

TALLINN UNIVERSITY OF TECHNOLOGY
SCHOOL OF ENGINEERING
DEPARTMENT OF ELECTRICAL POWER AND MECHATRONICS



PETTO

BUSINESS PLAN

Business definition:

An application to match pets with each other mainly for breeding purposes.

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Note: All information in business plan is confidential

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1. SUMMARY

The plan presented here is for a business of providing a service to find a mating partner for the pet of the user. Digitizing the process will ease the process for pet owners to find a good mating partner for their pets, especially when they care about the breed and health of their pets. The digitization of the process will be through apps on smartphones and a website, so people who have PCs or Laptops would have access also for the service.

Without our service, the process of finding a mating partner would be very difficult for someone who has a rare breed of an animal or any rare animal. Especially people who live in modern cities have difficult times to get their pets interact with others. But using the service through an app or website will make it easier to find a mating partner for the pet of similar breed in the surrounding area. The old way of doing this process, is by going to pet shops, and have to trust the shopkeeper about the animal that will be the mating partner, and about keeping the pet itself, also for finding the pure breed. This process will never guarantee finding a pure breed partner and avoiding the diseases that might affect the pet from another pet.

The application will be free for all the accounts initially, and there will be premium options to purchase. The free accounts will generate income to the company through ads shown to users. The free accounts will also have some limitations, but the premium options can be purchased to break the limits of the free account for more features, and to have ads free services.

The business would need 50000 Euros as initial investment, and it is expected to reach the break-even point during the second year of running the business. This amount will be invested from Angel Investors as a grant for the entrepreneurial idea, but not as a loan. There is no loan required in the presented plan. Investors will get a share from the company.

The net profit by the end of 2020 is expected to be more than 274000 Euros.

1.1. PROJECT COST

We require 50000 Euros as a one-time payment of investment to start our business.

1.2. LOAN REQUIREMENT

50000 Euros from angel investments as a grant to our entrepreneurial idea, and there is no loan requirement.

2. GENERAL DESCRIPTION OF ENTERPRISE

- Legal form: Partnership
- Date of (planned) registration: July 2019
- Total equity capital: 15000 Euros
 - monetary payments (amount): 5000 Euros

Name	Shares	Contributions
Mohamed Abdelmomen	%25	Co-founder
Hakan Demir	%25	Co-founder
Ozan Dengiz	%26	Founder
Angel Investors	%24	Investor

2.1. ENTERPRISE'S MISSION, VISION AND OBJECTIVES

Mission statement

To connect people in need to find a partner for their pets with each other.

Vision statement

To become world's leading application for breeding pets.

Short term objectives (1 year):

To reach a million members located in EU with at least a quarter of them as premium accounts.

Long term objectives (2-3 years):

To reach a million premium accounts all around the globe.

3. ENTREPRENEURSHIP ENVIRONMENT, INDUSTRY AND COMPETITION

3.1. ENTREPRENEURSHIP ENVIRONMENT

The environment of the entrepreneurship depends on the changing population of pet owners in a specific area. Our application can be considered as a luxury. Therefore, the economic, political and social changes in a country will affect our income indirectly. Technological changes will affect us directly mostly in a positive way since they will be advancements.

3.1.1. Political Situation:

Estonia and EU are helping much and investing in creating start-ups, specially the start-ups that would automate and ease a traditional process like the animal mate partner finder in the present case. The app will not have any political effect in positive or negative way, and the political situation of the country is supporting the idea. The business growth in 2018 in Estonia is 4% in Estonia.

Estonia is ranked the 1st in OECD Tax competitiveness Index 2017, 1st in Entrepreneurial activity according to world economic forum in 2017, 1st sharing with Iceland in Internet Freedom according to freedom house 2016, 7th in Index of Economic Freedom in 2018 according to The Heritage Foundation, 9th in Digital Economy and Society Index in 2017 according to European commission, and 12th in ease of doing business according to the world bank in 2016. Estonia also has some of the highest international credit ratings in the region.

As aforementioned, the political situation is generally stable and tending for development of the country of Estonia, and the political situation in Europe is generally stable and being enhanced as well. Therefore, the political situation will help any business to go through normal processes, and more people will take care of their pets, so they will use the service for the breeding of their pets. The stability of politics will lead to more luxury of usage of the service and caring about breeding of pets.

3.1.2. Economic Situation:

The app is for free, it just needs a pet owner who has internet access and smart device to access the app. If the client is willing to have extra features in the app, then a premium account can be used. The economic situation of the country is allowing to have a fund for the idea to be implemented.

The economic situation stability and development in Europe in general will guarantee that the growth of the business of the service will have its normal growth path. Additionally, developed economy will also assure that more people will care of their pets for breeding and most probably they will use the service more than in less stable regions.

3.1.3. Social Situation:

The social situation is also positive, as people who own pets would find a pet mating partner in the offspring of their pets easier, while just using the app. Moreover, the pet owners might be interested to meet someone who has the same pet or same breed of the pet.

European and American, especially Estonian, societies are generally using the internet and digital services more than average of the other continents, and this would allow the app to be used more frequently.

Because of the change in society to be more digitalized one will make the people tend use to such a service more than usual. Also, as people would like to be tracked for their locations to follow up with some apps, so when they are traced by google that they went to places where pets are being taken care of such as vet clinic or something else, so they will have higher probability of seeing an advertisement from google about our service. As people are also increasing to be animals' lovers as internet encourages this aspect, so more prospective users will need the service.

3.1.4. Technological Situation:

The technology that will be used in the start-up is not new, just having a website, and app on Android and iPhone app stores. Additionally, using the service of verification of the accounts that are using the app is also not a new technology, but has been used already by VERIFF, and that is why the service of VERIFF has been chosen for doing that task.

The AI development will make it easier for VERIFF to recognize the fake and scam accounts. Moreover, people nowadays are more engaging in feedback specially if they get a response for it, so more verification process and more safety for the service will be assured. Furthermore, the 5G network is being finalized for commercial level, and that will enhance the society in digital aspect, so that will also increase the chance that more users will flow to use the service.

The smartphones and smart devices are spreading more and more, and will also enhance the chance of having more people using the service.

3.1.5. Environment Analysis Conclusion:

The studies show that there is no environmental obstacle on company's way to achieve its desired place. The political, economic, social and technological situations analyses verify that there is a market value of the idea.

3.2. INDUSTRY ANALYSIS AND TRENDS

3.2.1. Competition in the industry:

There are no considerable competitors in Europe. The ones in the same business have no reliable smartphone application. Moreover, in the world competition, the same result still exists. That would enhance our chance of having a lot of users in the beginning, and we will keep on being one step ahead of the competitors.

3.2.2. Potential of new entrants into the industry:

There are no strong barriers for entry for this business. There will be new competitors in the future. However, our application will be the first good and reliable one in the market. Plus, the expansion on geographical level and on technological features level will be our competitive edge.

3.2.3. Power of suppliers:

The only supplier that can affect our costs is VERIFF for its services for reliability recognition for the accounts of the users. However, the usage of VERIFF service is a crucial key that helps us to keep the service safe to use.

3.2.4. Power of customers:

Application is free, so customers doesn't have power on the prices. However, their comments about the app will affect the popularity of our app. Therefore, the customers must be fully satisfied, specially the early ones who will create the reputation of the service by many ways.

3.2.5. Threat of substitute products:

Since there is no competitor substitute that is easy to reach and has lower cost there is no threat. However, in the future, when there are some competitors, that will only affect us that the competitors might be able to have our lost clients. Therefore, it is very important to keep high pace of development of the service and implementing the future actions just as planned, so we will have a technological advantage over any future competitor.

3.2.6. Industry Analysis Conclusion:

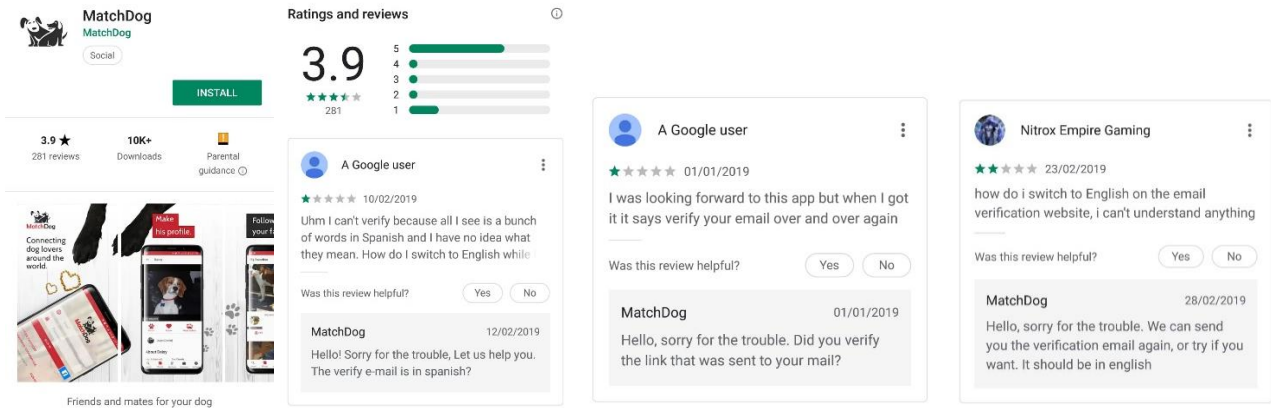
Lack of competition is a big advantage for the company. Potential of new entrant to this business is existing but since it is expected it can be easily overcome. Suppliers do not have much power on the product, but customers will be always in power with their feedback. Threat of substitute products can be dealt with active updates and user-friendly environment with good prices.

3.3. COMPETITION ANALYSIS

Currently, there are no direct competitors for this business. This will be the first application working on breeding of all kinds of pets. All the potential competition is focused on a single kind of pet which is dogs. Even though there are many dog matchmaking applications on the market, most of them failed due to poor app designs and low-quality features as it can be seen in below figures. Another non-direct competition would be the several applications struggling to stay on the market with a focus on finding playmates for dogs, because people tend to misuse applications on some cases.

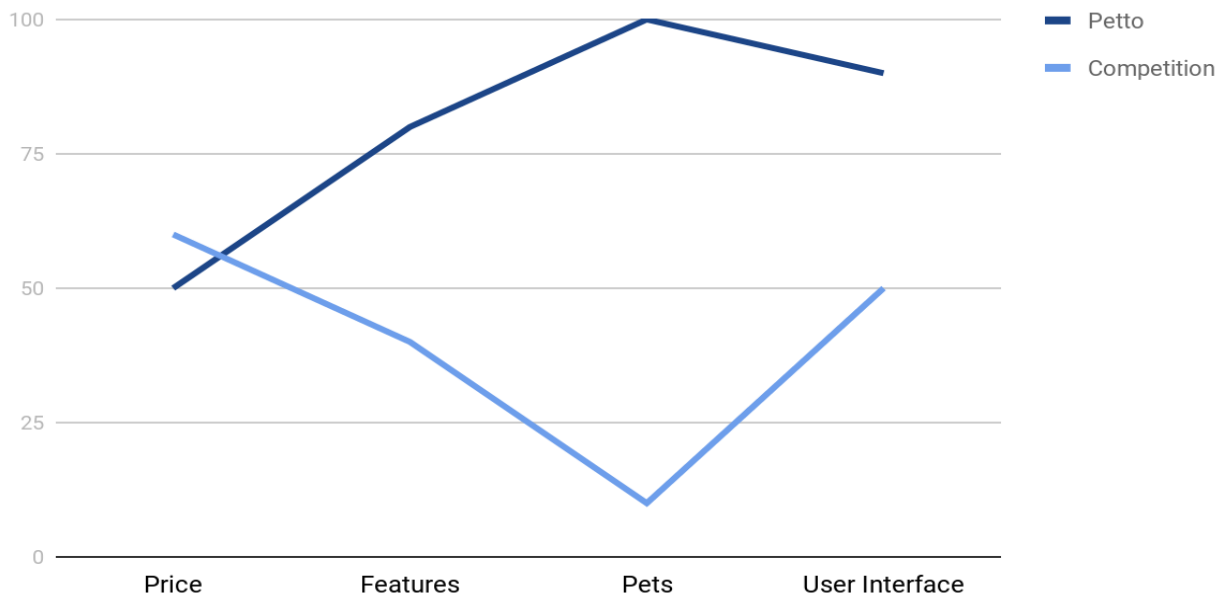
The image displays two screenshots from the Google Play Store. The top screenshot is for the app 'Dig - The Dog Person's Dating App' by 'deg'. It shows a 3.6-star rating from 84 reviews, over 10,000 downloads, and a PEGI 16 rating. A 'Top critical review' by jay castillo from 23/02/2019 is highlighted, stating: 'it pretty much sucks it only lets u view 5 "profiles" in 24 hrs but 2 out of the 5 profiles are ads. the concept is cute but there really shouldn't be a limit on how many profiles u can see in a day. Also the location feature isn't updating it keeps showing me profiles that are thousands of miles away.' Below this, a promotional message for 'Dig - The Dog Person's Dating App' dated 9/03/2019 says: 'Hi, Jay! There is now a new version of Dig available with Dig UNLIMITED! You no longer have to wait 24hrs to view more people in the app. Go through the profiles available, and then new set will appear. You also can edit your location search settings by clicking on "profile" and then clicking the settings icon in the top right corner.'

The bottom screenshot is for the app 'Pet Dating Free' by 'DOGS DEV.'. It shows a 2.6-star rating from 18 reviews, over 1,000 downloads, and a 'Parental guidance' rating. A review by Robert Roehm from 27/10/2018 says: 'Dead website. App is junk.' Another review by Garda Alex from 03/02/2018 says: 'I can't make an account.'



To conclude the competition analysis, as there are only indirect competitors, it is safe to assume that the company will have a good head start on the market at least for the first couple of months after the release of the application. Since Estonia and EU will be the initial targets, there are two big potential substitute institutions that can be a potential threat for certain aspects. EuroBreeder has a website for dog breeders to share their contact information online and Estonian Animal Breeders' Association is the largest cattle breeding organization in Estonia. There is no other competition this close to the application's field of use and these websites only exist for information not for matching animals. You can see the advantages of Petto by examining the Blue Ocean Strategy canvas below.

Blue Ocean Strategy Canvas



4. BUSINESS MODEL

Key partners	Key activities	Value proposition	Customer relationships	Customer segments
<ul style="list-style-type: none"> - Facebook (easier registration) - Google (easier registration, ads) - Veriff (accounts verifications) 	<ul style="list-style-type: none"> - Optimized mobile app - Good advertisement (to reach a lot of customers) - Reliable account verification system 	<ul style="list-style-type: none"> - Easing The process of finding a mating partner for the pet. - The app is free to all. - The app is for all pets, not only specific kind of pets. 	<ul style="list-style-type: none"> Marketing that the app usage is free with optional premium account options. 	Anyone who owns pet and need a mating partner for the pet. As well as having smartphone and internet access and their age is older than 18 years old.
Key resources <ul style="list-style-type: none"> - App developers - Verification partner - Income (from ads) 			Channels <ul style="list-style-type: none"> - App stores (Android and iPhone) - Website 	
Costs structure <ul style="list-style-type: none"> - Payment for Veriff to use their service - Payment for the app hosting in both app stores - Payment for the website domain host - Payment of the apps and website developer 			Revenue streams <ul style="list-style-type: none"> - Free account: Limited likes, gets ads, not most featured - Premium 1: Infinite likes, no ads - Premium 2: Super likes, more features - Premium 3: Unlimited pets per accounts 	

The key partners are already self-proven companies with much experience. Our key activities and resources are easily applicable through modern technology. Since our value proposition is an easing service for the users, it is likely to succeed in the current societies. Customer relationships will be conducted through several channels according to their demand. The cost structure is well calculated by the partners and it will be handled professionally. Revenue streams will have many options as it can be seen in the above canvas.

4.1. PRODUCT/SERVICE

4.1.1. Nature of product/service

Our value proposition is providing a service to ease the process of finding a mating partner for all kinds of pets. Our delivery channels will be application stores. The app will work on all systems like IOS, Android or others. Also, there will be a website for users who prefer to use computers. Initially, the app will be free for all users. We will offer various types of premium account choices with different features. Free accounts will have limited likes. They will also see ads and we will let them know that they are not the most featured accounts. It will be user-friendly, people need to be able to use the app without struggling so they will purchase the premium ones willingly when the time comes. There will be time limited premium features to keep the attention alive. Also, there will be necessary updates to make sure the app will work on new smartphones.

The first type of information needed to use the app will be about pet owner. Name, date of birth and their location info (country and city) will be asked. Photo and gender info will be optional. Users will enter their contact info such as e-mail and phone number.

The second type of information will be about the pet. This will consist of photo, kind of the pet, its breed, birth date in months and years, gender, passport number, photo of vaccination information paper, description of the animal and comments.

4.1.2. Factors affecting the demand of the product/service

Factors influencing demand	Direction of impact (+/-)	Information source
1. Income of customers	+	https://www.ncbi.nlm.nih.gov/pubmed/23154107
2. Price of the application	-	
3. Competition	-	Currently, there is no significant competitors in EU market
4. Number of pet owners in the market	+	https://www.statista.com
5. Preferences of consumers	+/-	
6. Offspring season	+/-	
7. Weather Conditions	+/-	

4.2. CUSTOMER SEGMENTATION

Our customers need to have a pet and they should be willing to breed their pets. They will also need access to internet and be at a legal age to sign terms and conditions. Initially, the app will be published in Europe. Since the matching process is according to geographical values, it can be assumed that there will be no users outside of this continent at the first phase. The main goal is to reach private customers like regular pet owners. But after that, people who own several pets for a purpose will be considered. These can be hunters, farmers, veterinarians, animal contesters, collectors, pet shop owners etc. The last segment of targeted customers will be people who work in animal related organizations like zoos, aquariums or government.

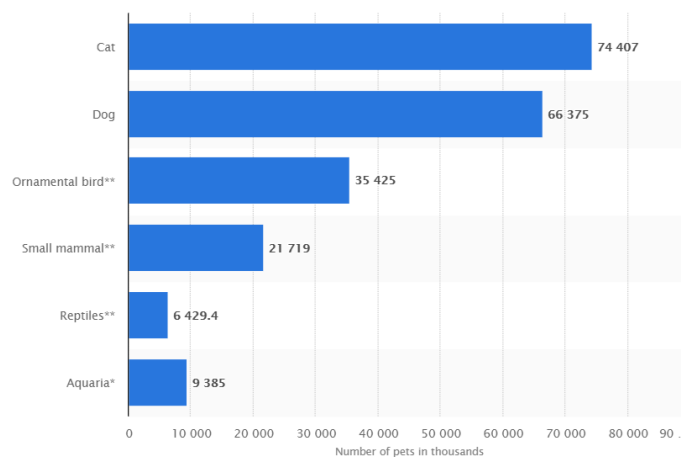
4.3. REVENUE

The primary revenue source is the advertisements in the application. Secondary income source would be the in-app purchases. The revenue rates will increase in spring and autumn since natural breeding time of dogs and cats are in those times of each year. Also, our revenue from high income countries such as UK, Germany, Canada and US will be higher compared to other regions.

5. MARKETING PLAN

5.1. MARKET DESCRIPTION AND EVALUATION

The target segments of the customers are very wide. Even though initially it will be available only in Europe, in the long term it will be a global app. Every pet owner above legal age with smart device and internet connection will be able to access the service. The service can vary from being for free, to the level of using all the premium features. Below table shows the number of registered pets in thousands in EU by animal type in 2017.



5.2. MARKET RESEARCH

The market is in need of such a service. According to animal-lover communities they have hard time to find an easy way to breed their pets. This is especially a big problem for people who has a pet which is not a cat or dog but another kind. Also, in Europe, all the animals are registered by the government and there are no street animals to adopt. This makes the customers more in need and application more accurate.

Market research show that there is an opening that needs to be filled with a service. According to the survey done with the youth of Estonia, they care about their pets and they don't want to be separated. Therefore, they want them to have their own families or they want to have their babies to keep after they passed away. More than half of them expressed their need for a breeding service, and the number is much higher in city regions.

5.3. POSITIONING

There are no competitors in the field; therefore, the position cannot be located with competitors. However, comparing the manual way of doing the process, the manual process needs to be connected to a trusted vet or pet shop who will make sure about the mating process for the breed. The traditional process is exhausting for a normal person to follow, and to automate the service to someone's hand would help the user to reach their goal of using the service easier. The advantage that our service has is mainly about finding a mating partner for the user's pet at the end. Pricing policy will be decided upon data gathered and spread to different account features to give users a choice.

5.4. MARKETING

The main goal is to make the users keep on using the app, and to make them satisfied enough so they would recommend it by word of mouth. Of course, another goal is to convince people to purchase premium features. Therefore, online advertisement and social media is very crucial. Below, the channels that will be used gives more detailed explanation on their usage. The goal of using these channels will be reaching at least half of the pet owners in the region.

The app needs to be seen easier to very wide amount of people. The target segment will be defined through Google Ads will be about the people who are searching for anything related to pets.

5.4.1. Target Users

The first users of our service will be the people who are pet owners and have courage to try new digital service and this segment would be generally young people. The main users of the service are people who are using any smart device that would enable them to use the service and own pets that needs the breeding process. There will be some users who will use the service frequently, and those would be the people who have more than one pet or pet shops or farmers. There will be a segment of people who will not use our service at all directly, who don't have access to smart device. Also, people in rural areas will not need the service much as they already have their own community and they do this easily, but people who are living in a city will most probably use the service.

5.4.2. Marketing Strategy

The marketing is mainly used for encouraging people to pay more in the service or to even use the service. The marketing for using the service will depend on brand creation, so by more time there would be more trust for the brand. The trust for the brand can be created also by the help of using other collaborative brands such as usage of google ads and VERIFF service.

The social media and YouTube will be channels of communication to the users as well, and those will help in building the trust as well as social media competitions that will give free service to a winner. The engagement technique with the people through social media will build trust with the service and its brand.

There will be time limited features, for example when it is the month of birth of the pet, as well as the beginning of the month of spring period the unlimited features will be open for free. It is put only on the first day, so the second day the user might feel that they need to have the premium features, and it is just the second day of the month, so they still have their salary, so that will make them more willing to pay for the premium features. Youtube videos will be about how to use the service, as well as showing some promotional videos about positive impression of people who are using the service as well as their happy pets.

The vet clinics will have posters that is advertising about the service, so that will attract more users to try it for their pets. Pet shops will also do exactly the same for a factor, and even some of shopkeepers might recommend it if they are not running the business of the breeding. However, the pet shop keepers can help spreading the reputation of the service if we give special price for them, so it will be helpful for them as well to run their own business. In pet food section in supermarket some flyers will be distributed and banners to be hung in the supermarket as a way to show the people the service name at least, and that might have subconscious effect of trusting the brand name when they are exposed to the name frequently.

5.4.3. Channels

The communication channels will be Facebook, Instagram, Twitter, Google Ads, app stores, YouTube videos, website, vet clinics, pet shops, pet's food section in the super markets. Social media will be used constantly to advertise the app. The announcements of updates or bonus features will be done in these channels. Google Ads will be used to reach customers interested in similar services. Marketing will cost around 600 Euros yearly after first year with around 650 Euros.

The advertisement costs change considerably from app to app and from country to country. For example, the highest CPC by location is in Denmark is \$0.51 while the lowest CPC by location is in Bulgaria \$0.03. Therefore, we need to consult professionals in this area before start advertising. This work will be done by the financial team.

For iOS apps, the Apple App Store charges fee of \$99/year. Google Play has a one-time fee of \$25. The cost of doing so on Windows is much cheaper than the others and is charged at around \$12. The Windows platform also lets the App developers to use either an individual account or a company account to do.

5.4.2. Total marketing costs

Type of cost	price	time	Sum
Google Ads cost	200	yearly	200
iOS App Store	88	yearly	88
Other App Stores cost	22+10	one-time	32
YouTube videos and social media cost	0	one-time	0
Website cost	99	yearly	99
Vet clinics flyers and posters cost	100	yearly	100
Pet shops flyers and posters cost	100	yearly	100
Pets food section flyer and posters cost	100	yearly	100

6. OPERATION PLAN

6.1. The company's explanation for selection of the location

We choose Estonia as the country to have the headquarters at, as Estonia's situation in political and economic aspect would perfectly fit a new start up. Additionally, the country is located near to Russia and it is a member of European Union. Russia and Germany are the most populated countries in this continent, and that would give high probability of finding people who own pets in those countries. As explained before, the animal control policies in EU is a real advantage for the application since it is very easy to verify the legitimacy of information given by users. After a certain point there might be offices for the business in different countries if needed.

6.2. Acquisition of production building

We will need an office to be rented in an incubator in the beginning, that would help us having a physical place to meet the agencies that we are going to deal with, and to have a registered address for the start-up. We will use the office area also for developing the application and management we would need an office area. Tehnopol in Tallinn has that kind of office spaces for start-up companies. The rental cost will be around 180-200 Euros per month. The office will be a common area. Since this is a start-up, we will need several tables with chairs and no separate offices or cubicles will be given even for chief managers.

6.3. Access to raw materials, equipment, price, possible changes

Our raw materials are laptops for coding, phones for testing the application and servers to make it durable. Since we have our personal laptops and phones the only cost will be for buying or renting servers. After the first stage, the senior developer and designer may get a new company laptop which will cost around 1500 Euros.

Will need just a skilled software engineer who will use cloud servers to store the data of the users safely. We may have a deal with IBM Cloud since they are one of the best and eager to help start-ups. Moreover, the service of VERIFF is required for the verification of users.

6.4. The company's asset insurance

We need to search both local and international companies to find best fit for us. Since there will be no physical asset, the insurance will be done regarding the start-up risks. Also, the employees should have a standard insurance from the company. We need to consult people who has worked with this type of insurance companies. This work will be done by the financial team.

7. ORGANISATION AND MANAGEMENT

7.1. Company's management

Name	Position	Area of responsibility	Monthly salary
Ozan Dengiz	CEO	Executive Officer	1500 EUR
Mohamed Abdelmomen	CMM	Marketing Manager	1500 EUR
Hakan Demir	CTM	Technical Manager	1500 EUR
	CFM	Finance Manager	1500 EUR

The owner of the idea and the most experienced one in management will be taking the role of Chief Executive Officer to manage the company. Selling the idea and communication to the customers will be done by Chief Marketing Manager who is eager to talk and convince potential customers, suppliers, and supporters. The key role of Chief Technical Manager will be owned by the one who has experience in coding so that he can understand the needs and results of the software. This team does not have a member that is qualified to be the Chief Financial Manager, so this position requires a hire preferably someone with at least some experience.

7.1.1. Company executives - description

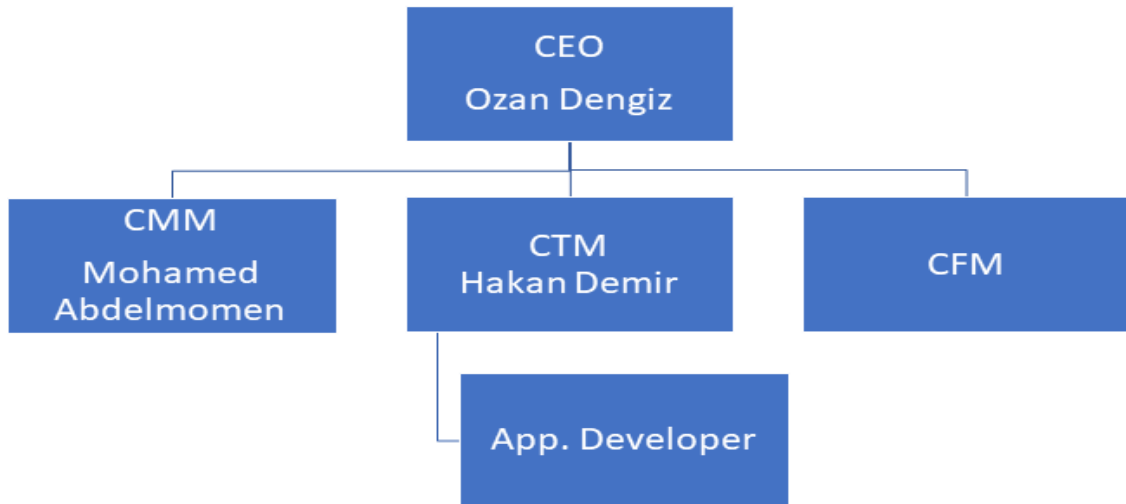
CEO: Chief Executive Officer will be responsible about managing the aspects of the company that none of the other managers are dealing with. That would include some of the Human Resource work, project management, and legal issues.

CMM: Chief Marketing Manager will be responsible about all the aspects of marketing, including online marketing, offline marketing, public relations, and branding of the company and app.

CTO: Chief Technical Manager will be responsible about the engineering aspects such as app developing, web developing, software quality, bug detecting and fixing, app enhancing and software design.

CFO: Chief Finance Manager will be responsible about managing the financial aspect of the company in the side of income, outcome, profit, taxes, revenue, annual budgeting, and grants.

7.1.2. Management structure



In the future of our company all manager will have assistants. These assistants will be the team leaders of their own areas. We will hire interns on all fields, especially on the developer department.

7.2. Labour requirement

Position	Labour requirement (no of people)			Salary (per month) EUROS		
	2019	2020	2021	2019	2020	2021
CEO	1	1	1	1500	1800	2200
CMM	1	1	1	1500	1800	2200
CTM	1	1	1	1500	1800	2200
CFM	1	1	1	1500	1800	2200
Lawyer	1	1	1	1400	1600	1900
Developer	1	1	2	1400	1600	1900
Public Relations	0	1	1	0	1400	1600
Human Resources	0	1	1	0	1400	1600
Designer	0	1	1	0	1400	1600
Social Media	0	0	1	0	1300	1500
Intern	2	3	4	500	550	650
TOTAL	8	12	15	9800	17550	25600
TOTAL PER YEAR				58800	210600	307200

- Employees' availability in the region, possible changes in the labour market, the labour price change forecast:

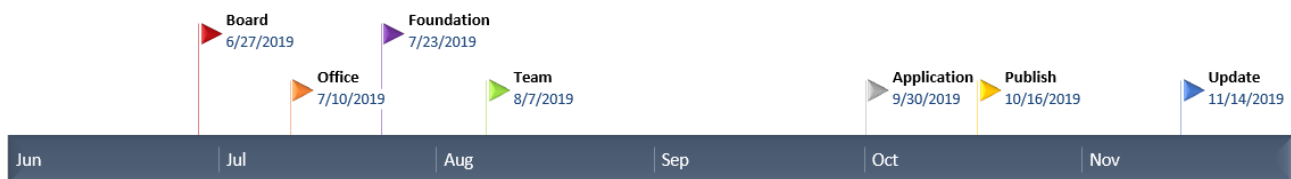
The employees required for these positions are available in the region, especially in Estonia as the country for the headquarters location. The taxes in Estonia is fixed 20% of the net profit of the company. The normal change in labour price is mainly the normal rise of salaries by gaining more experience and being more promoted after being more productive.

- Employee training and motivation plan:

The employees will have any training that is required for their position, and the cost of training will be covered by the company. The company will give 5 weeks annual paid vacation for full-time employees. The maternity leave at the parental leave will be longer than the minimum in Estonian laws. There will be subscriptions with the nearest Gym to headquarters place. Free snacks will be available in the office. Flexible working schedules will be offered. All packages of the app will be free for a year and they will be renewed every year.

8. STRATEGY

8.1. Companies process map



Our schedule for the main points on initial plan is shown above between June-November of 2019. The board members will be completed with CEO, CMM, CTM and CFM at the end of June. We will have our office in the beginning of July and by the end of July the foundation of the company will be legally complete. We will start hiring immediately and have our team at the second week of August at the latest including the team of developers. We plan to finish the development of the application by the end of September, so we can publish it around mid-October. According to the feedback from our first users we will update the app in mid-November. After that, we will continue our work as a more mature company with slower and bigger steps like hiring more people or having possible deals with related companies. So, by spring, which is a season that animals would mate more, the company would have already taken a very good shape and already constructed, and able to handle a peak of usage and income as well as feedback for sure. After the spring season, the usage is expected to decline a little bit, which would give the developers a chance to handle having a better version for the app, as well as the company to handle further development inhouse.

8.2. SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Our app will have user friendly app design. • We will use QA methodology to check the performance of the app. • Easy to verify account information through VERIFF • We will have skilled app developer chosen by a competition. 	<ul style="list-style-type: none"> • The app is open to misuse. • After using the app once, the same customer might not use the app for a long time. • Customers will not always need the app because animals have specific time for breeding through a year.
Opportunities	Threats
<ul style="list-style-type: none"> • There is an open market because of lack of similar applications in Europe region. • High number of animal lovers. • Our application will be the first to give breeding service for all pets. 	<ul style="list-style-type: none"> • There will be similar application after we release our app. • There will be people who is against to breed animals uncontrolled via an app. • There is possibility of abusing personal information of our users.

As the app will have user friendly design, so it will be easy to use by all segments, as some people are not highly technology oriented, and this will assure more users for the app. The usage of QA methodology would matter about the performance enhancement for the future development and that would give us advantage of the future competitors. We will use the service of VERIFF to verify if the account that is using the app is a real person or a scam account, and this will assure quality of the service being introduced for the users. The contest that will be held will also give us the chance to choose the best app developer out of many, and this will guarantee that the quality will be high.

The weakness of misusing of the app that some people might be scammers or people who steal pets or thieves in any kind, and this must be fixed by feedback of the customers about an account after usage as well as VERIFF will help in identifying the users genuinely. The customer might need the app once in a year, and this will be faced by the fact that we will have many pets in the app, so we will have different kind of customers who will replace each other during the pause of usage by one of them. As the animals and bird usually have specific time of offspring breeding season, this will be also solved in the future when there is a geographical expansion.

The opportunity is that the market has no similar applications, at least in the European region, so in the beginning of the app, there will be no competitors. The high numbers of animal lovers are an advantage as people would like to have more pets, as well as it is a way of giving the animals a space just like humans instead of the traditional way of going to pet shop. The opportunity also of being the first breeding service for all pets would give us advantage over the existing services that are for a specific animal or kind of animals.

After our app release, a threat of competition will start to appear that will be exactly similar to ours, but we will overcome this by the quick development of the app and the company, so we will always be one step ahead in aspect of the service quality. Some people might claim that our service is not controlled, and that could be dangerous for the pets, but that will be solved by having the service of VERIFF for accounts verification and the feedback of customers about each other. There is a possibility of abusing the personal information of our users by anyone, and this is the best reason to have a verification company based in Estonia, as Estonia has the best cyber services who are able to solve any misuse of personal data.

8.3. RISK MANAGEMENT

The risk would be having less popularity of the app, software problems, and competition. The first risk about popularity will be faced by the marketing strategy already like aforementioned, so the marketing campaign should be helpful enough to make the app popular to have a decent number of users. The second risk is about software problems, as the already existing similar apps are having software troubles and they have a lot of limitations for the free account services. Our plan is to avoid this through using the Quality Assurance for software skills, so the end-product will have the least flow possible. Working on the app development with a good engineer is the only way to overcome this weakness possibility. The competition is also a risk. A big company that already has a reputation in a close field might copy us and do the same service, so it may gain more users than us. To minimize this threat, we may go to the possible companies with an offer before they act on it.

9. INVESTMENTS

9.1. Launching the project

Activity	1st month	2nd month	3rd month	4th month	TOTAL
Company registration	365	75	75	75	1190
TOTAL					1190

9.2. Machinery and equipment

Machine/equipment	Number of units	Cost of one unit	Total cost	Depreciation (EUR in a year)
Developer Computer	1	1500	1500	1500
Server	1	1000	1000	1000
TOTAL	2	2500	2500	2500

9.3. Investment plan

Planned investments	2019	2020
1. Fixed assets		
Equipment	1500	1500
2. Current assets		
Savings	5000	10000
Total investments	6500	11500

9.4. Financial resources

	Years	
	2019	2020
1. Equity		
Angel investor	50000	0
TOTAL	50000	0

10. EXPENSES

10.1 Total variable costs

Cost	EUR a year	
	2019	2020
Advertisement	6000	18000
Veriff Service	12000	12000
TOTAL	16000	28000

10.2. Fixed costs

10.2.1. Fixed staff costs (cost for employer)

Occupation	Planned staff costs (EUR a month)	Planned staff costs (EUR a year)
Board Member	1500	72000
Developer	1400	16800
Lawyer	1400	16800
TOTAL	4300	105600

10.2.2. Other fixed costs

Cost	EUR a year
Rent of office	2400
App Store	1200
TOTAL	3600

11. PRICING CALCULATIONS

11.1. Pricing

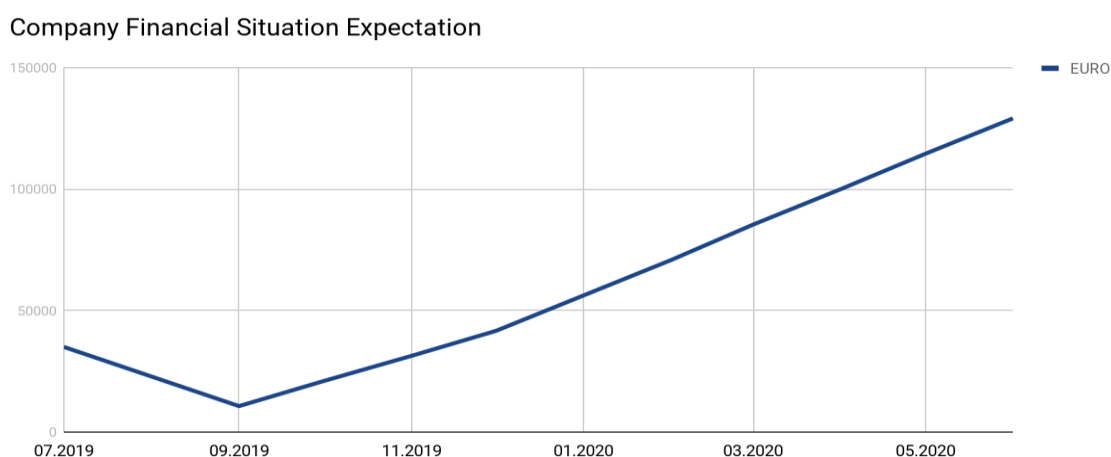
Product/service	Self-cost	Sales price (without VAT)
Premium 1	0	10
Premium 2	0	15
Premium 3	0	20

11.2. Sales estimation

Product/service	Unit	Unit sales price	Sales prognosis (in units)		Sales revenue prognosis (EUR)	
			2019	2020	2019	2020
Premium 1	1	10	5000	14000	50000	140000
Premium 2	1	15	3000	10000	45000	150000
Premium 3	1	20	2000	6000	40000	120000
Total	3	45	10000	30000	135000	410000

11.3. Break-even analysis

The company will be activated during the second half of 2019 and financial evaluations will be conducted in every 6 months. Below, the graph shows the break-even point as the time when the company reaches to a profit that will cover the initial investment as well as the expenses. Personal savings were not needed due to the generous angel investment. The calculations were done according to above tables and shows the best possible result. Taxes were included but there might be a 10% error according to unexpected situations. This would cause 1-2 months of delay on reaching the goals. Expected break-even point is February 2020 if the projected numbers are reached.



12. CASH FLOW STATEMENT

	2019	2020
CASH BALANCE AT THE BEGINNING OF THE PERIOD	50000	39600
CASH INFLOW		
Cash received from ads	3000	6000
Premium accounts	13500	41000
TOTAL CASH INFLOW	16500	47000
CASH OUTFLOW		
Cash outflow from investments		
Investment outflow	6500	11500
Total cash outflow from investments	6500	11500
Cash outflow from operations		
Operations outflow	10400	27440
Total cash outflow from operations	10400	27440
Cash outflow from financing		
Financing outflow	10000	11500
Total cash outflow from financing	10000	11500
TOTAL CASH OUTFLOW	26900	50440
NET CASH FLOW	-10400	-3440
CASH BALANCE AT THE END OF THE PERIOD	39600	36160

13. INCOME STATEMENT

	2019	2020
Sales revenue	135000	410000
Cost of sales	-120	-88
Gross profit/loss	134880	40912
Marketing expenses	-6000	-18000
Administrative and general expenses	-100	-150
Other operating revenue	16500	47000
Financial income	50000	0
Financial expenses	-125100	-137100
Profit/loss before income tax	70180	342574
Income tax expense	-14036	-68514.8
Net profit/loss for financial year	56144	274059.2

14. BALANCE SHEET

ASSETS	2019
CURRENT ASSETS	
Cash	50000
Inventories	6500
Total current assets	56500
Fixed assets	
Equipment	2500
Total fixed assets	2500
TOTAL ASSETS	59000
Current liabilities	
App store	1200
Other liabilities	6656
Total current liabilities	7856
TOTAL LIABILITIES	7856
EQUITY	
Retained profit/loss	-5000
Net profit/loss for financial year	56144
TOTAL EQUITY	51144
TOTAL LIABILITIES AND EQUITY	59000

15. CONCLUSION

Petto's competition in the pet breeding area is very limited. There are no direct competitors. In such a climate, the investment in this business will reach break-even in a shorter time than average. The company's management is confident that Petto can achieve its sales forecasts, generating approximately €56000 and €275000 by the end of 2019 and 2020 respectively. Petto has the potential to become a highly regarded service in local, regional and international markets.

Because of the company's fast marketing strategy, establishment of the company as a unique entity in its industry is possible. Careful development of the mobile application and website to achieve user friendly system will help the company's profitable revenue model.

Petto has a potential to provide lucrative returns to its potential investors. For Petto to achieve a highly regarded status in the market, it must secure its initial capital. This capital will be used for start-up costs, reaching the customers through ads in other mobile applications, establishing a reliable hardware base to meet the future demand and to further develop the business including the business infrastructure, internal systems, and product development. Provided that the company is able to acquire its funding requirements, Petto should be able to achieve success as a digital breeding service for many years to come.

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