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SenseBloom

Rui António Moreira de Sousa Martins
no. 430

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Professor Filipe Pamplona de Castro Soeiro

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Executive Summary

This Business Plan will present the new project from SenseBloom. SenseBloom is an IT company with one year of business, formed by three engineers that consider themselves "geeks that like to play in a garage". They experiment with new technologies and they try to find solutions to problems they (or their clients) see in the market. Now, they have realized people perform more actions each 24 hours so they have less time to spend with their children. They also realized that children, from very young ages like to touch surfaces and are increasingly interacting with technologies (parent's phones, computers) very soon. So, SenseBloom will target the market of children (ages 3 to 6) through the sector of Edutainment – entertainment (as by games, films or shows) that is designed to be educational – by developing a touch-screen gaming console (eTV) that you connect to your TV. It will be a console like others in the market (PlayStation, Xbox, Wii) but instead of using a control pad, keyboard or mouse, you will add an overlay directly over your TV screen and you will operate it straight from the TV surface (with touch-screen technology). Unlike other gaming consoles where you buy the games from stores, the eTV will feature an online application store (App-eTV Store) where parents will buy the games for their children (Examples of possible games available include ones such as colouring images, tracing letters or connecting words with images). The existing solutions are computer games (using keyboards or control pads) and physical books and puzzles. These solutions are, in average more expensive than the games for the eTV (since there are no printing expenses – in the case of books – or DVD manufacturing and boxing – in the case of videogames). The average price of a game will be €5 and the eTV will have an expected sale price of €400 (more or less the launch price of the gaming consoles Xbox 360, PS3 and Wii). A study conducted showed that parents already thought computers are educational, but a touch-screen feature would make it more educational and they were willing to buy the product for their children. SenseBloom, since it is a small company, has no means of mass producing this piece of technology. Some IT Companies in Portugal are focusing themselves only in hardware or software, not both. SenseBloom has a partnership with Microsoft and is already looking for their (or other company's) support with this project. So, after developing a working prototype, they will try to find an IT Partner with those resources so that: (1) The IT Partner will mass produce, market and sell the eTV, taking the costs and revenues from the whole process and (2) SenseBloom will develop the Operating System, App-eTV Store and games and applications, getting the costs and revenues from it. The process had 4 phases: After (1) the conclusion of the Business Plan,

SenseBloom will (2) conduct a product specification period of three months to bring the concept to life; Then there will be a (3) six month period of development and implementation of the software (Operating System), App-eTV Store (and games) to integrate the product; and, after its launch, SenseBloom will (4) keep developing new games and operate the App-eTV Store, providing service to customers, maintaining contact and creating new contracts with companies wanting to develop applications for the eTV. For this process, SenseBloom will enter with a Capital Share of €15,000 and a medium/long term bank loan of €90,000 if investors are not attained. SenseBloom will create specific teams for each of the last 3 stages. The product development stage will be composed of two different teams with a Senior Engineer to lead each of them (reporting to a Senior Manager). Each team is in charge of one of the two necessary software: the Operating System and the App-eTV Store. We assume an average monthly consumption of 1.5 applications per consumer per month (Apple's AppStore registers 3) and an average sale of 500 hundred units per month. With the assumptions of revenues and cost we assume a net profit of €64,294 in the first year and €3,234,460 in the fifth year. The capital cost of opportunity of 13% was used in this project (reached when analyzing companies in the business of Computer Services and Educational Software) and, in so, it presented an NPV of €4,242,576.

1. Introduction

This business plan is about a Portuguese start-up IT company, SenseBloom, that has one year of business, and their growing will to dive into different sectors, innovating and bringing top interaction technologies to the market. Different sectors are the market for edutainment — entertainment (as by games, films or shows) that is designed to be educational[1] — and cloud computing — Internet-based computing, whereby shared resources, software and information are provided to computers and other devices on-demand, like the electricity grid[2]. They have created virtual worlds (navigated by sensors), touch-screen games and databases. Now, the focus of this business plan is to enter the edutainment sector, more specifically in the market of children, with a touch-screen electronic appliance, to be used with didactic games and applications, with an application store where parents can download new games for their

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[1] Merriam-Webster Online Dicitionary. 2010. http://www.merriam-webster.com/dictionary/edutainment

[2] Wikipedia. 2010. http://en.wikipedia.org/wiki/Cloud_computing

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children. The product is connected to a TV (much like a gaming console) and instead of having a control pad, keyboard or mouse, it will be operated solely by touching in the screen (with a surface that will also be applied to the TV). It will feature an intuitive and childish design to access the games with an application store accessible only with password (parents should be password-holders) where new games can be downloaded.

2. Business Description

Historic

The company SenseBloom started a year ago by the hand of three college colleagues. They were all very curious with new technologies and thought there was a potential market for new interactive solutions. The Team is constituted by three Engineers in Computer Science, with different expertises (one in technical details, other in design and the other in business logics).

They started developing a multi-touch prototype and got a demand from a museum (Museu da Ciência da Universidade Coimbra) for an interactive game for high-school children that could exemplify Darwin's theory of evolution. After this first client, SenseBloom started offering tailored solutions to clients. Six months after the creation of the company, a partnership was celebrated with Microsoft Portugal for the funding of their first public prototype. Their most recent solution, the SenseWall, which consists on a big format (3 meters by 1 meter) Multi-Touch Surface Computer, will become the company's first "Commercial, off-the-shelf" product in the near future. The first commercial unit has recently been deployed as a pilot in the Department of Computer Science of the University of Coimbra.

They have a market in database application appliances (ex: museums, libraries, supermarkets), businesses (for business meetings and lobbies) and as intermediate good for software businesses.

Value Proposition

SenseBloom is a small team that started much like other companies in IT industry: some friends in a garage. While they all have engineering degrees (necessary to work in this area), they share different knowledge in other areas that combined make for a very well distributed team. When they develop a project, they take each of their own expertise

and jointly get to a balanced product. Also, they pride themselves on saying that they do not offer technology (like most companies in the same business). They offer *solutions.* Every time they develop a project, they do not try to quickly use the technology for an easy fix. They take a look at the real problem and its implications to devise a tailored solution.

In this particular business case the value proposition is focused in edutainment solutions for children recurring to multi interactive, multi touch technologies and processes. The value proposition is based on the fact that parents, in general, due to society living trends, and high workload conditions are not having significant time to give attention and education to their children, on the contrary, and on the other hand education social relations systems are changing.

Mission	Vision	Mantra
• To enhance productivity, quality and motivation, as well as improve image and visibility, through the implementation of bright and elegant designs in the development of interactive computational solutions.	• *To become the leading company in interactive hardware and software in children's market in 5 years .*	• *Innovation through experimentation and fun.*

Figure 1 - Mission, Vision and Mantra

Costumer Problem/Business Opportunity

SenseBloom is always trying to offer solutions to problems and needs in the market. This latest project arose from the junction of different problems and opportunities they found in the Portuguese market. In the first place, they say that parents have increasingly more tasks to perform every 24 hours, so there is less time to spend with their children. Children, on the other hand, start interacting with surfaces at a very young age and are beginning to use technology sooner than they were 5 years ago. Since touch-screen technology is already used as a tactical tool in Education and Entertainment (like Nintendo DS and even iPhone and iPad), SenseBloom wants to offer a solution where there is a possibility to educate children while they have fun.
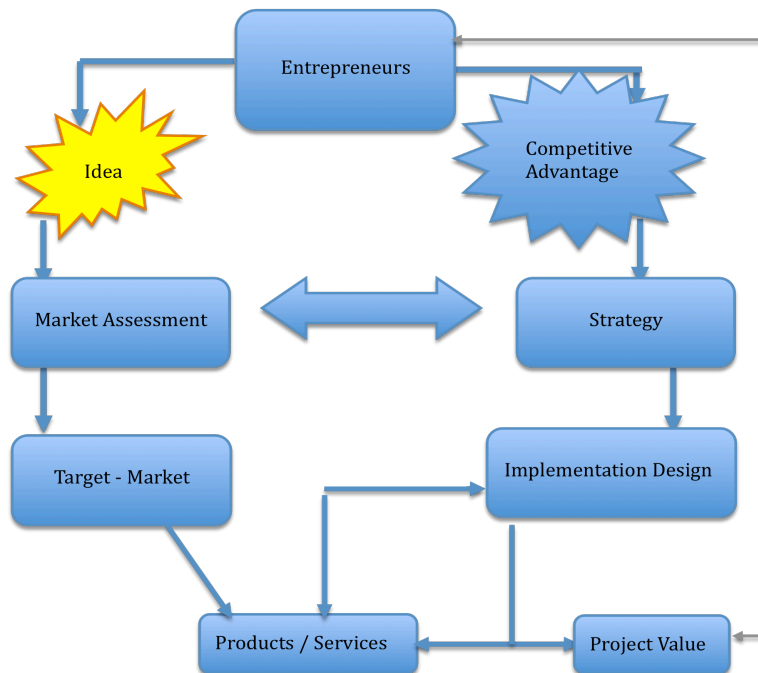
Business Model

Figure 2 - Business Model

We have a Team that presents results from one of two directions. They might (1) start with an idea, do a market assessment to get a target market and provide the product/service or (2) inflict their competitive advantage (experience in computer science, surface computer design and touch sensitive solutions) to new emerging technologies and devise a strategy and implementation design to offer the product/service.

Both directions imply a regular communication between strategy and market assessment and the team ultimately contributes to the products and services with project value.

This business model will be web/TV based, interactive with customers' social networks and those features will be associated to the value proposition itself and to the main tradeoffs between benefits and payment revenue model.

SenseBloom's new project is the eTV. With this device, you can turn your TV at home into a touch-screen gaming console designed for kids. Looking for gaps in the market, SenseBloom found the market of children has a great potential and tried to combine education with fun.

The eTV project is characterized by a physical product and a service: (1) a *product*, a Touch-screen overlay that is applied to your screen, and a gaming computer also connected to the TV and (2) a *service*, an Application Store ("App-

eTV Store") that is accessible online and where you can download games (and other applications) instead of buying them on stores, like most consoles.

SenseBloom is a relatively small company that has an active partnership with Microsoft and good relations with many Portuguese IT companies, some of them that could probably become other partners. So, to mass-produce the gaming console and the touchable screen, a partnership will be made.

The Application Store's development, maintenance and management are the responsibility of the SenseBloom's eTV project team.

The product, like most consoles will be sold in stores, and the games will be bought (downloaded) in the online Application Store. Other companies will be able to develop games and applications for the App-eTV Store to increase the choice.

The Strategic Objectives for the SenseBloom project can be seen in Figure 3.

2010	• Start developing the product • Create partnership with IT company to mass produce
2011	• Enter the market of children with the iTV product • Start gaining market share
2012+	• Get government agreement to distribute product in schools • Enter international market

Figure 3 - Strategic Objectives

Partnership terms

There are some IT companies in the market that are specializing in hardware manufacturing and looking for software partners. SenseBloom is trying to use this project to get a partnership (for this and future ideas) where the partner will take care of the Hardware production and sales, and SenseBloom will focus on the Software for the products. Some companies that could fill this gap are Microsoft, Edigma, JPSaCouto or Critical Links. The ideal scenario (that is the centre of this business plan) makes the Partner company produce, market and sell the product (and profit from it) and SenseBloom develops the software and applications and profits from them.

3. Business Environment

Market Analysis

The sale of touch-screen technologies is increasing worldwide. Touch-screen is still rarely used in household computers, one of the few exceptions being the use in cellular phones. Still, global shipments of touch-screen modules for applications are set to grow more than fivefold in the coming years, rising to 5.4 million units in 2013, up from 971,755 in 2009. Education and conference rooms were the two biggest applications for touch screens in the digital signage and professional display market in 2009, accounting for nearly 86 percent of the total unit shipments[3]. The product more similar to the one SenseBloom is developing (although with obvious technical differences and marketed to another segment) is the Apple's iPad and recent results show that 2 million units were sold on the first 60 days[4].

Also we have to check the market on services since, besides the device, software will also be produced for the eTV. An IDC (International Data Corporation) study finds that the growth in the SaaS (Software-as-a-Service) market will be strong in Europe despite — and in some cases because of — the weak economic conditions. The overall SaaS market will grow from €237 million in 2004 to €6,005 million in 2013. David Bradshaw, IDC research manager for European software as a service, said, "From this and other recent studies, it is clear that SaaS has become accepted by the mainstream of user organizations around Europe. This will result in continued strong growth, making SaaS a rising star in a very largely depressed European software market."[5]

Also, we can see in Figure 4 the growth rate of different Application Stores, such as the App-eTV Store will be, which shows that more and more applications are appearing in these markets[6].

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[3] Digital Signage Expo. 2010.
http://www.digitalsignageexpo.net/DNNArticleMaster/DNNArticleView/tabid/78/smid/400/ArticleID/2892/reftab/71/t/Digital-Signage-and-Professional-Displays-Drive-Touch-screen-Growth/Default.aspx

[4] Expresso. 2010. Vítor Andrade. http://aeiou.expresso.pt/dois-milhoes-de-ipads-vendidos-em-menos-de-60-dias=f585975

[5] IDC. 2010. David Bradshawn.
http://www.idc.com/getdoc.jsp?sessionId=&containerId=LTO2R9&sessionId=A2452B24EFCB5F241CE133096BA6CC28

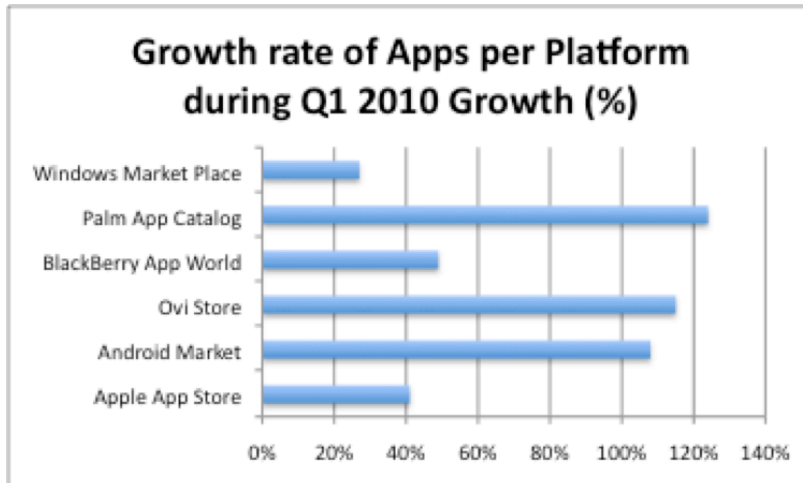[6] Research2Guidance. 2010. Mikalajunaite, Egle and Jahns, Ralf-Gordon http://www.research2guidance.com/?p=475

Growth rate of Apps per Platform during Q1 2010 Growth (%)

Figure 4 - Growth of Applications

Market Dimension

The market for eLearning (instruction delivered on a computer via internet or CD-ROM[7]) is growing worldwide and is now more mature and stable. The U.S. corporate eLearning market reached $11.7 billion in 2008. The worldwide market reached $17.2 billion[8].

Also in Portugal, from 1997 to 2008, pre-school has seen an increase in enrolled students in 23% (from 215,279 to 266,158)[9]. This increase has happened even when discriminating genders and public and private schools (with a 50% increase in matriculated pre-schoolers in private schools) So it is believed that this is a market that is worth going into and with an increase in private schools matriculations, we believe a touch-screen console might be a good market opportunity.

According to statistics from 148Apps.biz, a website created by the community for the community, there are, as of June 6 2010, around 211,397 applications on the Apple's AppStore and, in second and fourth place of most popular

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[7] Wikipedia. 2010. http://en.wikipedia.org/wiki/E-learning

[8] IDC. 2010. Cushing Anderson.
http://www.idc.com/getdoc.jsp?sessionId=&containerId=219499&sessionId=A2452B24EFCB5F241CE133096BA6CC28

[9] Ministério da Educação. 2010. Gabinete de Estatística e Planeamento da Educação (GEPE)/Ministério da Educação. http://www.gepe.min-edu.pt/np4/?newsId=367&fileName=Ed_Numeros_2009_web.pdf

categories, are Games (31,501 apps) and Education (16,287 apps), respectively[10]. They account for around 25% of all applications.

Market Trends

The market for matriculated pre-schoolers (and some basic education students) is growing, both in gender and private and public schools with one or two exceptions (see exhibit for tables.).

Computer-based solutions are being offered to children from early on (we have the Portuguese example of "Magalhaes", a small laptop that, as a government act, was offered to children throughout the basic education. Touch-screen solutions and Software-as-a-Service has also been increasing throughout the years and we expected this market will grow even more.

A report from Gartner say that by the year 2015, 50% of teens and younger will be using touch screen computers for their personal use. The report also goes on to say that consumers and not the enterprise will be using touch screen computers for entertainment and media[11].

4. Market Specifics

Market Needs

We believe we are filling a latent need by providing a touch-screen console to children. Children, from early on, like to touch surfaces, and to help them in the learning process, why not combine the education with a touch-screen computer with didactic games? A small study organized in the area of Lisbon showed parents believed that a more interactive approach to computers and TV would make these tools more educational to children.

So there is a need to provide them with the option to distract their children, and also for them to learn. This console would help in satisfying these two needs.

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[10] 148Apps.biz. 2010. http://148apps.biz/app-store-metrics/

[11]The blade by Ron Schenone, MVP. 2010. Ron Schenone http://www.lockergnome.com/blade/2010/04/07/50-of-teens-will-purchase-touch-screen-pcs-by-2015-says-report/

Also while the two needs should be satisfied, we believe there is another latent need that is the combination of the two, which is, satisfying the need of learning *while* having fun.

Market Segmentation

The Segmentation variables used will be Demographic (age, income), Geographic (limited to Portugal, for now) and Psychographic (life style). We will target children from 3 to 10 years, but focusing on pre-schoolers (3 to 6 years) and also parents that cannot spend much time with their children and might be interested in this product. This data were corroborated by survey that was designed and conducted by myself in order to collect and validate the market needs, segmentation, and product features design to response to those identified needs and priorities (see results in exhibit).

Potential of the Market Segment

We have seen an increase of enrols in school in the last decade. Also, according to Dr. Bruce D. Perry[12], "Preschool children are still having significant cognitive growth [and] technologies should be used to enhance curriculum and experiences for children" A small study made for this business plan, asked parents for problems in education and to find measures that could be used to solve the problems showed (1) computers are an education tool but an addition of another method of interactivity would increase their effectiveness, (2) Touch sensibility is the favorite interactivity tool (against control pads and gesture recognition), and (3) they felt this type of interactivity would be very beneficial to education (see results in exhibit)

Competitors

Direct Competition

There are a few competitors in the touch-screen market in Portugal like Famasete, Displax, SiaInteractive, Gema and Edigma. While they are and can operate in the same markets as SenseBloom, none of them are, as of the writing of this business plan, publically targeting the market of children. So SenseBloom will have first-mover advantage. Also a direct competition would be regular computer and console games. Some of them are already touch screen like

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[12] Scholastic. 2010. Bruce Perry. http://teacher.scholastic.com/professional/bruceperry/using_technology.htm

Nintendo DS and there are some games available but most are for first-graders and above. There are few games for pre-schoolers. Also the average price of videogames is around €50[13] and of computer didactic games is around €30[14]

Indirect Competition

Indirect competitors are the substitutes for this kind of technology. Children can find substitutes in toys, books (colouring, puzzles, how-to-do books). This is a very big concern due to price characteristics. While a game can be bought for the eTV for a price no more expensive than these substitutes, the device itself is very expensive. Figure 5 shows a comparison of the average prices of existing competition[15] with the average price of the same solutions in the eTV and an analysis of facts that emphasize that they are indirect competitors.

Example of didactic games	Physical/Real		Software/Virtual	
	Price	Facts	Facts	Price
Tracing letters	€12	Small Variety Only used once Can be lost Solutions are available Go out to buy	Larger Variety Used as much as needed Always available Solutions available at parents' discretion Buy at home	Around €5
Coloring	€5			
Puzzles	€12			

Figure 5 - Indirect Competition Analysis

Value Chain

Next, I present the Value Chain (Figure 6) for the eTV project. It is based on what costs and in what steps the project gain values. We can identify six steps where it will be seen that SenseBloom will focus greatly on the Product Concept and R&D and then later on the chain, on the Costumer Services. Other steps will be externalized.

[13] Fnac. 2010. www.fnac.pt

[14] Fnac. 2010. http://www.fnac.pt/pt/Catalog/Lists.aspx?cIndex=4&catalog=Infantil&category=software&categoryN=Infantil

[15] Fnac. 2010. www.fnac.pt

As we can see, R&D activities are responsible for a great amount of the costs. Some steps like Marketing and Sales have low cost because they are going to be externalized. Sensebloom will have more costs in R&D and Costumer Service, i.e, after the product is now the market, development of new applications and fixing problems with the Application Stores. A more detailed review of the steps is presented below.

Produt Concept

Product concept derives either from team's or client's perceivability of a problem. In the case of the interactive tv, the team took notice of the problem. It is a step with negligible costs.

R&D

Research and Development should account for about 40% of the costs. Teams will be created to develop the project. An office will have to be set up. It involves market analysis, and hardware costs, etc. The Team will have to develop an Operating System for the eTV and develop the App-eTV Store with the help from Designers and Psychologists. This is a never-ending process since applications, games and design has to be increased or changed periodically. Giving the type of products & services SenseBloom is offering they should continue to invest continuously in their R&D activities because a great deal of their value added proposition starts right there.

Production, Marketing, Sales and Logistics

These steps will be almost all externalized. The concept is to be delivered to the partner company and they will take care of the mass production of product, marketing, sales and the logistics involved in the process. Only in some cases,

SenseBloom might develop different hardware for a specific client's need. In that case, the SenseBloom team will dedicate their efforts and some of the costs (represented above). This is because SenseBloom is a small company and has no resources or skills to mass produce, market and sell a product. But is an already well-established IT software company (partnered with Microsoft) so we can expect a maximization of resources. SenseBloom will develop the software and the Partner Company will take care of the hardware. Although externalized, these activities will somehow be coordinated and followed by SenseBloom. This adds value in terms of generated know-how about the market, the consumers and the competition.

Costumer Service

SenseBloom will provide some costumer service to upgrade games and will ask for client's feedback to develop new ones. An online forum will be created in the App-eTV Store and quick-links in-game to facilitate reviews and suggestions from parents, so the SenseBloom team can help users.
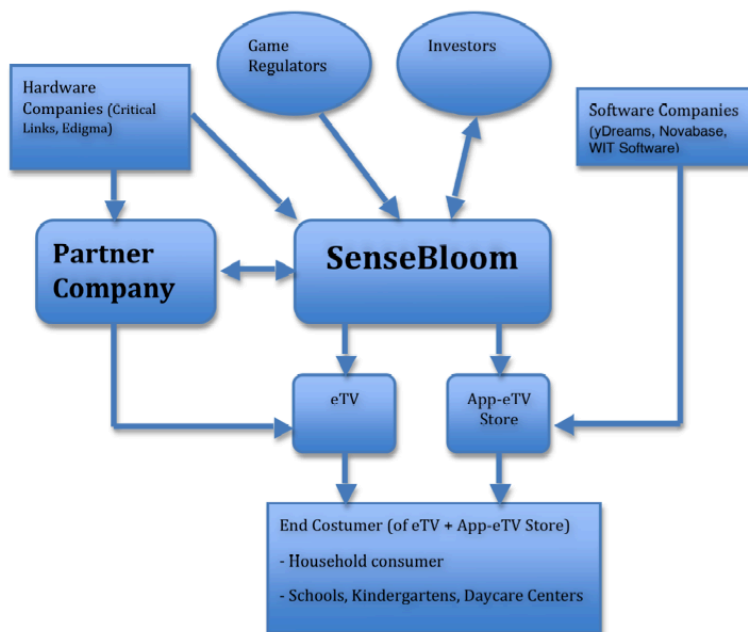
Industry Mapping

Figure 7 - Industry Mapping

The diagram in Figure 8 presents us with the players that SenseBloom will interact in this project.

First, we have to distinguish to goods, the eTV and the App-eTV Store. So, SenseBloom will need hardware supplies to develop a working prototype to show to a partner company. That company will then produce, market and sell the eTV to the end consumer. On the other side, SenseBloom will also develop the Operating System and Store for the eTV and manage it when the end

consumer needs to access it. Other Software Companies are allowed to create their own applications and sell them too. For this whole process, SenseBloom has to have in mind possible investors and game regulators.

Distribuition Channels

Distribution channels should be the same used as the ones used in regular video game consoles. There will be a Push Strategy in the beginning to deliver the product to stores, i.e., after the R&D and production, we will have to market it so people want to buy it. Still, it will be possible to sell special edition eTVs with the outlook of celebrity dolls and cartoons. These products will have to be developed afterwards with licensing agreements for those involved. So, it is possible a Pull Strategy will be used.

SWOT Analysis

Next is a diagram with a list of the Strenghts, Opportunities, Weaknesses, Threats and ways on how to fix or avoid the latter two.

Strengths	Weaknesses
•Innovative multi-touch technology •Technical team very motivated to new challenges and opportunities	•Incomplete management team •Small team •No brand-awareness
Opportunities	Threats
•Few competitors in the market •First-mover advantage in interactive-TV •Children market •Multi-touch device demand is increasing worldwide	•The competitors present have already reputation in the market and could enter the market •Dependent on partner's production and sales team •Google TV to appear in the market next year

Figure 8 - SWOT Analysis

As we can see there are some risks according to the SWOT Analysis. Most of the weaknesses of this project are related to the size of the company. To avoid this, SenseBloom will increase their team. They will be hiring for a Management position, Engineers, Designers and also a Psychologist. The idea of marketing a product for household consumption

can be more difficult to execute if you do not have brand awareness. So, SenseBloom will try, as has been seen, to find a partner with more brand awareness.

To fight the threats, they must really take a chance with the opportunities. They have to take advantage of the first-mover opportunity to set themselves in the market. Although Google TV will appear next year, eTV must focus on the target of children and try to make themselves appear as a different product from Google TV. The dependence of a larger partner with strong production and sales team is a threat so they should focus on partners that want to make hardware but not so much software so that the partnership is beneficial for both in future projects (one produces hardware and SenseBloom would develop the software).

5. Marketing and Sales Strategy

5 Forces of Porter

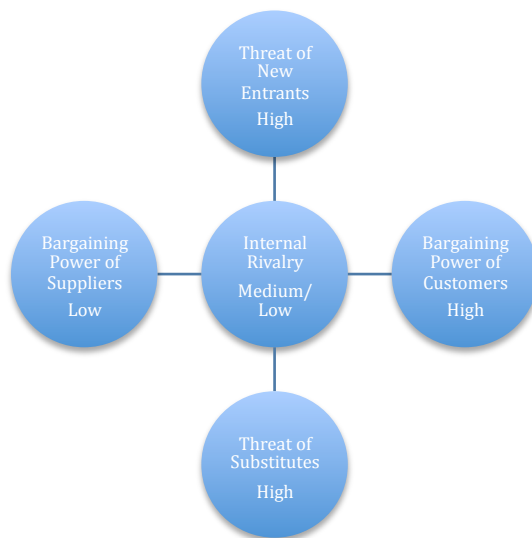Next we present the 5 Forces of Porter (Figure 9) with respective analysis.

Figure 9 - Porter 5 Forces

Bargaining Power of Suppliers

Suppliers have low bargaining power, according to SenseBloom. There are a lot of suppliers and they provide low cost of raw materials. Examples of suppliers of hardware and even touch-screen technology are Critical Links and Edigma.

Bargaining Power of Customers

Customers have a high bargaining power. We are talking about a new kind of console for young children and parents are not used to spending much money on educational books/games/tools. Even though the eTV games are supposed to be more or less the same price as these low cost substitutes in the market, the product (as a gaming console) is going to be expensive

Threat of Substitutes

Threat of Substitutes is high. While there is no direct competition for pre-schoolers, for an older population there are game consoles that are more popular among the target. But looking for indirect competition, there are a lot of substitutes, whether being educational or fun in stores, as we have already seen.

Threat of New Entrants

There is a great threat of new entrants. Any group of friends in a garage can start techonology-based companies, providing hardware and software for others. We have to gain market in the first year to place ourselves in the market before others do. This is in reference to the eTV product console. For the App-eTV Store, we will accept applications developed by these companies or teams.

Internal Rivalry

There is low to medium rivalry in the market. There are a few companies that can start in the market of children edutainment but none (in Portugal) have tried to be the leader in it. So for now, it appears there is a low level of rivalry and we want to take advantage of that.

Marketing Mix

To evaluate the marketing mix, for better understanding, it will now be presented the Four Ps:

Product

We have an innovative touchscreen console that is attached to your tv and enables the access to educational mini-games to learn while having fun. The console name will be "eTV". "e" can stand for electronic, education, entertainment, edutainment. "eTV" is the junction of all these "e" with your TV. Since the target market for the product will be children, the name for the online application store will be "App-eTV Store" which is supposed to read as "Happy TV Store".

The console will feature a (1) intuitive use, (2) childish interface, (3) focus on quality of games (rather than quantity), (4) ability for more than one user/player and (5) internet access. (Results showed in exhibit)

Price

Hardware: The price of the eTV can be €400. This price is above the gaming consoles in the market. While a small survey (less than 50 people) showed parents were only able to pay around €300 for a fictional interactive product that could deliver an edutainment solution, the eTV involves a new type of technology and more physical components

	Launch Price in Portugal
Nintendo Wii	€250
Sony PS3	€600
Microsfot Xbox 360	€400

Figure 10 - Competitors Launch Prices

(touch-screen add-on) that are quite expensive and, according to launch prices in Portugal, it more or less the same (see Figure 11).

Software (application and games): Average €5. According to the Apple's AppStore, which has a wide variety of applications (more that 100,000 to the date[16]), gaming applications has an average price of €2 and apps with an education component have an average price of less than €6. So, and since there is a high bargaining power from the customers (due to a high quantity of substitutes), we should not ask for more. This is, of course, an average. Some applications might be cheaper, and others can be more expensive.

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[16] cnet news. 2010. Erica Ogg. http://news.cnet.com/8301-13579_3-10286279-37.html

Place

It will be sold in retail shops like most video game consoles are. There can also be direct sales from SenseBloom with specials designs for greater surfaces in schools, kindergartens, etc.

Promotion

Promotion will be made by strong advertising in TV and internet and possible sponsoring children events, at least in the first year of business. These measures are taken cared of by the partner company. SenseBloom,as a promotion, can be include a bundle pack of games, in the sale of the eTV and also offer older applications when buying new ones.

Sales Strategy

The Sales Strategy would be externalized and the responsibility of the partner company. SenseBloom has no mass production or sales team.

However, since this is a gaming console, it should be sold in stores much like usual game consoles are sold (PlayStation, Xbox, Nintendo). Since the games will be downloadable, and not have be physically sold in stores (to drive down costs of already small games), a bundle of game should be offered with a tutorial on how to download new games.
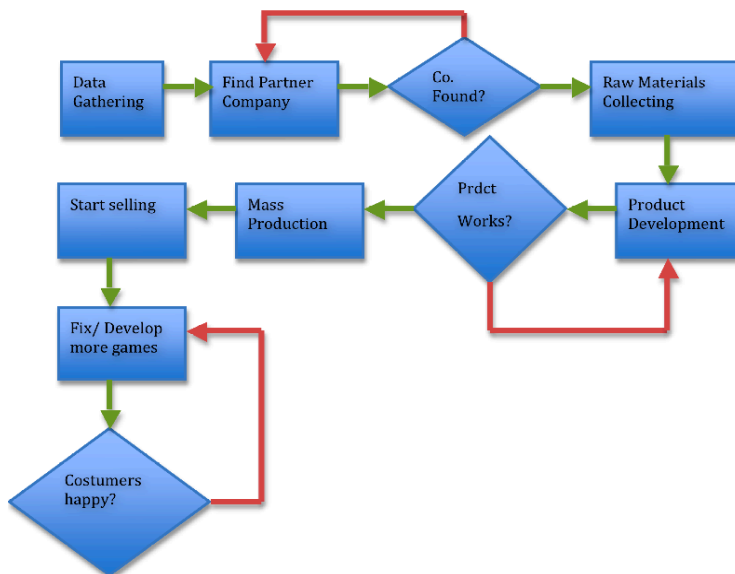
6. Processes and Operations

Figure 12 - Process and Operations

So, after the gathering of market data and trends, we look for a Partner Company with the necessary means to mazss produce it. Afterwards, we collect the materials to develop de product. If the product works, they present it to a Partner Company to mass produce it and sell it in stores. Then, games need to be developed and fixed so SenseBloom will take criticisms and suggestions from customers on their applications (see Figure 12).

7. Management Structure and Organization Design

Based on previous experience, it is believed by SenseBloom that the product specification can be attained in 2 months. For that they need one Manager, two Senior Engineers and one Designer. Afterwards the software for the product and the App-eTV Store will be developed by two separate teams in 6 months.

We will have a Senior Manager to supervise the whole project. The two teams will be developing the Operating System (and games) and the App-eTV Store are represented below in Figure 13.
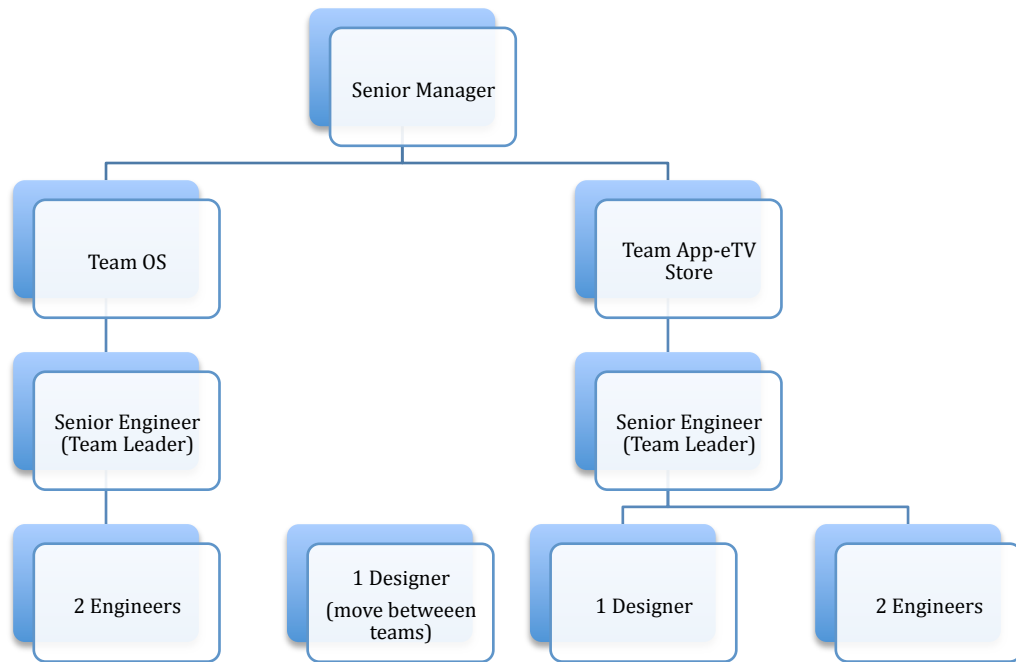
After the design, a team will be maintained for tech support, creation of new games and maintenance of the App-eTV Store. That team will be composed by the Manager, two Senior Engineers, one Designer and the introduction of a Psychologist to evaluate the games and other aspects of the software developed.

8. Human Resources Management

To manage the teams in the different stages of production, there will be held some training sessions by the SenseBloom team and (on the last stage) by the Psychologist. Basic funds for transportation, meals and phone will be given to all workers.

Deadlines were created based on the previous experience of the team, to see how much time the software takes to be finished. If these deadlines are reached sooner than expected, there will be some rewarding bonus in the salary.

Also, after the creation of the product, the team that will be responsible for the maintenance of the whole project will have a bonus based on sales of following games sold.

SenseBloom will implement an evaluation system to monitor the performance of their collaborators and that will proceed to motivation policies and incentives to achieve internal competition, excellence focus, team spirit and

continuous improvement and that attached to that system you will have a remuneration system and a career management system to promote progression and talent management.

9. Risk Analysis

The success of this project is based on three pillars, or steps. With each step attained, another product might arrive. They are as follows:

Step 1: Partnership with a larger company. SenseBloom is currently a three-manned company with no ability to mass produce, market, and sell this kind of technology. If this obstacle is not overcome, SenseBloom will need to revisit it's business model and opt for a smaller target which it can provide the quantities demanded (like big format touch-sensitive edutainment platforms for schools).

Step 2: Willingness of parents to pay for a technology when there are a lot of cheaper low-tech substitutes in the market. The product has been made with two different components in order to drive down costs. Still, prices will be slightly above desired. So the product and services will have a significant set of features to parents and tools will be designed considering that target too.

Step 3: After willingness to pay, parents must not be bothered by children playing with technologies at the young age of 3 years. We found some material to support that (with moderation) children playing with technologies is a good method of learning, and touch-screen is actually recommended since children like to play with surfaces at very young ages.

So, assuming each of these steps is attained successfully, it is believed that the project will be very successful. Moreover, in a risk analysis optic, we will promote those type of measures to enforce the project success.

10. Implementation Plan

	2010												2011			
Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	

Business Plan Execution
Spec
Software development (OS and AppStore)
Continuous game development

As seen above in Figure 14, we can distinguish some stages in this project. (1) There is a Business Plan being developed to do market research to validate the business opportunity, create an assumption based financial and strategic plan to make the project work; (2) We have a product specification period of three months where there will be brainstorming sessions and "garage" working to bring the concept to life. (3) There will be development and implementation of the software (Operating System), application store (and several games) to integrate the product. After its market debut, SenseBloom will (4) keep developing new games and operate the App-eTV Store, providing service to customers and maintaining contact and creating new contracts with companies wanting to develop applications for the eTV.

11. Financial Analysis

To support the costs, SenseBloom will begin the project with a share capital of €15,000 and for the first year projections to play suppliers, it will still need an investment of 90,000. Since we cannot guarantee investors, we ask for a medium/long term loan for this value and, due to uncertainty of the project, we used an interest rate of 11%. To evaluate the revenues of the applications sold, we need to know how many consoles will be sold. For the increase in eTV sales, we used a decreasing growth verified in similar game consoles (Nintendo sales grew 89.8% from 2006 to 2007 and 73% from 2007 to 2008[17]) but since we are in the Portugal market, we used lower values. The Apple's AppStore has now a mean of 3 applications downloaded per user per month[18]. Since this has not the dimension of the AppStore, we accounted for a 1.5 average download per user per month (you can see the detailed sales sheet in

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[17] Industry Games. 2010. Asif Khan. http://www.industrygamers.com/news/nintendos-revenue-growth-at-risk-says-pmc/

[18] Geek.com. 2010. Christian Zibreg. http://www.geek.com/articles/mobile/daily-app-store-submissions-grew-15-percent-following-the-ipad-and-iphone-os-4-unveiling-20100429/

exhibit). This presents a revenue of €277,800 at the end of the first year. The office will be rented in the Coimbra area and with an incubation expense (including office space, water, energy, maid) of €10 /squared-meter, there will be an expense of €600 per month. Other outsourced services include insurance and some small online advertising (remember the mass advertising will be the responsibility of the partner company), and a budget per worker for transportation costs, cell phone, etc. We can ascertain for a total €2,350 expenditure per month in outsourced supplies and services. Salaries will be the major costs of the project, with the larger expenses being in the 6-month period where two teams will be operating at the same time, developing the product. With this projections, and a beta calculated with analysis on 6 companies in the areas of Computer Services and Educational Software we reached a capital opportunity cost of 13%. At that rate, the project presents an NPV of €4,242,576. Please see Figure 15 for the Navigation Sheet of the financial analysis.

Figure 15 - Financial Summary

	Year 1	Year 2	Year 3	Year 4	Year 5
Costs	213,206	479,088	642,128	934,587	1,532,102
Cost of Goods Sold And Raw Materials	0	0	0	0	0
Outsourced Supplies and Services	28,200	28,482	28,909	29,343	29,930
Labour costs	147,882	149,361	151,601	153,875	156,953
Other Costs	37,124	301,245	461,618	751,369	1,345,220
Revenues	277,500	1,170,000	1,726,515	2,725,975	4,766,563
Sales of Products and Goods	0	0	0	0	0
Sales of Services	277,500	1,170,000	1,726,515	2,725,975	4,766,563
Other Sales	0	0	0	0	0
EBIT	94,078	963,218	1,503,598	2,476,164	4,463,704
NET PROFIT	64,294	690,912	1,084,387	1,791,388	3,234,460

Balance Sheet					Un: Euros
	Year 1	Year 2	Year 3	Year 4	Year 5
ASSETS	173,040	1,066,095	2,278,685	4,314,809	8,070,586
TOTAL ASSETS	173,040	1,066,095	2,278,685	4,314,809	8,070,586
Equity	79,294	770,207	1,854,593	3,645,981	6,880,441
Liabilities	139,519	341,661	469,864	714,600	1,235,918
TOTAL LIABILITIES + EQUITY	218,813	1,111,868	2,324,458	4,360,582	8,116,359

Investment Plan					Un: Euros
	Year 1	Year 2	Year 3	Year 4	Year 5
Tangible Fixed Assets	5,000	0	0	0	0
Intangible Assets	0	0	0	0	0
TOTAL INVESTMENT	5,000	0	0	0	0

Depreciation					Un: Euros
	Year 1	Year 2	Year 3	Year 4	Year 5
Tangible Fixed Assets	625	625	625	625	625
Intangible Assets	0	0	0	0	0

Financing Plan					Un: Euros
	Year 1	Year 2	Year 3	Year 4	Year 5
Own Capital	15,000	0	0	0	0
Medium/Long term Payables	90,000	0	0	0	0
Short term payables	0	0	0	0	0
TOTAL FINANCING	105,000	0	0	0	0

Treasury budget					Un: Euros
	Year 1	Year 2	Year 3	Year 4	Year 5
Total income	295,575	1,206,975	1,920,737	2,996,093	5,150,263
Total disbursements	265,395	493,706	834,087	1,195,713	1,895,787
Cashflow	30,181	713,269	1,086,651	1,800,381	3,254,476
Cash at beginning of period	0	30,181	743,449	1,830,100	3,630,481
CASH AT END OF PERIOD	30,181	743,449	1,830,100	3,630,481	6,884,957

Project Profitability Analysis				
Capital opportunity cost (rate)	13%			
Net present value	4,242,576			
Internal Profitability (Rate)	NA			
Payback Period	Nº Years:	1	Nº Months:	0

Ratios					
	Year 1	Year 2	Year 3	Year 4	Year 5
Return on sales	23.2%	59.1%	62.8%	65.7%	67.9%
Return on assets	37.2%	64.8%	47.6%	41.5%	40.1%
Financial autonomy	45.8%	72.2%	81.4%	84.5%	85.3%
Break even point (Euros)	88,071	54,347	50,006	46,143	42,750

12. Conclusions and Suggestions

With the market research done, and following the Strategic and Financial plan (among others) presented in this Business Plan, it has been seen that this project will fill a gap in the market presenting an innovative product that can be the starting point for a new trend which others companies and entities might follow and help or profit from it. This project has, of course, some risks seen already that need to be overcome. To help the growth of the eTV, besides advertising, SenseBloom should also focus on some areas. First, it should try to involve the Government. Not only a funding tool, the Government is also a good way to advertise and reach everyone. Also, a special program where the Government offers special bigger eTVs for schools is something SenseBloom should really try to attain. Since the eTV

will have an application store where new games and applications can be bought online, other companies and groups can profit by selling their products. This is done by offering a commission to SenseBloom for each application sold. To help the development of the product, by means of other companies actually advertising the eTV so they can sell their applications, SenseBloom should take little commission on each of the applications other companies create. These are examples of areas where SenseBloom should bet to keep the project growing through the years.

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