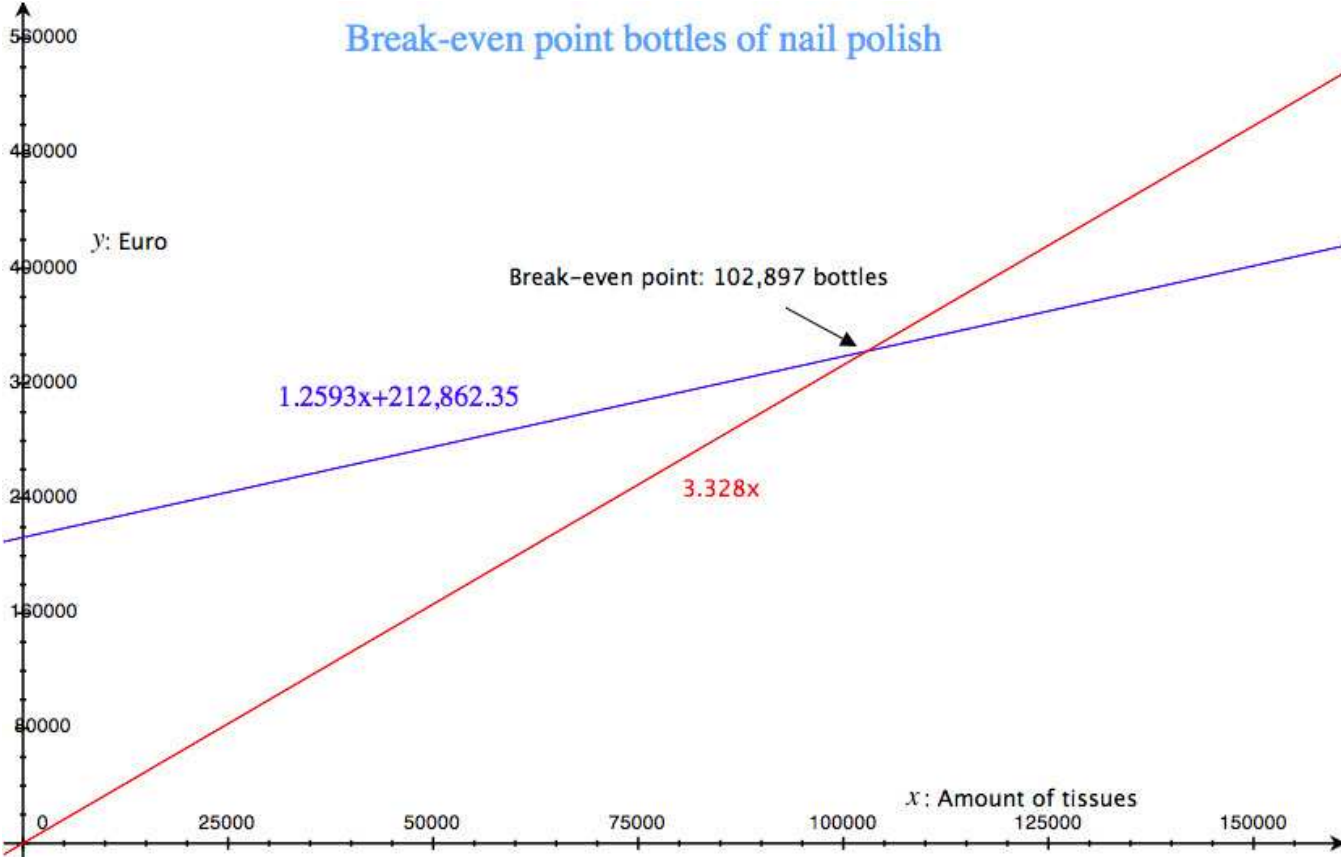
<b><i>Current assets:</i></b>		<b><i>Current liabilities:</i></b>	
Cash		1564,29	Accounts Payable 913,00
Accounts Receivable		36224,00	Shortterm loans 40000,00
Inventory bottles		0,00	
Inventory tissues		2538,00	
Receivable taxes		9496,34	
Prepaid rent		0,00	
Prepaid insurance		0,00	
<b><i>Fixed assets:</i></b>		<b><i>Common shareholder Equity:</i></b>	
Office supplies	5783,00		Owner's Equity 70000,00
Depreciation office supplies	-1678,00		Retained Earnings -37985,37
		4105,00	
Patent	20000,00		
Depreciation Patent	-1000,00		
		19000,00	
<b>Total assets</b>		<b>72.927,63</b>	<b>Total liabilities and equity 72.927,63</b>

## Break-even analysis

Break-even point bottles of nail polish

The break-even point for bottles of nail polish is shown in the graph below.

## Break-even point bottles of nail polish



### Explanation break-even point

In the graph above we have made the break-even analysis. In the first year our fixed costs are €212,862.35. The variable costs consist of the production costs and the shipment. The red line of the graph shows the selling price excluding the Value Added Tax. On the moment the blue and the red line cross you have the break-even point, so the moment where we have covered our costs with our sales. We reach this point when we have sold 102,897 bottles of nail polish. From that moment on we are really making a profit.

### Break even turnover

The break-even turnover is the revenues we will make on the moment we break-even. That is at the moment we will have sold 212,862.35 bottles of nail polish. The break-even turnover: €3.328 times 212,862.35 is €342,441.22.

## Financial viability of company

### Ratios

Current Ratio	3,23
Quick Ratio	3,15
Return on Equity	30,40%
Return on Asset	20,94%
Debt /Equity Ratio	33.00%
Debt /Total Assets Ratio	25,36%

### Liquidity:

Considering the current ratio and the quick ratio we don't have any problem to pay off our short term debts as our current assets are a lot more than our liabilities. As the ratio is a little bit high, we will think of paying out dividends or investing more money in the future.

### Solvency:

Our solvency looks good as well as the debt ratios show. We have enough equity and assets to cover for potential long term borrowings.

### Profitability:

A high ROE is a satisfying result because it signals that our company can sustain a high earnings growth in the short to medium term. The Return on Asset ratio is asset-light, meaning that we as a company we don't need much investment in assets to make profit.

## 5. RISK ANALYSIS

Limiting factors are threats that currently could cause harm to us.

- No experience in this market  
Since we are a new company with almost no experience in this market, this can be a detriment to us. We probably need some time to get to know everything about this market.
- Production cannot keep up with demand  
If our product is such a success and the demand rises above the production capacity of our manufacturer, this can limit us in our work.
- No time to transport due to high demand  
It is linked with the limiting factor above. If the demand of our customers rises so rapidly, that we do not have the time to order and deliver it to the shop, it can limit us too.

### 5.2 Specific risks

There are many risks that can harm us in the future. That is why we have to think of those and try to foresee them.

#### Operational risks

- Key staff resigns or are approached by competitors  
We can have a problem if one of our key staff members gets a lucrative offer from a competitor. That person may

quit working for us. It can also happen that one of the investors does not believe in the profitability of our company and resigns. Furthermore, there can occur resigns because of other reasons.

- Communication problems

If there are problems in communication between several departments, this can be a big threat to our organisation. Problems will occur, if all the departments do not work together for a common goal. If for instance, the marketing department does not communicate their payments for promotion the right way, our finances could be wrong.

- Fire and theft

We can face fire and theft. We are insured for it, but it will delay doing business.

## Industrial risks

- New competitor entering the market

If a new competitor introduces a slightly different product for a lower price we may lose our market share. This can happen, because of our pre-emptive product. Our patent does not protect us for products that have a slightly different formula. It can be very hard to prove that competitors are copying your product.

- Cost prices increase

If the raw materials to produce our product increase, this will cause our prices to rise, if we want the same profit margin.

## Financial risks

- Tax rates increase

We are now importing goods from Turkey and if exporting or importing, tax here or there will increase, it will raise our costs. If the German government decides to raise the VAT-taxes, this is also bad for our market position.

- Interest rate

To have enough money to make our business successful, we have to borrow it from a bank or someone else. On this money we have to pay interest, but if the interest rate increases it will cause a higher debt.

- Cannot reach sales forecast

If the demand is not big enough to reach our sales forecast, it can happen that we cannot reach our break-even point. We would not be able to cover our costs.

## External environment risks

- Natural disasters

Nature is powerful. It can cause problems, like storms, floods, earthquakes, etc. We have to foresee the worst, so we can keep it into account.

- Economic crisis

In the near future our customer demand might decrease because of many reasons such as an economic crises, the world is currently still facing. An economic crisis makes people more aware on their spending. Since nail polish is not a primary demand for life, it can be a big risk for us.

- Political risk

Political risks can appear because of rules and regulations the government changes every day. A problem in the government can stampede the whole country. Political problems worldwide can also harm us; some more direct like the decisions the EU makes, but others indirect like the war in Afghanistan. Another example is the trade unions which are responsible for interrupting business. They stand up for the rights of employees, but this can cause strikes, which will have their effect on the government or the whole country.

## 5.4 Strategies for managing risks

We need solutions for specific risks because we are investing a huge amount of money with a high uncertainty in our new business. Even after having the uncertainty in starting a new business, profit can be achieved if we can make a good forecast and analyse all the possible risks. The effort to reduce the uncertainty and increase the certainty of a successful business depends on an effective plan. Through this process we have searched and identified several types of risks that could affect our business. Some proper solutions are needed for having success.

All of our departments must be concerned about this uncertainty. We take every single issue into account and try to find a possible action we can take in the near future to solve it. We will name the solutions to the earlier mentioned risks below.

### Limiting factors

- No experience in this market

We have to make sure that we get to know our market as quickly as possible. We have to keep analysing our competitors and customers all the time.

- Production cannot keep up with demand

To make sure that our manufacturer is flexible enough to adjust to a possible high demand we can reserve some manufacturing space. We have to figure this out, because the manufacturer produces other products as well.

- No time to transport due to high demand

If the transporting time of 4 days by boat is too long we have to be sure that we can use a plane to transport it.

#### Operational risks

- Key staff resigns or are approached by competitors

To keep everyone motivated for our company we need a good atmosphere within the team. The atmosphere and profitability are essential for personnel to stay with us.

- Communication problems

We need to find out what the communication problem is, try to fix it and learn from it. These communication errors must not result in conflicts. It is important to keep an open atmosphere.

- Fire and theft

Invest on ways to insure ourselves for fire and theft. Secure our property as effectively as possible.

#### Industrial risks

- New competitor entering the market

Keep appealing to the customers. So make them loyal to our product, in case another direct competitor shows up.

- Cost prices increase

#### Financial risks

- Tax rates increase

We cannot really find a solution for this. The only thing we can do is make sure we have some savings just in case.

- Interest rate

The only way we can solve this problem is making sure that we do not have to borrow that much money.

- Cannot reach sales forecast

By promoting our product more effectively we can try to make people more aware of our product and appeal to them.

#### External environment risks

- Natural disasters

We have to trust on our manufacturer, distributor and our building to last all right against natural disasters.

- Economic crisis

Savings and perseverance are the best solution to this risk.

- Political risk

We cannot influence our government or problems outside of Germany. So here we also have to hope for the best.

## Conclusion

IRIS GmbH will produce high quality Nail polishes to the general population of Germany.

Initial investments were in the form of personal funds and Bank loan. After positioning the product correctly on the basis of the survey outcome a profit can be obtained from the 3<sup>rd</sup> month of launching. If every thing is going according to the projections the business can be broadened to the neighbouring country Netherlands with in 3 years.

Effective Risk and crises management protocols should be amended in near future which can guide the company through predictable crises.

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