

SANDLOCK LTD

A PROJECT FOR THE CREATION OF A COMPANY

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LTD

Y2BE BACKGROUND

“Youth to Business Enterprise”, the Erasmus + project of which we are proud partners, has been a big adventure. Thanks to the excellent design of the project, we arrive at this meeting in London satisfied and convinced about the excellent work done by students and teachers from all schools in the participating countries. Congratulations to all participants.

Next, we have the pleasure to introduce you the work done by our students as the result of teamwork. The teams have advanced throughout the project to achieve the objectives set at the beginning. The students have passed the baton to their classmates at each stage, for each mobility. This implies that all of them have shared the experience and knowledge that the project has given us.

We hope that the proposal you are going to read is interesting enough. We, students and teachers, have undoubtedly learned and enjoyed the process.

IES PLAYA SAN JUAN STAFF



Co-funded by the
Erasmus+ Programme
of the European Union



BUSINESS IDEA/THE COMPANY

Our business idea is based on the formation of an **SME** (a small and medium company), which is responsible for distributing, at first, the unique product we present. It would be formed by 6 workers and would belong to the tertiary sector, since we would buy the product, already manufactured, to other companies.

The company is going to be registered as **limited company (LTD)**. If at any time we had any debt, the partners would not respond personally. We have chosen this type of society because at first it would be a small company formed by 10 partners who would contribute 1.000 € each.

Its start would take place in a provincial area (Alicante), where the product would begin to be distributed to later make the jump to the national (Spain), and international (World) level. In the beginning, 3 points of sale would be established, one in Benidorm and the other in Torrevieja, in which it would be sold directly to the public and a third point in San Juan, which would also be the main warehouse.

We have decided to choose these locations because they are located in beach areas and have as **target audiences** not only **local users** but **a large number of tourists per year**. And therefore we would get more profitability because in these areas our product would be easier to market.



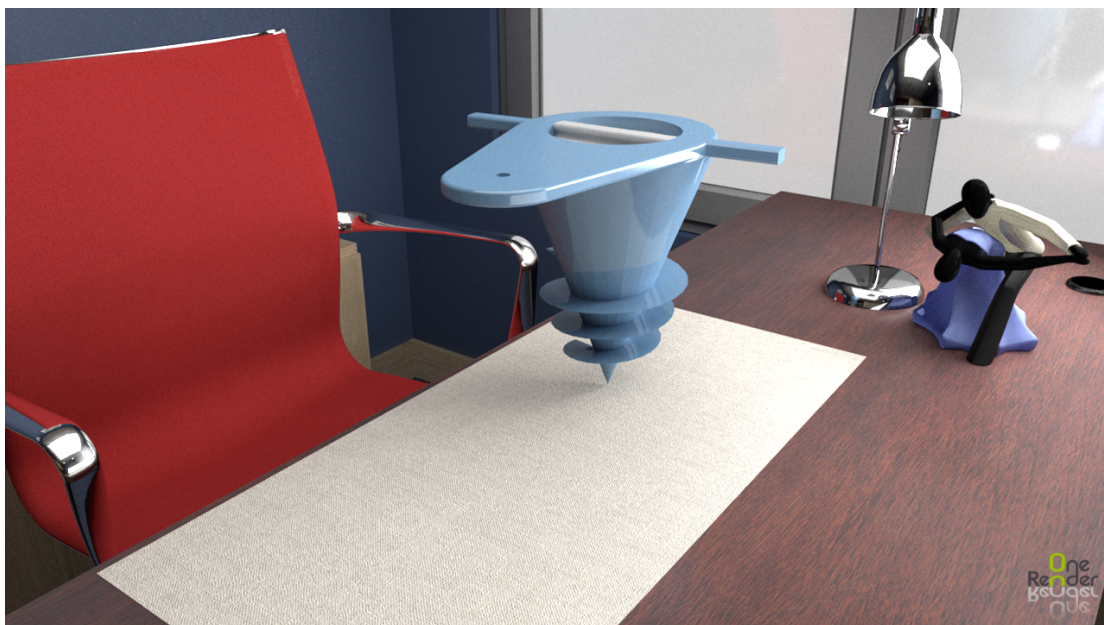
Benidorm



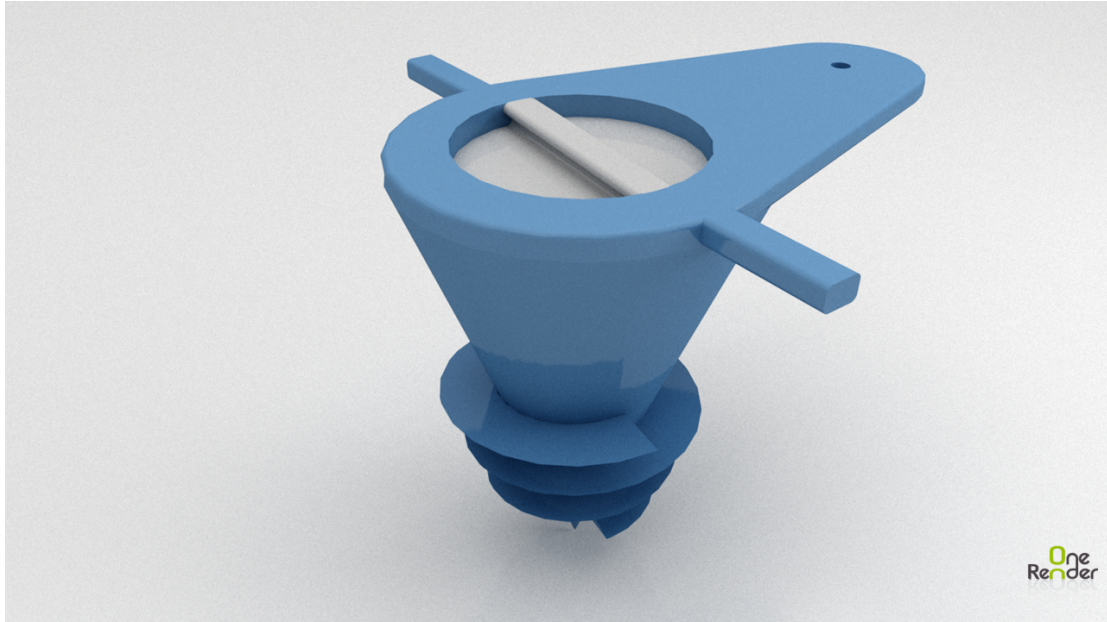
Alicante/Airport

THE PRODUCT

Our product, called SandLock, is characterized by being a **small safety box**, made with **biodegradable plastic**, which can be screwed into the sand of the beach. This is a very useful product because you can store your personal items. In addition, it is small in size and easy to transport. The beach is a place where thefts often occur and with our product we want to prevent this to happen, since personal items will not be visible and the chances of a robbery will be lower.



Sandlock recreation



Sandlock first 3D design



Sandlock first prototype

COMPETITIVE STRATEGY/TARGET AUDIENCES

DAFO

- Weaknesses

- Young equipment without experience
- Seasonal sale (summer)

- Strengths

- Good use of the RRSS.
- His material is biodegradable plastic that influences the improvement of the environment.

- Threats

- Competition.
- Need doesn't exist because people don't know anything about the product.

- Opportunities

- Large objective audience.
- Easy international expansion.

As for our product, we can talk about its differentiation opposite to other products of the same market, where the product Sandlock possesses an average quality and a reasonable price that makes this article, a flagship product.

- **Relation Quality-price** mid-high price; we look for a balance (15/18 Euros), since the price is average and his quality is equivalent to this one. With which, this article is attainable and has a good quality for a regular use.

- We have an **objective audience** taking into account that most of our buyers have a medium quality of life; since according to the Provincial Council of Alicante, in the summer of 2017 (between June 15 and September 15) 1,500,000 tourists stayed in hotels, of which 50% are foreigners. Therefore, we deduce that they have a high purchasing power

- Our product possesses the **advantage of the biodegradability**, doing a great favour to the well-being of the environment, avoiding throw toxins to the land, rivers and seas, like chemists necessary for the creation of the plastic, residues of the same plastic, or even heavy metals and garbage in general. These elements do not disappear easily, these take several years to disappear, in which they can damage the fauna and flora of the environment, by the other hand our product disappears without leave a trace within a shortly time and without doing no hurt to the nature and to the own humanity.

The communication of our product is very varied, it is transmitted by the classic media, either the sale or distribution of this one in a physical trade (Torrevieja, Benidorm and San Juan beach) where apart from its sale there is advertising of the product. Thanks to the new technologies our product can move and be publicized through social networks, (Twitter, Facebook and Instagram) where there is an account created exclusively to spread and expand the product.

Also the classic ways exist inside the new technologies to **publicize our product**, like the creation of a web page, with advertising and information of our product.

In the analysis of our target we can consider that it is an **effective and attractive advertising** that inspires confidence and after analyzing the competence, we realize that the products more expensive that are currently on the market, they don't have much utility, although they are more complete and have similar total quality, they do not comply well his principal function, the utility. These, became more expensive due to several questions. On the other hand, our product has more usefulness in comparison, fulfilling to the perfection its function.

Products like "Cajaplaya", "Bay Watch" or "Beachsecretbox" are similar to our one. Because of it, to be able to emphasize our product on the rest, our product presents a few values and characteristics better than theirs; a minor price for a similar quality (since we do not want to differ for our price on the market), a technology, usefulness, efficiency and major expansion. A simpler use with a more original aesthetics

With regard to the sale of the product, there will be able to be realized easier since we rely on a meticulous study of the company and an effective and attractive advertising, that **it inspires confidence and safety** in the investment of the product and his functioning. In addition, it tries itself to adapt to the situations of our clients, its environment and context.

• Why do you need to buy it?

- It's practical
- It's cheap
- It's unic
- It's useful



Our customers

PRICE

The price will be set observing the competition and the utility of the product.

PLACE

The distribution will be made through own stores in three cities of great tourist influence.

PRODUCT

The product satisfies the main need of the target and in the future it will incorporate improvements.

PROMOTION

The use of social networks and audiovisual content will be the main tool for diffusion and differentiation of the product.

ENTERPRISE PROVISIONING

PRODUCE OR PURCHASE

An enterprise always has the dilemma of choosing between producing certain components (car components, containers...) that can be incorporated in the productive process or purchasing already fabricated by other enterprises.

To make this decision, we had to compare the purchase cost with the manufacturing cost.

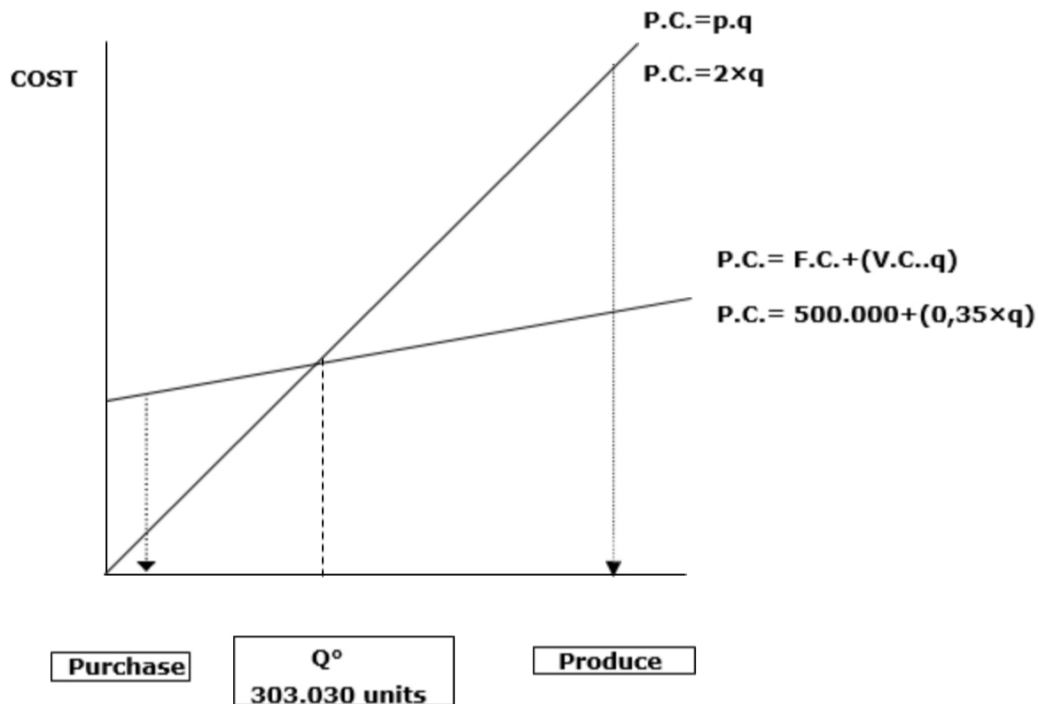
If we consider p the unit price the purchase cost will be represented by the line:

$$PC = pxq.$$

The manufacturing cost will be the fixed costs plus the variable costs of the production, which will be represented by the line $MC = FC + (VCxq)$.

The point q represents the break-even point, where the enterprise does not lose or gain any capital. They would not be concerned with whether to produce or purchase.

Q^0 is found by the calculation of the equation $q = FC (pxq)$.



The point Q° represents the break even point, where the enterprise does not lose or gain any capital. They would not be concerned with whether to produce or purchase.

Q° is found by the calculation of the equation:

$$Q^\circ = FC: (P\tilde{A} - VC)$$

Therefore we calculated the equation and we got that the purchase cost will be $2xq$. Being 2€ the cost of the production of the item with the transport included.

Then the manufacturing cost will be $500.000 \text{ €} + (0,35xq)$. Being 500.000€ the fixed costs that implicated the fabrication of the product (machines, machinery, establishment) and 0,35€ the cost of production.

To discover is it is better for us to produce or to purchase we found the break even point ($q = 500.000 : (2 - 0,35) = 303.030 \text{ €}$). everything bellow that number indicates that for us it is more profitable to purchase. Above the amount it would be better to produce ourselves.

Our annual q is 10.000 units. So that means that is it better for us to purchase our product already fabricated.

ECONOMIC AND FINANCIAL ANALYSIS

SANDLOCK

1ST YEAR

PROFIT AND LOSS ACCOUNT:

AMOUNT:

1 – Operating income.	150.000 €
2 – Operating expenses.	81.620 €
2.1 – Staff costs (wages and social security)	36.000 €
2.2 – Purchases and transport of goods	20.000 €
2.3 – Other operating expenses	25.620 €
2.3.1 – Light	3.600 €
2.3.2 – Water	420 €
2.3.3 – Licences	600 €
2.3.4 – Rents	18.000 €
2.3.5 – Hardware & Furniture	3.000 €
3 – Result before taxes	68.380 €
4 – Tax on profit (25%)	17.095 €
5 – Final profit	51.285 €



LTD

PROFIT AND LOSS ACCOUNT:	AMOUNT
1 – Operating income (+10%)	165.000 €
2 – Operating expenses (+7%)	84.931 €
*2.1 – Staff costs (wages and social security)	36.720 €
2.2 – Purchases and transport of goods	21.400 €
2.3 – Other operating expenses	26.811 €
* Hardware and furniture rises 2%	
3 – Result before taxes – (+16.5%)	80.069 €
4 – Tax on profit (25%)	20.175,25 €
5 – Final profit – (+16.5%)	60.051,75 €

***2.1 – Rise of staff costs due to inflation (2%)**



LTD

PROFIT AND LOSS ACCOUNT:	AMOUNT
1 – Operating income (+15%)	172.500 €
2 – Operating expenses (+10%)	87.457,40 €
2.1 – Staff costs (wages and social security)	37.454,40 €
2.2 – Purchases and transport of goods	22.000 €
2.3 – Other operating expenses	28.003 €
3 – Result before taxes (+23.5%)	85.042,60 €
4 – Tax on profit (25%)	21.041 €
5 – Final profit (+23.5%)	63.781,95 €

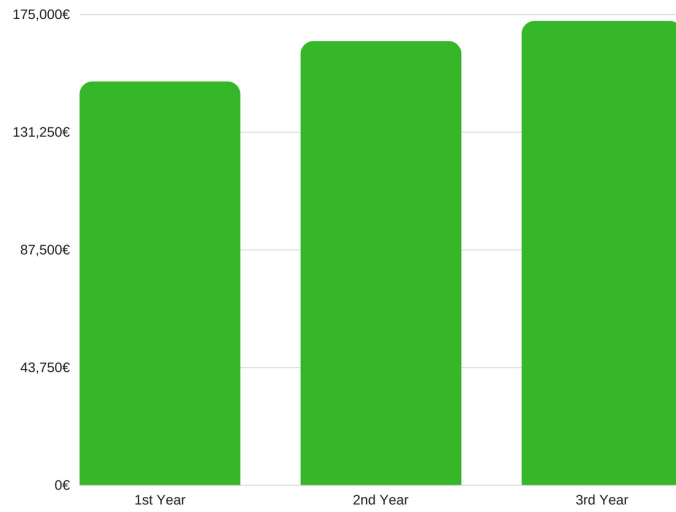
***2.1 – Rise of staff costs due to inflation (2%)**



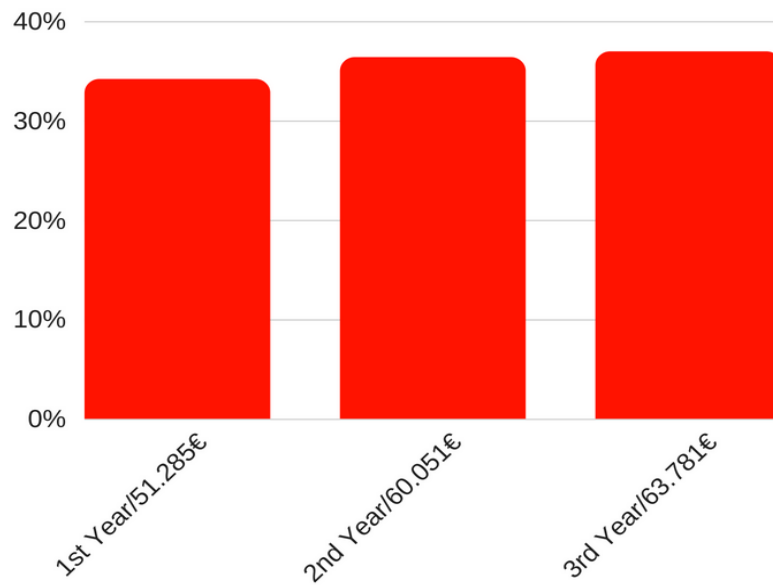
LTD

IN GRAPHICS

OPERATING INCOME



PROFIT



ANALYSIS OF RESULTS

Our enterprise doesn't have active properties except the money that has in the bank account and in cash. For this reason all the costs are variable and linked to the activity.

The profits of the 3 first years will remain in the enterprise as reservations, in this way, the financial structure will be strengthened in order to deal with the investment plans told in mid/long term strategy.

Sell profit = NET PROFIT: SELLS x 100

1ST YEAR = 51.285: 150.000 = 0,3419 x 100 = 34,19%

2ND YEAR = 60.051,75: 165.000 = 0,3639 x 100 = 36,39%

3RD YEAR = 63.781,95: 172.500 = 0,3697 x 100 = 36,97%

MEDIUM AND LONG-TERM STRATEGIES

- **Vertical integration:** as our company grows, we'd like to reach the point where we are able to do all the stages of production without needing the intervention of other businesses.
- **Related diversification:**
 - Deluxe Sandlock: we'll maintain the original while also developing a deluxe version of the Sandlock. Which will have an alarm system that includes a waterproof bracelet that will allow the owner to know when the sandlock is more than 500m away, in case it is stolen, and also works as a key to the box. The deluxe Sandlock will also include a charger for your mobile phone.
 - Improved umbrellas: our clients will be able to personalise their umbrellas with whatever pattern or photo they provide us. The new umbrellas will include cup and towel holders.
 - Online store: All of our products will be available on an online store which will allow our company to go international and sell all year round.
- **Non-related diversification:** we'd like to expand our business in the security ambit, providing safety solutions for our clients in public places such as parks, shopping centres, and even beaches.

BRIEF

As a short summary, the constitution of the company will follow these steps:

- The initial capital will be contributed by 10 partners.
- Each partner starts with the amount of 1.000,00 €

TOTAL: 10.000,00 €

Starting over will need:

- Legalities / First financing costs / Conditioning a physical location 5.000,00 €
- Initial production of 2.500 copies of the product. 5.000,00 €

TOTAL: 10.000,00 €

- Sales are charged in cash. Next 7.500 copies are going to be financed through the sale of the first 2,500 copies.

SANDLOCK LTD, The Company, will not need external financing.



PROJECT DESIGNERS/THE CREW



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Alicante/June 28/2018