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Innovative Business Plan: An implementation of e-commerce to the sexual industry

Diana Rita Teixeira Pereira

Master's in Management of Services and Technology

Supervisor: Professor Doctor Renato Pereira, Assistant Professor,  
ISCTE Business School, Marketing, Operations and Management Department (IBS)

October, 2021

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BUSINESS  
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Marketing, Operations and Management Department

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## **Abstract**

This business plan provides, first, an investigation into the development of e-commerce websites, the demand of purchases on these platforms and, an analysis of Internet sexuality, which includes sex shops, consumer preferences and evolution of sexuality. And secondly, investigates what consumers' behaviors are related to online purchases and the consumption of sexual products in Portuguese society and how the perception of sexuality has evolved over recent years.

The main focus of the company created was to facilitate the purchase of sexual products. It aimed to offer a personalized service, match products according to customer needs, and transform the negative image created by society with trustworthy information and education about the topic, and provides innovation regarding to the products.

This business can be considered an incremental innovation in the sexuality market in Portugal because it applies significant changes according to what's already exist in the market and enhances the customer experience while not fundamentally deviating from existing companies (Ovuakporie et al., 2021).

The e-commerce is committed to selling sexual products, but only the ones that have already been fully tested by the team, and that are guaranteed to be a good choice. When the time comes for the client to choose the product, the client can select the one that matches their necessities with the support of a the specialized team. The main idea would be selling a specific range of categorized products, selected according to high quality and promote new and different consumer experiences while providing knowledge about the topic.

**Key-words:** E-commerce; Covid-19; Sexuality; Digital Transformation; Innovative Business Plan; Sexual products;

**JEL Classification:** L26 Entrepreneurship; M13 New Firms; Startups

## Resumo

O plano de negócios apresentado prevê, em primeiro lugar, uma investigação sobre o desenvolvimento de plataformas de e-commerce, a procura e compras efetivas nestas plataformas, uma análise da sexualidade na Internet (que inclui sex shops, preferências do consumidor) e evolução da sexualidade. E, em segundo lugar, investigar quais são os comportamentos/consumos da sociedade portuguesa relacionados com as compras online, o consumo de produtos sexuais e analisar como a perceção da sexualidade evoluiu nos últimos anos.

O objetivo principal da empresa é facilitar a compra de produtos sexuais. Esta pretende oferecer aconselhamento, produtos personalizados de acordo com as necessidades do cliente e transformar a imagem negativa criada na sociedade com informações de confiança e educacionais sobre o tema e fornecer produtos inovadores.

Com isto, este negócio pode ser definido como inovação incremental no mercado da sexualidade em Portugal, porque irá aplicar mudanças significativas de acordo com o que já existe e melhorar a experiência do cliente. Sem se desviar fundamentalmente das empresas existentes (Ovuakporie et al., 2021).

A loja online compromete-se a vender produtos sexuais, mas apenas os que já tenham sido testados pela equipa e que tenham a garantia de ser uma boa escolha. No momento da compra, o cliente pode escolher o que mais se adapta às suas necessidades com o apoio da equipa especializada. A ideia principal é vender uma gama específica de produtos, escolhidos de acordo com a garantia de qualidade e promover experiências novas e diferentes aos consumidores, ao mesmo tempo que se proporcionam conhecimentos sobre o tema.

**Palavras-chave:** Comércio eletrónico; Covid-19; Sexualidade; Transformação Digital; Plano de Negócio Inovador; Produtos Sexuais;

**Classificação JEL:** L26 Empreendedorismo; M13 Novas Empresas;

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## **Glossary**

ASAE - Autoridade de Segurança Alimentar e Económica

COGS - Cost of Goods Sold

EBIT - Earnings Before Interests and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, and Amortization

EBT - Earnings Before Taxes

EFSF - European Financial Stability Facility

EFSM - European Financial Stability Mechanism

GDP - GDP per capita

IMF - International Monetary Fund

IRC – Imposto Sobre o Rendimento de Pessoas Coletivas

IRR - Internal Rate of Return

NPV – Net Present Value

PI -Profitability Index

ROE – Return on Equity

VAT – Value Added Tax

## 1. Executive Summary

The fast expansion and interest of e-commerce in all areas, and consequently the growth of content related to internet sexuality has created an opportunity for a psychological analysis of Internet sex shops (Barak & Fisher, 2000). Nowadays, there are numerous sex shops on the Internet. The easy contact with sexual products contributes to normalizing the reputation of these items and allows people to be able to buy them discretely (Adams et al., 2003).

Thus, a business opportunity to create innovative sexual e-commerce defined as Ponto G arose. This company is committed to selling sexual products, but only ones that have already been tested by the team and are guaranteed to be a good choice. This means that people that don't have experience with these products want to be able to buy from a high-quality selection are able to do so by visiting Ponto G. Clients are able to choose the one that matches their necessities with the support of a specialized team.

Furthermore, Ponto G has divided their operation into three principal moments of sale, pre-sale, sale and post-sale. In terms of pre-sale, all the products presented on the website have gone through a pre-selection process, and have been tested before by the employees, to ensure the best selection of products. At the moment of sale, the employees of the store are able to talk with the customer and ask if they know what product they want to buy or if they need help. According to the description of the client, the advisors provide advice on the best product for their needs, and explain why (because they already used it). In the post-sale moment, the company focused on the guarantee that the client will have the most pleasure of the product, by providing a detailed description about how to use the product.

The financial analysis of the business analyzed the performance of the business during the first 5 years. The initial investment necessary was 22 554€, liquidated in five years, by a bank loan of 50 000€. The results of the performance of the business allow us to conclude that the project needs more time to show profitability. In this way, the Cash Flows will be positive by 2024, with will result in an NPV of -70 036€, IRR of 156,47% accounting payback of 8 years, 8 months and 5 days, a return on equity of -12,00% and return on investment of 37,00%.

The approach that was used in the plan concluded that a 5-year long analysis is not enough to reach viable results, mainly because of the scale of the country and the niche of this product. The company has a big growth from 2024 onwards, however, because payments to cover the bank loan will still be made, results are not favorable. However, it was possible to verify with the pay back measure, that the company needs an additional 3 years for, continued growth, and to stop paying the debt, to show viable results.

## 2. Literature Review

### 2.1. Entrepreneurship

During recent years, the term “*entrepreneurship*” was mentioned very frequently. But most people didn’t know exactly what was meant by this.

Akbar (2016, p. 58), defined entrepreneurship as “*the organization's strategy based on accepting the risks associated with providing innovative products and services.*” A simpler definition is one provided by Olannye and Eromafuru (2016, p. 58) as “*the mechanism that the organization's value is created by exploiting the unique and acquired set of resources to seize the opportunities available in the business environment.*”

Entrepreneurship is very important to all countries world-wide, while it indicates economic, social, and technological growth (Gaddam, 2008). To Gaddam (2008, p. 58) the entrepreneurs are defined as “*the countries' growth driver as they provide to their countries the latest cultural, organizational, and technological advancement from the global world*”.

According to this perspective, the government should consider promoting more entrepreneurship activities and, create policies to attract more entrepreneurs to do creativity projects (Genc et al., 2019). This activity is based on theoretical and empirical principles that the organization can apply to its strategy and has a competitive advantage and is able to achieve its objectives in effective and efficient ways (Frederick et al., 2019).

Mitchelmore and Rowley (2010), agreed that the principal’s competencies that an entrepreneur should have are “*identification and definition of a viable market niche, development of products of services appropriate to the firm chosen market niche/product innovation, idea generation, environmental scanning, formulating strategies for taking advantage of opportunities, recognizing and envisioning taking advantage of opportunities*” (Garcia et.al, 2019, p. 852).

Therefore, the entrepreneur is always attentive to the market, to identify business opportunities to create and add value for the stakeholder and investors. The literature highlights that “*opportunities are made, not found*” (Ardichvili et al., 2003, p. 106). So, an analysis of the markets’ needs and the capacity to identify a lack of resources are the bases of creating an opportunity. Therefore, in light of the principle of development, the focus of an entrepreneur should be to recognize an opportunity (Ardichvili et al., 2003).

## 2.2. Business Plan

Honig (2004, p. 854), defined a business plan as “*a written document that describes an organization’s current status and possible future; it is a maturing process that facilitates progression from an idea to a final project.*” Garcia (et al., 2019, p. 856) considered it as “*a highly practical and applied piece of work, with the main objective of developing a business idea.*” And Becherer and Helms (2009) defended that a business plan needs to be used as a tool that empowers the entrepreneur to create and launch a business that achieves success. It allows access to the business idea and its evolution over time. Although, this plan not only demonstrates that this business has the requirements to be funded but also guides the entrepreneur from the first year of operation. This helps to control all the areas of the business even the most critical elements of the economic entity (stocks, costs of production, quality control, sales, payments, etc.) (GUȚĂ, 2014).

The aim of a business plan is to focus on providing information during the process of planning in order for entrepreneurs to evaluate opportunities.

This planning process is essential to complete a project successfully (Barringer and Gresock, 2008; Honig, 2004). The entrepreneur can distinguish an idea from an opportunity and develop the opportunities (Botha and Robertson, 2013). It plans to help guide risk-taking, to create and start a business, and how to sustain the initial activities during the first phase of launch (Brinckmann et al., 2010; Giunipero et al., 2008)

There are different types of business plans, that can be chosen according to the objective. They can be classified into three purposes, to obtain external funding, be used as a tool to reduce risk, and help the business, normally associated with a specific objective as to planning (Botha and Robertson, 2013). Regarding the structure of the business plan, it must include:

- Executive Summary – The status and future direction. Summarize the principal’s points that are going to be debated during the plan, such as the marketing and sales strategy, the competitive advantage and positioning, principal financial results, quantify resources, etc (Haag et al., 2013).
- Business Structure – An explanation into why the product is unique and why the opportunity exists. The objectives of the business and, the benefits. As well as the expected demand for this product or service (GUȚĂ, 2014).

- Product or Service Description – A detailed description of the product or service and evidence of the competitive advantage that makes it unique. The entrepreneur's should explain the entrepreneurial strategy for achieving or dominating the competition (Haag et al., 2013).

- Market Analysis – An analysis for the company to understand the targeted marketplace. The existing market competitors to analyze the pricing policies, promotional strategies, and if the market was growing or not as conducted by the company researches. As to define strengths (which characteristics differentiate the product from the competition – quality, reliability, pricing, etc) and weaknesses that the company can solve and transform into opportunities. This can determine the size, diversity, location, and competitive advantage. (Haag et al., 2013).

- Marketing Plan – A Marketing plan based on two activities. First, an analysis of the market to identify the target, according to demographics and psychographic characteristics (Volker and Philipps, 2018), and to define the positioning of the business. This exercise allows the business owner to analyze the market and their niche, to know if their niche is large enough for growth (Haag et al., 2013) and then implement the marketing strategy plan based on the marketing mix which includes the product, price, promotion, and distribution.

- Operations – A plan of the day-to-day functions of the company. This can be different according to the business activity, but the areas normally included in this plan are facilities, location, operating costs, manufacturing capability, processes, suppliers, distribution channels, labor, research and development, quality control, contingency planning, customer satisfaction feedback (Haag et al., 2013).

- Management and Organization – Who will be responsible for particular activities and tasks and present a plan outlining the formal structure of the organization (Haag et al., 2013). At this point, this demonstrates to the investors that a team capable of executing the idea has been established in order to develop the business successfully (Volker and Phillips, 2018).

- Technology Plan – This section identifies what functions are required or could benefit if applied, and which technology will be used (Haag et al., 2013).

- Financial Data and Projections – Financial information which presents first, the capital necessary to invest and start and run the business in the initial phase, using financial instruments with the data. Secondly, present the projections of sales, and revenues to achieve breakeven and be a profitable company (Volker and Phillips, 2018).

To conclude, the business plan is a complex process, that requires time for the entrepreneur, and he needs to analyze all the risks involved (Smeltzer, Hook & Hutt, 1991). However, this planning process is the most important step in launching a new business (Barrow, Barrow & Brown, 2001). Because the benefits of planning before action are bigger than the opportunity cost on the time spent by the entrepreneur (Kickul, Gundry, Barbosa, & Whitcanack, 2009).

### 2.3. Innovation

Nowadays, the business models are considered a source of innovation and consequently a way for business transformation and renewal (Zott et al., 2011).

Innovation is defined by various experts in different areas. Peter Drucker (1985, p. 10) defined it as *“The specific tool of entrepreneurs, how they exploit change as an opportunity for a different business or service. It is capable of being presented as a discipline, capable of being learned, capable of being practised.”* In terms of businesses, Richard Branson (1998, p. 17) qualifies a business as innovative when it *“... lives and breathes outside the box. It is not just good ideas, it is a combination of good ideas, motivated staff and an instinctive understanding of what your customer wants”*.

In this way, innovation related to business models can be manifested in three ways. First, the business model itself can represent an innovation form if it has the goal of improving the internal operation of the firm and increase the efficiency without changing the product (Mitchell and Coles, 2003). Second, technological innovation can turn the company into the first mover in the market (Trimi & Berbegal-Mirabent, 2012). The last one is based on disruptive innovation, because the company promotes activities as offers or adapts the products, which allows to change some aspects of business plan and consequently renewal the business (Christensen, 1997).

## 2.4. E-commerce – platform development

E-commerce is defined as “*all types of electronic transactions between organizations and stakeholders whether they are financial transactions or exchanges of information or other services*” (Chaffey, 2007, p. 14). Following (U.S. Census Bureau, 2018, p. 158) the revenues of e-commerce are “*the sales of goods and services where the buyer places an order, or the price and terms of sales are negotiated over an Internet, mobile device (m-commerce), extranet, EDI network, electronic mail, or other comparable online systems. Payment may or may not be made online*”. According to this, the number of people that have been converted from offline shopping to online shopping in recent years has been significant (Cao et al., 2019).

The last years' focus on developing internet technologies helped the e-commerce platforms to enter the market and transform retail and logistics operations. This transformation took benefits to consumers, as reductions of costs and delays (Luo et al., 2011), and to retailers as the opportunity to sell products to consumers on these platforms (Fan et al., 2020), to provide more online shopping opportunities (Wagner et al., 2020) and it resulted in increased sales (Lee et al., 2018). In America, in 2017, the online sales represented \$453.46 billion, which increased by 16,00% compared with the year before and its 13,00% of total retail sales in 2017 (U.S. Census Bureau, 2018). In 2016, on the Amazon platform, 51,00% of total sales are represented by marketplace merchants (Amazon, 2018), on JD.com in the same year existed over 120,000 third-party sellers (JD.com, 2018) and the Taobao.com from Alibaba Group is based exclusively on the third-party marketplace. Following this data, it's a normal reality that retailers choose to enter on e-commerce platforms (Cao et al., 2020).

Liu et al., (2019) say that most of the consumers have the perception that these platforms offer price discounts, promotions, or other preferential activities and this sensation can be a good input to create a good impression of the platform and consequently do an online purchase.

## 2.5. Evolution of Sexuality

The World Health Organization defined sexuality as “*...a central aspect of being human throughout life [that] encompasses sex, gender identities and roles, sexual orientation, eroticism, pleasure, intimacy and reproduction. Sexuality is experienced and expressed in thoughts, fantasies, desires, beliefs, attitudes, values, behaviours, practices, roles and*



*relationships. While sexuality can include all these dimensions, not all of them are always experienced or expressed. Sexuality is influenced by the interaction of biological, psychological, social, economic, political, cultural, legal, historical, religious and spiritual factors.*" (Macleod & McCabe, 2019, p. 6). This term has been identified as an important topic of well-being during life, but adults had a lack of knowledge about this (Macleod & McCabe, 2019).

The evolution of sexuality is based on two processes. First, related to the transformation of sexuality in medical and scientific areas, which allowed sex to not be seen as an offense. The second one, regarding sexuality, not only focuses on the biological and human reproduction side but also as a social object (Aboim, 2013).

In the past sexuality and all the information related to this was an object of social repression. This area was seen as a mystery, an enigma that only belongs to religion, and society with a lack of knowledge about human reproduction and sexual life (Aboim, 2013).

According to this, people now live a sexual life with more freedom than in the past. This freedom represents the change in relation to what's private life and what's public. Actually, in Portuguese society individual freedom and sexuality is more public and visible (Aboim, 2013).

This evolution is sawed to on the sale of sexual products. In 1960, sex toys were sold as sexual technologies and were central to feminist ideas about women's sexual pleasure. Nowadays, they are represented as tools of sexual autonomy (Huff, 2018).

## **2.6. Sexuality in Portugal**

As previously mentioned, access to sexual information is now readily available, but it hasn't always been this way. In the decade 1950 and 1960, Portuguese society was very conservative in relation to this topic (Aboim, 2013). Sexuality was an area where there were rules and knowledge needed in order to follow the Catholic Church as, supported by Estado Novo.

Portugal was no exception regarding the evolution of sexuality. Never before has sex assumed such a relevant position publicly in Portuguese society. Forty years following on from the revolution, the behaviors have changed radically with an emphasis on experimentalism. Currently, the public power related to sex changed to a more liberal environment, where people want find a new pleasure: talk about sex, tell histories and hear about the topic. At the same time medicine has progressed, sexuality is now seen as a point of personal fulfillment and happiness (Aboim, 2013).

To increase the knowledge about this theme, sexual education assumes relevant importance in schools in which “*information on sexuality and sexual behavior is provided for students and attitudes and beliefs are developed*” (GTES, 2005, p. 173). Nowadays, in Portugal, most of the schools establish partnerships with NGOs and local health centers to promote a healthy sexuality (Matos et al., 2014; Rocha and Duarte, 2015).

Sexuality oriented to human reproduction and coordinated by religion is no longer acceptable. Today, pleasure is a priority, connected with an individualistic ideal, without constraints, taboos, and based on happiness, wellness that is achieved by pleasure (Aboim, 2013).

In terms of consuming sexual products, in Portugal, it's difficult to find data about the production and sales of these items. However, a study conducted in 2007 related to the purchase of sex toys concluded that 5,0% of the women already buy one. With this, it's possible to conclude that despite the changes that have occurred, this market is still more searched by men than by women' (Aboim, 2013).

## **2.7. Sex Shops**

Sex shops are defined as “*a shop with a physical location as opposed to one that exists exclusively on the Internet or as a mail-order entity. It stocks products that are mainly, though not necessarily exclusively, of a sexual nature. These products may include videos/DVD's, magazines/books, sex toys, lingerie and sex pills/potions.*” (Carr and Poria, 2010, p. 18)

A study conducted by Huff (2018), which interviewed sex shops owners, concluded that one of the aspects that differentiate the business and attract more visitors was provided access, not only to the products but to “*sexperts*” - experts on sexuality that provided a privilege customer service with a wealth of information about sexual health and women's sexual pleasure.

It's possible to differentiate between two types of sex shops, the traditional sex shops, and the feminist sex shops. The feminist sex shops started with the goal to provide a place for women to purchase sex toys without embarrassment. These shops are selling fewer products, but the ones that are exposed are classified as “*women-friendly*” products and are out of their packaging, to allow the customer to touch and interact with them. Another difference is it shops stock less pornography than traditional sex shops, and the ones that exist are focused on women's pleasure. Sex education is another focus of these shops, presenting in two activities. First, in the presence of “*sexperts*” in the stores. And secondly, in building local communities

that can access workshops about sexuality. In traditional stores exists too these workshops, but normally are focus on present the products that are in the store (Huff, 2018).

These sex shops that are focused on feminist values normally obtain a regular retail business license rather than a license for an adult business. This decision allows the store to be placed in any community, without restrictions, as must be located outside of a certain distance from schools, childcare facilities, churches, and other stores that sell adult products (Huff, 2018).

## 2.8. Businesses of Sexual products on the Internet

The fast development of the Internet has facilitated access in recent years and boosted the general public to acquire sexual items, like erotic text, images, sounds, services, and merchandise. As said by Barak & Fisher (2000, p. 575) "*as never before in human history, individuals of all ages, of both sexes, and diverse sexual and personal inclinations now have essentially unlimited and essentially effortless access to sexual stimuli and sexual products by way of Internet technology*".

According to the Sexual Behavior Sequence Model, online sex shops can be classified as "*a sexual stimulus that triggers various physiological, affective, and cognitive reactions in the user depending on his or her predispositions. These reactions can prime the user for sexual activity and also impact the nature of the activities engaged in.*" (Fisher & Barak, 2000, p. 1094).

There is a high prevalence of Internet Sexuality, and consequently, a notary difference in the contents shared on the Internet and in other contexts, such as face-to-face or on the media (Döring, 2009). This term refers to "*sexual-related content and activities observable on the Internet (Adams, Oye, & Parker, 2003; Cooper, McLoughlin, & Campbell, 2000; Leiblum & Döring, 2002). It designates a variety of sexual phenomena (e.g., pornography, sex education, sexual contacts) related to a wide spectrum of online services and applications (e.g., websites, online chat rooms, peer-to-peer networks)*" (Döring, 2009, p. 1090). With that consumers can have fast access to a large quantity of information discretely in a wide range of sources, which allows changing attitudes, behaviors, sexual awareness, and advice on sexual health. Those who want to buy these products online can access this information and buy items discretely (Döring, 2009). Besides that, to promote sexual education the conventional materials are available on the internet too, as brochures, multi-media learning modules, online forums, etc. (Döring, 2009).

However, with online purchases growing fast and easy access to information about sexuality on the Internet, Internet sex shops appear to be a potential business opportunity (Barak & Fisher, 2000). A study conducted by the ABCNEWS.com website concluded that approximately 50,00% of over 17.000 online respondents frequently visited explicit Internet sex sites, and 6,00% of these persons, have already shopped for sexual merchandise at online sex shop websites. Another survey conducted in Germany concludes that 65,00% of women and 63,00% of men already have used a sex toy. Most of them (54,00%) used with a partner and 48,00% used it solo (Döring & Pöschl, 2018). Research conducted years ago in the US had similar results (Herbenick et al., 2010; Reece et al., 2010).

### **3. Methodology**

#### **3.1. Research Context**

The Methodology is a framework that presents all the steps to create a business plan that maximizes the use of an organization's resources to achieve company objectives. It is presented as a series of phases, based on the collection of information and data processing, that aim to address to key Business Plan components, each of which is critical to complete before moving on to the next phase. Furthermore, this planning will help the company to define and create its competitive advantage.

Firstly, this project is based on the area of sexuality and is an e-commerce of sexual products. This study aimed to understand the industry of sexual products and investigate the current consumption of them in Portugal. It refers to a plan, a forecast, and because of that it cannot be tested by a hypothetical deductive approach.

The methodology was an innovative business plan since the purpose of the study is to evaluate the viability of such financial placement. So, this study focused on the analysis of how sexual e-commerce can be profitable and innovative in Portugal.

#### **3.2. Research design**

This study was descriptive and the procedures to obtain information used primary data and were categorized by quantitative data. The present business plan was structured along with the following points:

A consumer survey was employed to support the market research and validate the value proposition. Based on that market survey it was possible to identify the habits and, the preferences of the customer. And based on that, strategic decisions was taken as to what products to commercialized, prices, and who the target consumers are.

The survey was completed with a deadline of August of 2020 and focused on women' and men' between the ages of 18 and 60 years living in Portugal. The Sampling technique used was nonprobability sampling and was requested trough electronic methods.

It was done on a platform specialized in creating forms that is "Microsoft Forms" and included approximately forty questions. The questions were mostly qualitative, with a focus on the experiences, likes, habits, and knowledge of the consumers about the topic.

In terms of sharing the survey with others, it had the highest number of answers to analyze the dimension of the market with it being, a product that is used by people spanning a large age range.

Therefore, this survey was shared in Facebook Groups specifically related to sexuality and sex toys and groups where public was mostly women that are open to sharing their ideas with each other, like the Facebook Group “*Mulheres à Obra*”.

Furthermore, it was shared by the association of sexuality and sexual education and by close friends. Therefore, the plan was to achieve more than four hundred answers.

The analysis of the results of the survey were done by statistics analyses. As it was simple analysis of the data, the excel program was used to analyse the results and the statics were presented on the results form.

Secondly, strategic analyses were conducted which included a macro context analysis, which analyzed the principal factors that influenced the company, and a micro context analysis which analyzed the industry.

In terms of macro context analysis, the analysis was done by the PESTEL framework, which analysed how the principal areas, such as political, economic, social, technological, and environmental, could affect the company.

Related to micro context analysis, the analysis first focused on developing the Porter Five forces model, to identify what already existed in the market and how a competitive advantage could be created.

The competition analysis identified and analyzed what the competitors of the business have already done and what's the dimension of the market. This topic was explored trough an interview with a specialist in the area, named Rui Simas.

The internal analysis identified the principal aspects and strategic opportunities of this business using a VRIO Framework., which helped identify and protect the resources and capabilities that the business already possesses enhanced the long-term competitive advantage. Through a SWOT Analysis, analyze the principals' strengths, weaknesses, opportunities, and threats were analyzed and identified strategies worth implementing.

The Strategy definition was based on the above frameworks. At this point, a strategy for the business that can be strong and innovative enough to compete in the market and that catches the attention of customers was defined.

After the Strategy, the business plan development was defined. At this point, the customers that the company wants to target was defined by the Segmentation, Targeting, and

Positioning model. This model segmented the customers according to demographic, geographic, psychographic, and behavioral variables, and defined the position of the company to differentiate from competitors.

In terms of Marketing Mix, the main aspects of the business according to the strategy were identified. It defined a plan to achieve the company objectives and strategy and define the platform characteristics. The Marketing Mix was divided into four important points, product, price, promotion, and place.

At the point of the product, a range of products were selected and presented with an authentic name. The price was defined according to the price strategy of the company and the promotions will be mostly online or physical. In terms of place, the best way to send the product was chosen.

The implementation plan defined when the operations will happen, so the objectives and the strategy defined in the plan can be achieved.

### **3.3. Economic-financial Analysis**

The financial analysis determined if the business idea was viable or not. This section was composed of the assumptions, sales forecast, that were calculated based on some logical assumption, ex: market share, growth rate, etc. The cost of goods sold, which were fixed costs, based on the production capacity, and the variable costs, based on a proportional relation with sales and a given efficiency level. The investment expenses, that were all fixed assets required the necessary business operations, as, machinery, computers, software, etc. Furthermore, the Profit and Loss Account, the balance, and the cash flow projection analyzed the viability of the business.

To obtain a financial evaluation of the plan, a Discounted Cash Flow and a Capital Asset Pricing Model was conducted.

Based on these procedures, a base scenario and a set of assumptions by an inductive approach was created and that was the base of all the financial analyzes.

The Discounted Cash Flow provided a prospection of cash flow for the next five years. The Capital Asset Pricing Model obtained the return expected of the company and the financial evaluation, and consequently, the global evolution of the plan.

To evaluate the project, there are some projects evaluation criteria, as Pay-Back Period, Net Present Value, Internal Rate of Return, and Profitability Index that determined if this project was viable or not.

The pay-Back Period is the amount of time in which the accumulated cash flows allows the recovery of the initial investment. If its value is less than the years of implementation of the project, its business is viable. If its value is higher is not viable.

The Net Present Value (NPV) is the value of all future cash flows (positive and negative) over the years of implementation of the project discounted to the present. If the value of NPV is higher than 0. the project should be implemented.

The Internal Rate of Return (IRR) is the discount rate that nullifies the NPV of the project, which means it is the maximum remuneration rate that the project can withstand. A project is economically feasible when  $IRR > r$ .

Profitability Index measures the ratio between the present value of future cash flows and the initial investment. If the project has  $PI \geq 1$  should be accepted.

Table 1 – Financial evaluation metrics

<b>The Pay-Back Period</b>	PBP > years of implementation	Viable
<b>Net Present Value</b>	NPV > 0	Viable
<b>Internal Rate of Return</b>	IRR > r	Viable
<b>Profitability Index</b>	PI > 1	Viable



## 4. Market Analysis

### 4.1. PESTEL

#### 4.1.1. Political

When an entrepreneur decides to create a company needs to have in mind that there are some taxes that the company will pay during their activity.

- The Corporate tax – IRC is a tax that focuses on company income. In 2021, is fixed at 21,00% and for small and medium-sized enterprises that earn until fifteen thousand euros is fixed at 17,00%.
- Municipal Tax (Derrama) – Imposed on a company's earned income. This tax ranges between 0,20% and 1,50% according to the city. In the major cities of Portugal as Porto and Lisbon are 1,5%. In Lisbon and Porto, the businesses with net sales of less than €150.000 pay 1,00% (Autoridade Tributária e Aduaneria, 2020).
- The VAT value is broadly based on consumption tax assessed on the value added to goods and services. Mainland Portugal has a standard rate of 23,00%, the Autonomous Region of the Azores 16,00%, and the Autonomous Region of Madeira has 22,00% for all remaining goods and services.
- New taxes to e-commerce businesses – The European Council announced new VAT rules for digital companies to facilitate the transactions between the countries that belong to European Union. However, this official implementation was postponed because of the Covid-19 pandemic.

To facilitate the creation of an enterprise in Portugal and to increase entrepreneurship, the government has created procedures to facilitate it.

Firstly, the managing partner needs to choose which type of company it wants to create. There are three types, single-person limited liability company, limited liability company, or Individual limited liability establishment (Doutor Finanças, 2020).

Secondly, the *Empresa na Hora* service allows creating a company easily. If the managing partner is a private person they need to present their identification document (identity card or passport) and tax identification card.

In case of legal entities, a commercial certificate needs to be presented or the code to access, legal person tax identification or identity card, current extract of the entry in the commercial registry, and meeting minute granting powers of company incorporation.

The cost of this service is at least 360€. This value can increase if you add more elements to the creation of the legal entity. For example, if you add a brand associated with a class of products or services to the standard value adds more than two hundred euros (Empresa na Hora, 2021).

#### 4.1.2. Economic

During recent years, Portugal has faced some economic difficulties. Between 2000 and 2016, the economy of Portugal only grew at an average rate of 0,40%. In 2008 Portugal was hit by The Great Recession which affected bank credit and exports, which helped to grow the government debt and required external investment to recover the national economy. In 2011, the government of Portugal signed a three-year program that allows an investment of 78M euros to Portugal, from IMF, the EFSM, and the EFSF. This program finished in June of 2014.

The GDP of Portugal was negative between the years 2011 and 2014. 2015 was the first year of positive growth, reaching the value of 1,80%. This increased on the following years until 2019 because of the increase in tourism in Portugal. According to Tourism of Portugal, in 2019 there were 27 million registered guests. However, in 2020, Portugal registered the worst GDP tax rate achieving -7,60%. This value is justified by the Covid-19 pandemic. During 2020, Covid-19 virus appeared in Portugal and affected the Portuguese economy. All services and shops were closed and only the essential services were maintained open (as supermarkets). According to Banco de Portugal, the company debt grew by 1,60% compared to 2019. And this growth is more visible in small and medium-sized enterprises, which is an increase of 8,60%. In the case of individuals this grew 1,70% compared to 2019.

According to Boletim Económico (2021) developed by Banco de Portugal, the forecast for the evolution of GDP in the following years will grow by 4,80% in 2021 and 5,60% in 2022. In 2023, the growth will be 2,40%, which are closer to the values seen before the pandemic.

#### 4.1.3. Social

In 2021, the number of people living in mainland Portugal is 10 347 892. This number indicates that the population has reduced by 214 286 individuals, which represent a decrease of 2,00%, compared with the results seen in 2011. Regarding the unemployment rate, in the second semester of this year, Portugal registered 6,70% and in the same period of the year in, 2011 12,80% was registred.

According to Pordata, in 2020 Portugal registered a 5,165M individual working population (2,610M are men and 2,554M, women). Following this data, the groups with a more active population are 45-54 and 35-44 with 1,361M and 1,303M respectively. The group with the worst results is the population were 65 years old or more, which indicates 260,6 individuals. In terms of the level of education, in the past year of 2020, Portugal registered the highest value ever, which is 56,10% of the population between 25 and 64 years old already concluded high school, 52,40% men' and 59,40% women (INE, 2021). In 2020, the average salary was based on a 1 314 € per month, which represented a growth rate of 21,00% comparatively with the average salary in 2011 of 1.083,8€ (Pordata, 2021).

#### 4.1.4. Technological

At the end of this year, e-commerce revenue in Portugal is forecasted to reach € 3,655M, and in 2025, it is projected to hit €4,490M. There are over 5.1M users of Portuguese e-commerce and in 2025, it is expected to achieve 5.7M users. Following the E-commerce Payments Trends Report (2020), men (40,90%) are more likely to shop online than women (36,70%). Younger age groups dominate e-commerce adoption, the age group 25–34 has the highest online shopping penetration at 71,00%, followed by 18–24s at 62,30%.

There are various platforms to create e-commerce, like Shopify, Wix, square online, Facebook and Instagram marketplace, etc. The most revenue e-commerce market store in Portugal is elcorteingles.pt with €160M, followed by Zara with €118M, amazon.es, apple.com and ikea.com.

Following the E-commerce Payments Trends Report (2020), the most popular device to access e-commerce in Portugal remains desktops (62,00%), followed by smartphones (35,00%) and tablets (2,00%).<sup>15</sup> When using mobile commerce, apps are preferred over browsers, with 54,00% of sales taking place via an app.

In terms of payment, open invoice (*multibanco*) is the favorite payment method of Portuguese consumers. However, it is predicted that digital wallets, bank transfers, and cards will be the fastest-growing payment methods. Nowadays, consumers can create electronic cards by digital wallets and use them in online purchases.

#### 4.1.5. Environmental

In the study “*Portugal e França: Juntos na Transição Ecológica - A responsabilidade das empresas em tempo de Covid*” (2021), developed by *Conselheiros do Comércio Externo de França in Portugal* and BNP Paribas Personal Finance, 75,00% of Portuguese population that responded to the survey, affirmed that they are worried about the environment and climate changes, 14,00% says that were very worried and 61,00% showed some concern.

Another study promoted by Oney and OpinionWay (2020), conducted in Portugal, Spain, France, and Hungary, concluded that 90,00% of European consumers are sensitized to sustainable consumption. Almost 50,00% are concerned with the strategy of the company (strategy to become the product outdated) and 30,00% of respondents with the methods used to produce the products. Some of them already start to use alternative methods in their purchases as second-hand products. These products have already been purchased by 84,00% of Portuguese respondents and more specifically, 64,00% of Portuguese respondents already bought cars, motorcycles and bikes second hand.

The most recent growth strategy of the European Commission was based on combating climate change and promoting a green economy. This strategy is represented on European Climate Pact for Union European and Citizens (COM/2019/640). The European Union has been implementing measures to improve the lives of the European population since 1972. The goals need to be achieved by 2050. Some of these goals are to achieve a low carbon economy and efficiency in terms of resources, safeguard biodiversity and protect human health with legislation on air quality, chemicals, climate, nature, waste, and water.

According to these goals, Portugal has implemented measures to accomplish them. The strategy to Portugal 2030, includes these objectives:

- Reduce global greenhouse gas emissions by 45,00% to 55,00% and 40,00% in the transport sector compared to 2005.
- Increase to 47,00% the share of renewable energies in the gross final energy consumption.

- Reduce primary energy consumption by 35,00%.
- Reduce to half the burned area to increase carbon sequestration capacity.

#### 4.1.6. Legal

Regarding legislation, Portuguese law highlights some points that need to be fulfilled. According to “*Decreto-lei 174/2012*” published in 2012, the sex shops need to inform that the access is only authorized for people over the age of 18. The shops can't use words, sentences or show explicit content about the topic and in the case of a physical store, it cannot be placed less than 300 meters from a religious worship space, primary education school, a high school, or spaces that children use to play.

Furthermore, since 2012, the way to obtain a license to open a sex shop became easier. The sex shops can obtain it on the website of *Direção Geral de Atividades Económicas* and the supervision of the shop by ASAE is only done after the sex shop opens to the public. The oldest version, published in 1976, declared that the supervision of sex shops needed to be done before the shop opened.

After that, this legal document suffered two updated versions but without significant changes to the law that affect this sector.

#### 4.2. The Porter Five forces model

The Porter Five forces model is a tool for understanding the competitiveness of the business environment and for identifying the strategy's potential profitability. This allows the company to identify the forces that can affect profitability and adapt the strategy according to that. This model is divided into five forces, competitive rivalry, supplier power, buyer power, the threat of substitution, and the threat of new entry.

To conclude the impact of these forces in the business, they will be classified on a scale from 1 to 5.

#### 4.2.1. Competitive Rivalry

Analyzing the competitors is one of the most important aspects when considering creating a company. In terms of this sector, the number of sex shops open in Portugal is not public information. However, in terms of evolution, the growth is big. Following the report of Grand View Research (2021), in 2020, this global market was valued at 9,83M dollars and this research estimates that the growth annual rate from 2021 to 2028 is 8,04%.

Analyzing this evolution in Portugal, the online pharmacy *Mifarma*, presented its results and registered a growth of 600,00% of sales in 2020 compared with the previous year (2019) (Público, 2021).

In terms of innovation, products and the creation of new companies have mostly been presented. The technology on products is visible in sex toys that can be remotely controlled with an app to a smartphone, sex toys to couples and in the expansion of virtual reality. Furthermore, sex tech companies founded by women have arisen that are creating products developed exclusively for women's pleasure and that have the vision to fight taboos and stereotypes present in society (Público, 2018). In terms of publicity, partnerships between celebrities/influencers and companies of this sector is more common. However, in terms of paid advertising online, these companies faced some difficulties, because nowadays it is crucial for companies to advertise on social media and Facebook yet entities may refuse ads from the sex industry (Público, 2018).

Despite the existing competition, this force can be classified as medium and on the scale is a 3. Following the perspective of growth and the demand for innovation and technology in this sector, the strategy and vision of this company needs to be focused on this and identify the market for companies like that.

#### 4.2.2. Supplier Power

The number of suppliers available to support a sex shop in Portugal is big. This analysis identified 35 suppliers. Based in different locations, eleven of them in Portugal, seven in Spain, four in the United Kingdom, one in the United States, six in China, three in Germany, two in the Netherlands and one in Russia.

These suppliers presented various purchase methods to the retailer, such as a buy in bulk, in small quantities or use drop shipping. Drop shipping is a method emphasized by the suppliers and allows the company to avoid stocks. So, these drop shipping partners have the

logo and guidelines for packaging and at the moment of a sale, the store purchases the item from a third-party supplier and has it shipped directly to the customer. Even if the retailer chooses to buy in small quantities, he benefits from special prices applied to professionals in the sector. Some of these players present their offer, two prices, cost price, and the minimum price. Although, in terms of exposed information some differences were identified. Some suppliers don't present the prices on their website and require that sellers show their license to commercialize these products. Others present on the website the products and prices with special offers to sellers. Still, most of them don't require a minimum order value, but some present discounts on orders over 100€.

However, the delivery costs are responsible for the seller and depend on the location of the warehouse of the supplier. Some of the suppliers presented have storage in other countries. Although, since 1 of July 2021, a new tax legislation was implemented (Lei n.º 47/2020) for online shopping outside the European Union. After this date, all purchases are exposed to taxes (23,00% of VAT and shipping service), even shops with a value of less than 22€ (Diário da República, 2021). In terms of the development of the platform, a developer will be contracted, and the core team will be responsible for financial, operations, and marketing departments.

Following this analysis, the power of suppliers can be classified as 2, despite the importance to the running of the business, a large number of suppliers are available that can be quickly substituted.

#### **4.2.3. Buyer Power**

Nowadays the buyers give more importance to the best price for the same quality. The manufacturing and the quality of the products are a concern to them and because of that, the suppliers are developing their products further from cheap and dangerous materials to silicone products with eco-friendly materials (Público, 2017). In an Interview with Elsa Viegas (Observador, 2020), founder of *Bijoux Indiscrets*, identified that the most sales over 40€ and the products most sold were erotic cosmetics, such as orgasm enhancers and pleasure gels, but also vibrators to be used alone or amongst couples.

In order to analyze the market that this company will target, a survey was done, and 407 answers were collected. In terms of the use and knowledge about sex toys it was concluded that 67,00% have already considered searching or buying for self-pleasure. When they were inquired about if they had some knowledge about sex toys, 6,00% responded that they were aware and 73,00% were totally aware. In terms of experience in the use of a sex toys, 60,00%

responded that had already used it. In terms of financial capabilities, 38,00% said that could pay for a sex toy between 10€ and 20€, 33,00% between 21€ and 30€, 14% between 31€ and 40€, 7% between 41€ and 50€, and 8,00% more than 50€.

With this information, the power of buyers is classified as 5, because they are unstable and when they aren't satisfied, they change. Furthermore, in Portugal, the GDP is low compared with other countries in the European Union, and its type of purchases is not a priority when compared with commodities. Therefore, the development of digital marketing allows the brands to create specific campaigns to achieve the specific personalized target and with a lower budget.

#### 4.2.3. Threat of Substitution

In this company, we give a lot of importance to substitutes and they can be considered a substitute if they find a way to do the same service/product but using a different process. As said by Michael E. Porter (1979) "*Substitutes often come rapidly into play if some development increases competition in their industries and causes price reduction or performance improvement*". During recent years with the increase of access to information and the development of the sex industry, a huge number of companies in this sector have surged.

The most critical substitutes of this company in the Portuguese market are:

Vibrolândia – e-commerce that sells a huge range of sexual products from vibrators to underwear and sexual films. This is only an online shop, with its products stored in a warehouse. Their deliveries are done in 24 hours and have a cost of 4€ to Portugal and 10€ to other countries. In terms of strategy, on the front page of their website they are called the nº1 online sex shop in Portugal. The website has a section dedicated to discounts, but it's doesn't look like the focus of the company, because there is no highlight on the home page regarding that. The company has focused on partnerships with influencers on social media, presented on live shows on youtube and shared content on their social media, more focused on tips, information about sexuality, etc.

Sex shop Cupido – a physical store in Faro and an e-commerce platform that ship all over the world. In their shops, they stand out because they have trained professionals in this sector to help customers. As the company mentioned before, Cupido sex shop sells all type of sexual products and in addition, promotes swings parties in the Algarve. Regarding their strategy, on the front page of their website they are called the best online sex shop and focus on that principal message as the company has all the products in stock and shipping in 24 hours, with



a shipping cost of (free shipping in order over 40€). In terms of price strategy, on the home page of their website a section for low-cost products and discounts is presented. This company has focused too on partnerships with influencers on social media and has a frequent presence on social media, more specifically on Instagram with daily posts with tips advantages of the products, etc.

Maleta vermelha – a Spanish company that expanded to Portugal. The operations of this organization are based on autonomous employees named “*assessoras*” that arrange meetings in client’s houses with a group of women to create a demonstration of the sexual products and talk about sexuality. However, they have an online shop with a huge variety of products, and they ship to all the country. In terms of pricing strategy, the company has an outlet and last units’ section on their website and the Marketing strategy is mainly focused on by word of mouth by “*assessoras*”.

Mifarma – a Portuguese pharmacy that sells health products and that has a section that sells sexual products such as, accessories, lubricants, etc. This drugstore has a physical store in Lisbon and operates online. The deliveries are done by a shipping company and the cost is free in orders over 49€. In terms of strategy, this company focuses on discounts and campaigns. At the first glance, in sexuality section of their website, most of the products to sell have an applied discount. On social media, they have a good community (over 32k followers on Instagram) with tips, advert of their products, etc.

To analyze the prices applied by the different companies in all the online shops product “Satisfyer Pro 2”:

- Vibrolândia – 44.95€ – price with a discount (Before 59,95€)
- Cupido – 62,95€
- Maleta Vermelha – 53,50€ – price with discount (Before 67,00€)
- Mifarma – 40,28€ – price with discount (Before 48,40€)

To conclude, the power of substitutes is high and can be classified on the scale as 4. Because the income of Portuguese people is low compared with other countries of the European Union the price is of concern for consumers. So, in some cases, the price can be the decisive factor when choosing between two stores.

#### 4.2.4. Threat of New Entry

The threat of new entry corresponds to the extent you can facilitate the entrance of a new competitor to the market. As said by Michel E. Porter “*The seriousness of the threat of entry depends on the barriers present and on the reaction from existing competitors that entrants can expect. If barriers to entry are high and newcomers can expect sharp retaliation from the entrenched competitors, obviously the newcomers will not pose a serious threat of entering.*” Nowadays what doesn’t exist in the national market gives a competitive advantage to be the pioneer.

However, as soon as the company achieves success and is noted, new competitors will appear. In terms of operations, it’s easy to start a company and start the main activity of selling sexual products because it is a product that people have the curiosity to know more and to experience (as we see on the survey, 77,00% of respondents answered that they are interested in knowing more about sexuality) and the access to suppliers, as mentioned before, is easy.

However, the main difficulties verified are retaining clients, do an initial high investment, if the company decided to have stocks instead of a drop shipping option. In the case of a physical store, a space that fulfills all the requirements of the legislation and creates a good relationship with a shipping company that ensures that the orders arrive in time, discreetly, and without deviations is required. Therefore, this company will offer a service of excellence, sexual education and proximity with the clients to understand their doubts regarding this topic and respond to that. As said by Michel E. Porter (1979) if the product suffers an upgrade in its quality or if it is differentiated somehow, for example via marketing, the industry can grow and earn more.

To conclude, according to the difficulties in the entry to the market, consumer demands, and dimension of Portugal, the threat of new entry is low and comparatively with the impact of other forces, is classified on the scale as 1.

## 5. Internal Analysis

### 5.1. VRIO

The VRIO analysis is a strategic framework normally used to do an internal analysis because helps organizations have found and protected the resources and capabilities that they already have and can enhance to have a long-term competitive advantage. This strategic analysis tool is based on four components which are value, rarity, imitability, and organization, and are evaluated by the following questions:

- Value – Do you offer a resource that adds value to customers? Are you able to exploit an opportunity or neutralize competition with an internal capability?
- Rarity – Do you control scarce resources or capabilities? Do you own something hard to find yet in demand?
- Imitability – Is it expensive to duplicate your organization’s resources or capabilities? Is it difficult to find an equivalent substitute to compete with your offerings?
- Organization – Does your company have organized management systems, processes, structures, and culture to capitalize on resources and capabilities?

Figure 1 – VRIO Framework

VRIO Model				What is the result?
Is valuable?	Is rare?	Is difficult to imitate?	Is organization organized around?	
NO				COMPETITIVE DISADVANTAGE
YES	NO			COMPETITIVE EQUALITY / PARITY
YES	YES	NO		TEMPORARY COMPETITIVE ADVANTAGE
YES	YES	YES	NO	UNUSED COMPETITIVE ADVANTAGE
YES	YES	YES	YES	LONG-TERM COMPETITIVE ADVANTAGE

This company is valuable because it facilitates the purchase of sexual products and gives trustworthy information to society about sex and makes them more educated about it.

This platform is rare since it is the only sex shop in Portugal that provides individualized online service, according to the expectation and experience of the client. And the only one that exclusively sells a range of products that has been tested and verified as the best ones in the market.

In terms of inimitability, this platform can be easily copied because nowadays there are a lot of courses and education about e-commerce, how to create a website, and websites that allow the companies to put their products and start selling them. However, the most difficult part is executing the operations plan and conveying trust to clients to convince them to buy in our store instead of in another one.

Therefore, at the beginning of the implementation of the platform, the company still cannot count on organized management systems, processes, structures, and capabilities, which take time to strengthen.

So, at the moment this company has a temporary competitive advantage, that can be promoted to a sustained competitive advantage with the development of innovative techniques and the growth of the platform.

## 6. Competitive Analysis

### 6.1. SWOT Analysis

Nowadays, one of the most important topics discussed in a company is what objectives to achieve. To achieve them, the company defines a strategic plan. However, before that, organizations need to analyze their situation. This analysis is made by SWOT analysis, which stands for Strengths and Weaknesses (internal) and Opportunities and Threats (external). This tool is based on the principle that a company needs to align internal activities with external activities to be successful. And consequently, focus on strengths, minimize weaknesses and take advantage of the opportunities (Pahl & Richter, 2009).

#### Strengths:

- Facilitates shopping and the search for the right sexual product.
- Pre-selected and tested products.
- Guarantee to sell only the best products.
- The payment can be done by credit card, PayPal, or Mbway.
- The returns policy is easy, clients can access the website and, which indicates that they want a return and the transportation company will pick up the package.
- Two-year product warranty.
- Strong investment in in-store training and advice.
- A detailed explanation of products and how to use them.
- Partnerships with experts in the sector.

#### Weaknesses:

- Needs initial financial investment to expand, start making a profit and exceed the competitors.
- In the early stages, only a vision can be shared with investors. The brand awareness is low.
- Difficulty in creating partnerships and reaching the target because no one knows the brand.
- Difficulty in showing confidence to customers.
- Lack of know-how and experience at an early stage.

- Difficulty in hiring, especially experienced people, as they have a more conservative attitude and do not want to leave insurance for the sake of uncertainty.
- Difficulty in advertising (online and offline) as it is a sensitive topic for many.

### **Opportunities:**

- Sexual influencers are appearing in Portugal. They start talking more openly about sexual products and it has been arousing interest in people that have never experienced it yet but want to experience it.
  - Most consumers prefer to buy it online and receive it at home quietly.
  - In the past, the Catholic influence was stronger in Portugal. Now it is less, and these products are no longer seen as a sin. The younger generations are less influenced by religion.
  - Strong investment in technology in Portugal – a current trend for online shopping – all stores are trying to move online.
  - The tendency of people during the pandemic to want to try new things.

### **Threats:**

- From the moment that other big competitors check out this platform, they will try to adapt their resources to break our innovative side.
  - To maintain a good flow of sales, the company needs to have the products in stock.
  - If a client made an order on the website and didn't receive the product quickly, it might cause a potential client loss.
  - Low competition but strong.
  - If a client wanted a product that didn't already test for the team and is not available in the store.
  - Supermarkets are starting to sell these products.

## 7. Objectives of the Plan

The major objective of this business plan was to create a competitive company in the sexuality and e-commerce industry in Portugal, according to the needs and preferences of the Portuguese customer and consumer.

This business plan was used as a guide to implement the business and, guide decision makings and the settlement of the goals of the organization.

Furthermore, more specific objectives of this business were:

- Understand the industry of sexual products.
- To perceive and evaluate the acceptance of this new business concept on Portuguese society.
- Understand the main constraints to developing this business.
- Address the evaluation challenges of a business in this industry.
- Develop an implementation strategy based on environmental analysis, market research, and competitive position.
- Study the economical-financial viability of the defined strategy through the projects of sales and costs did.
- At the final of this report, hopefully, find answers to some questions that will help to decide the efficiency of this business, as
  - How profitable could an e-commerce sexual business be?
  - Does the company offer a resource that adds value to customers?
  - Which are the consumer preferences?

## 8. Strategy Definition

The definition of a strategy is a crucial moment for an entrepreneur. The success of the business is determined by the effectiveness of the strategy it follows. After a clear analysis of the competitors, the company identified the strengths and weaknesses of other companies and based on that, created a strategy to compete in the market, add value to the customer and grow at a profit.

This company is going to based its strategy on differentiation. This differentiation is presented in three principals' moments of a sale, pre-sale, sale, and post-sale.

In terms of pre-sale, the employees that are working on the store and will be available on chat to talk with the customers and will access training about sexuality and sexual products. Furthermore, all the products presented on the website for sale, will through a pre-selection process beforehand and will be tested by the employees, to ensure the best products are on sale. This process has allowed us to only present the sale of the best products and to understand the focus of each product. With that information, the employees can advise the clients, about what's the best product for what they search.

At the moment of sale, the employees of the store can talk with the customer and ask if they knows what product they want to buy or if they want help to choose. According to the description of the client, the advisors can advise what is the best product and explain why (because they already used it).

At the post-sale moment, the client will receive the product at their address by a shipping company. After the client has the product, they can access the website and see in the description of the product, a detailed description about how to use it. Furthermore, the client will receive an e-mail to ask for feedback and if feedback is received, a discount will offered in the next purchase.

Accordingly, the strategy is focused on facilitating the purchase of sexual products to the customer. This company commits to selling sexual products, but only ones that have already been tested by the team and have the guarantee of being a good choice. When it is time for the client to choose, the client can choose one that matches their necessities with the support of the team specialized.

In terms of marketing strategy, this company wants to break taboos that were created by society during the past years and show that its products can be used by someone, regardless of age, marital status, and profession. To achieve this, the marketing strategy will focus on creating a communicative community that talks about sexuality and sexual products openly.



## **9. Business plan development**

### **9.1. Marketing & Commercial Plan**

#### **9.1.1. Segmentation, Targeting and Positioning (STP)**

STP is a marketing model that focuses on commercial effectiveness, selecting the most valuable segments for a business and then developing a marketing mix and product positioning strategy for each segment. This model is divided into three steps. First, segmentation – where the market is segmented. Second, targeting - target the best customer. Third is positioning – where position the offer.

#### **9.1.2. Segmentation**

- Demographic – Age, marital status, gender, education, occupation, financial capacity
- Geographic – Country
- Psychographic – Lifestyle
- Behavioral – How customers use the product, how loyal they are, or the benefits that they are looking for

#### **9.1.3. Targeting**

Demographic:

- Age – People between 18 and 45 years, but mostly focused on people between 32 and 45 years.
- Marital Status – Married/In a relationship and singles.
- Gender – Both genders can buy this product, but the most likely gender to buy is women.
- Education – Higher education.
- Occupation – Workers.
- Financial capacity – Income level medium and high.

Geographic:

- Portugal (the clients only can buy and receive the products in mainland Portugal).

Psychographic:

- People that like to try new experiences.
- Enjoy a talk about sexuality.
- Have an open mind.
- Buy sexual products.
- Follow on social media influencers specialized in sexuality.
- Like feminism subjects.

Behavioral:

- Use sexual products.
- Don't have loyalties with brands. They are more focused on prices.
- Search for information about the themes they like.

#### 9.1.4. Positioning

The positioning allows the company to set the product or services apart from the competition in the minds of the target audience. So, this defines the way that a company wants to be perceived by the customers.

The positioning of this company is focused on facilitating the purchase of sexual products to the customer.

To justify this position, the table below presents an analysis of customer desires and the position of the companies in the market.

Table 2 - Positioning analysis

<b>Customer desires</b>	<b>Positioning of competitors</b>	<b>Positioning of this company</b>
Good price-quality ratio.	A huge variety of products.	Focus on selling only the best products.
Information about products.	Focus on fast shipping.	
Products that give them pleasure.	Low differentiation between stores.	Provide expert advice. Create a community to talks

#### 9.1.5. Product

This company has the principal goal of facilitating, the purchase of sexual products to customers. Therefore, the principal product that the company sells is sexual products that pass a pre-selection process before, and are tested by the employees, to only present the best products to sell.

Based on the market analysis done beforehand, a range of products will be available on the shop, as erotic cosmetics, orgasm enhancers, and pleasure gels, innovative vibrators to be used alone or in couples.

Furthermore, user experience is central to this company, so there are some features available when visiting the website.

Features for users:

Registration on the platform – Only on check-out on the website. When the client is buying their product, needs to create an account with an e-mail and password.

Check-out moment – To buy the product, the clients have as payment methods PayPal, MB way, or MB reference.

Shipping method – Furthermore, one needs to create an address and choose the shipping method (delivering by a shipping company). The package to ship to the client is very discreet and without logos to make the client more comfortable.

Create a profile – At the moment that client opens the website will appear a pop-up with some questions, as “Did you bought a sexual product before?”, “Which is your range to buy this product?”, “Have you an idea about what are you search for?”. Following the responses, the platform will show to the client the best products according to the client profile.

Save products – As is normally today, the clients frequently see the products and only after some days bought the product. So, on this platform, they have the option to save a product that they liked. To allows the team to do retargeting campaigns.

### 9.1.6. Price book

The strategy regarding price is based on differentiation from competitors in terms of delivering more value to the customers. So, the price strategy is a value-based pricing strategy.

With a focus on delivering more information and value to the customers, which is something that competitors don't give, the customers see it as a value-added. As it's possible to conclude according to the survey conducted previously, that the clients are interested in obtaining more information about sexuality and would like to talk with someone specialized in the area about this topic. Furthermore, half of the respondents, who go to a sex shop, don't know what to purchase, So, this fosters the strategy chosen. To define, the final price of each product, there are some variables to have in mind in order to define it.

1. Cost price – The price which goods costs to make without a profit being added, or the price that it was originally bought for.
2. Shipping cost – All the deliveries will be done by a shipping company and it will increase the final price by 5€ for shipments in the national territory and 10€ for international shipments.
3. Value-added tax – This is broadly based on consumption tax assessed on the value added to goods and services. Mainland Portugal has a standard rate of 23,00%.
4. Company margin – Is how much profit a company makes after paying for variable costs of production, and before paying interest or tax. In this case, the company margin established varies from product to product.

Based on that information and in the benchmark done before, was a range of products will be initially priced at on the shop. The final price includes the cost price, that the products are going to buy, the value-added tax (23,00%), and the company margin.

Table 3 - Product list

Type of product	Product name	Cost price	Final price
Shunga Dragon Cream	Morangos com chantilly	27,13	36,71€
Kama Sutra Oil Of Love Raspberry Kiss	Vinho do Porto	14,15€	20,89€
PJUR Med Repair Lubricant	Beijo na testa	10,63€	18,30€
Satisfyer Pro 2	A cereja no topo do	30,00€	51,66€

	bolo		
Satisfyer Double Joy	Não há duas sem três	22,43€	41,38€
Vibrator Mini Zee Lapis	Espumante	21,34€	31,50€
Sultry Pillow Talk Vibrator	Jacuzzi	51,06€	100,49€
Retarder Serum Xtra Time	Tiro e queda	9,88€	15,80€
Rocks off Boy Vibrator	Vinho Rosé	20,73€	49,72€
Prostate Massage Revo Extreme	Massagem Tailandesa	115,79€	192,27€

#### 9.1.6. Placement

The distribution of these products was based on this platform's official website. To access it only requires an internet connection.

In the initial phase, the stocks were stored in in the company founder storage and after receiving a notice about a purchase, the products are distributed by a shipping company - CTT, by *Correio Azul* and will be delivered the next day for shipments in the national territory.

#### 9.1.7. Promotion

According to the survey previously conducted, 75,00% search for information about it on the Internet and 10,00% on social media.

Furthermore, 77,00% of respondents indicated that they are interested to know more about sexuality and 67,00% assume that they will be more comfortable if they can talk with someone specialized in that topic. Although, 49,00% said that if they went to a sex shop, they wouldn't know what product they should choose.

According to this information, it was concluded that using online promotion is the most efficient way to achieve the target and create brand awareness.

### 9.1.8. Online Promotion

Nowadays, one of the most common searches, when the client wants to know more about a brand, is to search on Instagram or Facebook. So, firstly it is important to create a Facebook Page and Instagram page.

Furthermore, one of the differentiation points is based on the creation of a mascot that represents the brand. This mascot will be the face of the brand in all communications. The content that will be posted on these platforms will be the same and it is divided into topics, such as:

- Feedbacks of consumers.
- Funny content related to sexuality and the products.
- Posts alluding to special dates.
- Educational and informative content about sexuality.

Figure 2 - Example of an Instagram publication



On Facebook, the principal strategy used was the creation of a Facebook Group, to act as a community between those that already are our clients or those that want to know more about sexuality, sex toys and want to share their experiences or learn new knowledge.

To moderate the group, one of the members of our team, that is specialized in sexuality, published posts with tips, created lives to respond to members' questions, and present new products. So, the principal objective was to provide more information about the topic and when possible, present our products and explain how to use them and the benefits.

Moreover, to gain a relevant number of visitors to the website and consequently, the number of sales, the strategy to create discount codes for specific digital influencers was

applied. This code can be applied at the checkout and give the customer a discount of 5,00% on the total amount. This percentage delivered to the digital influencer.

Furthermore, on the website a chat will be available that forwards directly to Facebook Messenger, where the clients can contact directly and clarify all of their doubts about the products. When the conversation starts, some questions automatically appear and according to the choice, automated responses are presented. If no questions or responses satisfies the customer, he can choose the option of talks directly with our team.

#### **9.1.9. Offline**

In the initial phase of implementation, because of the culture of frugality of this company and according to the preferences of the target, a strategy focused on online only was preferred. However, in the second phase of investment other communication strategies shall be implemented, and advertised in fairs and events about sexuality and start-up conferences.

One of the most common offline strategies that we adopted is distributing flyers in physical stores. However, in this case, and taking into account the characteristics of the final clients this strategy is not efficient.

As, if a client voluntarily goes to a physical sex shop, this is because he wants to buy a product in this specific store, and for the retailer, we are seen as a competitor.

### **10. Company's organization chart**

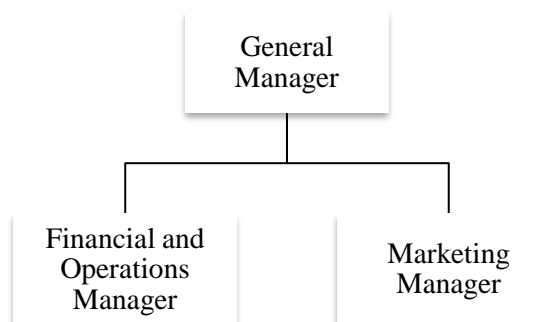
This company started to run the business with a team composed of its founder (General Manager) and with 2 employees. In big companies, it's normal to define managers as Chief Officers, but in this case, it does not make sense, because it's a small company. In the future, with the acquisition of more team members, the managers can be promoted.

In the initial phase, the team will focus on software development and marketing, to rapidly scale and deliver a working platform quickly. In this way, all the employees will work remotely, from 9 am to 6 pm. In a second phase, following the growing up of the company, more team members will be hiring.

The team is composed for:

- General Manager – Responsible for defining the global strategy of the company, hiring new team members, preparing the company for fundraising, creating partnerships and negotiating with suppliers, choosing the products to sell, and ensuring that all the team members are fulfilling their responsibilities, reaching the objectives and are motivated.
- Financial and Operations Manager – Responsible for all the financial analysis of the company, paying taxes, salaries, coordinate it with the external accountant and execute the annual budget, with the help of the General Manager and help him designing or adjusting business strategy. Furthermore, is responsible for managing the e-commerce platform, developments to do on the website, insert products on the website, and managing the logistics of the company as managing orders, stock management, and delivery of the products.
- Marketing Manager – Responsible for creating a suitable marketing strategy, create advertising campaigns, content for social media, managing the online community of the brand and create the descriptions and multimedia content of the products. Furthermore, is responsible for answering all the questions on chat and advising the clients about which is the best product for them.

Figure 3 – Organization Chart



The company was created as a limited liability company, by the name Ponto G and the brand and logo was registered. The services of accounting and delivering of the products are done by outsourcing companies and respective costs are discriminated against the financial analysis.



### 11. Project Planning & Implementation

Launching a successful start-up requires a detailed and smart plan with the principal tasks and operations for the first years. The table below describes company operations during its first year of business.

Figure 4 - Implementation Plan

	2021			2022									
	October	November	December	January	February	March	April	May	June	July	August	September	October
<b>Creation of the company</b>													
Creation of the company													
Creation and registration of the brand and logo													
Fill and deliver Mera Comunicação Prévia (MCP) form													
Stablish a contract with accounting and shipping company													
<b>Hiring</b>													
Hiring team													
Onboarding team members													
<b>Open the shop</b>													
Create contracts with suppliers													
Choose the e-commerce platform													
Select and order the first products													
Prepare the opening of the shop													
Open the shop													
<b>Development of the company</b>													
Create online advertising campaigns													
Online Presence Enhancement													
Analysing performance and results													
Preparing fundraising													
Fundraising process													

## 12. Financial Analysis

The financial analysis is one of the most essential components of the plan. This verifies the points defined before and can be applied for this business to become viable.

### 12.1. Assumptions

First, it's important to define assumptions that will be the base for the elements calculated to obtain results. The graphic below presents all the assumptions for this business plan.

Table 4 - Assumptions

<b>Assumptions</b>	
<b>Duration of the project</b>	5 years
<b>Average collection period (Clients)</b>	0 days
<b>Average payment period (Suppliers)</b>	30 days
<b>Average Inventory Period</b>	30 days
<b>VAT</b>	23,00%
<b>Social security contributory tax (company)</b>	23,75%
<b>Social security contributory tax (employees)</b>	11,00%
<b>Personal Income Tax (General Manager)</b>	4,00% - 10,20%
<b>Personal Income Tax (Managers)</b>	8,00% - 11,40%
<b>Corporate Tax (IRC)</b>	21,00%
<b>Food Allowance</b>	4,77€ per day
<b>Vacation and Christmas Allowance</b>	The value of the base salary
<b>The interest rate of short-term loan</b>	3,00%
<b>Stamp Duty</b>	4,00%
<b>Risk-free rate</b>	0,40%
<b>Market Risk Premium</b>	6,23%
<b>Beta Unlevered</b>	1,17%
<b>Cash flow growth rate in a perpetual time frame</b>	2,00%

The duration of the project was five years. This period was enough to achieve customers' confidence and to analyze if it's a viable business.

In terms of average collection, the period is 0 days because the clients pay at the time that they are buying the product. The Average Payment Period is 30 days because it is the normal time to pay suppliers and the Average Inventory Period of 30 days is the right period to

guarantee that the company doesn't have a lot of products in stock and is losing money, but at the same time guarantees that the deliveries are done quickly as the clients expect.

The Personal Income Tax presented is variable between employees and each year of business activity. This happens because, annually each employee has a pay increase of 5,00%, and according to the total amount of salary, the Personal Income Tax can change. Furthermore, it assumes that all employees are single and without children.

The Risk-free rate is based on the level of the rate of yield on ten-year State bonds. Following Pordata, this value in 2020 was 0,40%.

Following Damodaran (Online), the Market Risk Premium for Portugal in 2021 is 6,23% and the beta unlevered, to the retail industry (online) in Europe in 2020 is 1,17%.

The Cashflow growth rate in a perpetual time frame assumed a tax of 2,00%. Because in the financial analysis it is possible to conclude that the company will grow from 2024 to 2025, but due to the existing bank loan, the value of cash flow remains negative. So, this value was calculated based on the inflation rate (estimates 0,90% in 2022 and 1,00% in 2023), and on a risk-free rate, because this needs to be higher than its value to offset the investment. However, cannot be higher than economic growth (Portugal is estimated to reach 5,6% in 2022 and 2,40% in 2023 of GDP).

## 12.2. Sales Forecasts

To make the Sales Forecast has used variables. First, the Similar Web tool identified, that the website of one of the bigger competitors, Vibrolândia, was estimated to have 115.992 total visits this year.

Following the reference from Compass, the normal conversion rate is 1,30% and the better ones can achieve 3,60%.

Thus, based on these values the number of visitors and conversions that this company will achieve during the years was estimated. In the annual visitors the assumption was made that over the years the percentage of people visiting the website will grow according to Vibrolândia. So, in the first year, 30,00% was calculated of total visitors of competitors, in 2023 50,00%, in 2024 it will reach 70,00%, in 2025 85,00% and in 2026 the total value is achieved.

The table below presents the estimated annual visits to the website, the growth of the conversion rate during the years and the annual total number of purchases.

Table 5 - Estimate purchases

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Estimated Visits</b>	34 798	57 996	81 194	98 593	11 5992
<b>Hit Rate</b>	2,00%	2,60%	3,00%	3,30%	3,60%
<b>Number of purchases</b>	696	1 508	2 436	3 254	4 176

Based on the annual total number of purchases, the products were categorized from 1 to 10, according to feedback on other websites. Therefore, it was possible to achieve the number of sales of each product over the years of implementation. Afterward, a part of this value, 30,00%, was defined as sales to the international market.

Table 6 - Sales of each product

	<b>Popularity Estimate</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Shunga Dragon Cream</b>	2	0	24	53	85	114	147
<b>Kama Sutra Oil Of Love Raspberry Kiss</b>	4	0	49	106	171	228	293
<b>PJUR Med Repair Lubricant</b>	5	0	61	132	214	285	366
<b>Satisfyer Pro 2</b>	10	0	122	265	427	571	733
<b>Satisfyer Double Joy</b>	9	0	110	238	385	514	659
<b>Vibrator Mini Zee Lapis</b>	5	0	61	132	214	285	366
<b>Sultry Pillow Talk Vibrator</b>	8	0	98	212	342	457	586
<b>Retarder Serum Xtra Time</b>	1	0	12	26	43	57	73
<b>Rocks off Boy Vibrator</b>	7	0	85	185	299	400	513
<b>Prostate Massage Revo Extreme</b>	6	0	73	159	256	343	440
<b>Total</b>	-	0	696	1 508	2 436	3 254	4 176

Table 6 shows the complete Sales Forecast for the years of implementing the business plan, considering both revenues coming from the national market and international market.

Table 7 - Sales Forecast

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>National Market Sales</b>					
<b>Sales</b>	25 634€	56 650€	93 342€	127 180€	166 480€
<b>International Market Sales</b>					
<b>Sales</b>	10 986€	24 279€	40 004€	54 506€	71 348€
<b>Total Sales</b>	36 619€	80 929€	133 346€	181 685€	237 828€
<b>VAT</b>	8 422€	18 614€	30 670€	41 788€	54 700€
<b>Total Sales with VAT</b>	45 042€	99 543€	164 016€	223 473€	292 529€

### 12.3. Cost of Goods Sold

The cost of goods sold is calculated based on the sales forecast. Therefore, the cost of each product considering the gross margin was calculated.

Table 8 presented the inventory for each year of activity and with a average inventory period of 30 days. Regarding to the payment to suppliers, it will be paid within a period of 30 days.

Table 8 - Cost of Goods Sold

	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>COGS National Market</b>	17 649	39 005	64 268	87 565	114 624
<b>COGS National Market -VAT</b>	4059	8971	14782	20140	26 364
<b>COGS International Market</b>	7 564	16 716	27 543	37 528	49 125
<b>COGS International Market - VAT</b>	1 740	3 845	6 335	8 631	11 299
<b>Total COGS</b>	25 213	55 721	91 811	125 093	163 749
<b>TOTAL VAT</b>	5 799	12 816	21 117	28 771	37 662
<b>Total COGS+ VAT</b>	31 012	68 537	112 927	153 865	201 411

Table 9 - Inventory and Payment to Suppliers

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Inventory</b>	0	2 101	4 643	7 651	10 424	13 646

<b>Payment to Suppliers</b>	176	3 107	6 304	10 074	13 556	17 650
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## 12.4. Investments and Expenses

### 12.4.1. Payroll Expenses

Later presented before the organizational structure, establishes the salary for each member of the team.

In the first years of the project, the salaries aren't so high compared with the market, but they will have an annual increase of 5,00% during the next years. This decision allows the company to grow in revenues and profits, and focus on give more personal benefits to the employees as the business grows. The payroll expenses for the years of implementation are described in table 15.

Table 10 - Payroll Expenses

	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Gross Wages</b>	4 330€	31 826€	33 417€	35 088€	36 842€	38 684€
<b>Social Security</b>	1 028€	7 559€	7 937€	8 333€	8 750€	9 187€
<b>Contribution Tax</b>						
<b>Personal Income</b>	240€	2 155€	3 101€	3 342€	3 509€	4 267€
<b>Tax</b>						
<b>Food Allowance</b>	630€	3 778€	3 778€	3 778€	3 778€	3 778€
<b>Insurance</b>	270€	270€	270€	270€	270€	270€
<b>against accidents</b>						
<b>at work and</b>						
<b>occupational</b>						
<b>disease</b>						
<b>Total Expenses</b>	6 498€	45 588€	48 503€	50 811€	53 149€	56 186€

### 12.4.2. Variable External Supplies and Services

The other expenses that the company needs to assume to run the business successfully are fixed costs and variable costs. The company doesn't have costs with rent or an office because, in the initial phase, the employees will work remotely. So, the remaining costs are related to legal expenses, the platform to allocate the store, marketing campaigns, and the packaging to

the orders. Investments in office equipment as well as in intangible assets will be the minimum necessary to don't excessively weigh on company finances.

Table 11 - Variable External Supplies and Services

	2021	2022	2023	2024	2025	2026
<b>Fixed costs</b>						
<b>Creation of the company</b>	360€	0€	0€	0€	0€	0€
<b>Lawyer service</b>	500€	250€	250€	250€	250€	250€
<b>Accounting</b>	360€	2 160€	2 160€	2 160€	2 160€	2 160€
<b>Licenses</b>	0€	0€	0€	0€	0€	0€
<b>Brand registration</b>	127,50€	0€	0€	0€	0€	0€
<b>Logo registration</b>	127,50€	0€	0€	0€	0€	0€
<b>Paid Advertising</b>	0€	1 800€	2 400€	3 000€	3 600€	4 800€
<b>E-mails - G Suite</b>	14,04€	14,04€	14,04€	14,04€	14,04€	14,04€
<b>Domain registration (5 year validity period)</b>	98€	0€	0€	0€	0€	0€
<b>E-commerce platform - Shopify</b>	134,34€	806,04€	806,04€	806,04€	806,04€	806,04€
<b>Variable costs</b>						
<b>Packaging</b>	0€	69,60€	150,80€	243,60€	325,40€	417,60€

#### 12.4.3. Investment in CAPEX and amortizations and depreciations

The only investment in CAPEX was in active fixed assets because of the necessity of having a printer to create labels. So, the table below presents the initial investment in Capex necessary to run the business.

Table 12 - Investment in CAPEX

Product	Purchase Price	Price with VAT	VAT
<b>Administrative equipment</b>			
<b>Printer</b>	293,26€	360,71€	82,96€
<b>Thermal paper rolls</b>	17,44€	21,45€	4,93€

Amortizations and depreciations were calculated based on the straight-line method. The taxes of amortizations and depreciations are available in *Decreto Reglamentar n. ° 25/2009*,

of 14 of September. For this particular case, administrative equipment category, the tax associated is 25,00%.

Table 13 - Amortizations depreciations

	2021	2022	2023	2024	2025	2026
<b>Amortizations depreciations</b>	16€	96€	96€	96€	80€	0€

## 12.5. Financing Map

One of the principal options for financing this project is a bank loan. The bank chosen was Caixa Geral de Depósitos that ensure a loan amount of 50.000€ that must be paid in five years. The first year will be a grace period because the company doesn't have activity.

Table 14 - Information's about bank loan

<b>Loan amount</b>	50.000€
<b>Loan term</b>	5 years
<b>Interest rate</b>	3,00%
<b>Grace years</b>	1 year
<b>Stamp duty</b>	0,40%
<b>Corporate Tax (IRC)</b>	21,00%

Table 15 - Financing Map

	2021	2022	2023	2024	2025	2026
<b>Capital Outstanding</b>	50 000	50 000	40 000	30 000	20 000	10 000
<b>Interest Rate</b>	3,00%	3,00%	3,00%	3,00%	3,00%	3,00%
<b>Annual interest</b>	1 500	1 500	1 200	900	600	300
<b>Annual repayment</b>	0	10 000	10 000	10 000	10 000	10 000
<b>Stamp duty</b>	6	6	5	4	2	1
<b>Debt service</b>	1 506	11 506	11 205	10 904	10 602	10 301
<b>Value in debt</b>	50 000	40 000	30 000	20 000	10 000	0



## 12.6. Projected Income Statement

The Projected Income Statement of this company shows an inevitable loss in the first four years of operations because it needs to create a database of clients and the growing expenses in marketing and wages. However, the five years of operations represent the breakeven point, closing for the first time with a positive balance, and with an expected exponential growth in profits starting from the following years.

Table 16 - Project Income Statement

	2021	2022	2023	2024	2025	2026
<b>Sales</b>	0	36 619	80 929	133 346	181 685	237 828
<b>COGS</b>	0	25 213	55 721	91 811	125 093	163 749
<b>Variable External Supplies and Services</b>	1 721	5 100	5 781	6 474	7 155	8 448
<b>Staff Costs</b>	6 258	43 432	45 401	47 469	49 640	51 919
<b>EBITDA</b>	-7 979	-37 125	-25 974	-12 407	-203	13 712
<b>Depreciations and Amortizations</b>	16	96	96	96	80	0
<b>EBIT</b>	-7 995	-37 221	-26 070	-12 503	-283	13 712
<b>Earnings Before Taxes (EBT)</b>	-9 239	-39 374	-29 045	-15 900	-3 741	10 631
<b>Net Income</b>	-9 239	-39 374	-29 045	-15 900	-3 741	10 631

## 12.7. Projected Cashflow Statement

The Projected Cashflow Statement shows that instead of the fact that in the first three years of operations the company shows a loss, the company has a big growth from 2024 in the first four years of operations. However, because the loan bank is still being paid, the results are not favorable. So, it is possible to estimate that if the company continues to grow in the next years and stops paying the debt, show good results will be delivered.

Table 17 - Project Cashflow Statement

	2021	2022	2023	2024	2025	2026
<b>Operational results</b>	-7 995	-37 221	-26 070	-12 503	-283	10 833
<b>Depreciations and Amortizations</b>	16	96	96	96	80	0

<b>Working capital</b>	-14 192	1 515	1 484	1 720	1 589	1 883
<b>Net Operating Cash Flow</b>	-22 172	-35 610	-24 490	-10 687	1 386	12 716
<b>Capex</b>	-382	0	0	0	0	0
<b>Free cash-flow to firm</b>	-22 554	-35 610	-24 490	-10 687	1 386	12 716
<b>Accumulated Cash flow</b>	-22 554	-58 164	-82 654	-93 341	-91 956	-79 239

## 12.8. Balance

The balance shows that the current assets presented a higher value to the company because of the necessity to have an inventory of the products and the cash reserves.

In terms of Liabilities, the current liabilities represented the major value, taking into account the payment to suppliers and the bank loan obtained.

Table 18 - Balance

	2021	2022	2023	2024	2025	2026
<b>Assets</b>						
<b>Non-current assets</b>	366	271	175	80	0	0
<b>Tangible assets</b>	366	271	175	80	0	0
<b>Current assets</b>	41 323	17 101	19 643	22 651	25 424	28 646
<b>Inventory</b>	0	2 101	4 643	7 651	10 424	13 646
<b>State and other public entities</b>	121	0	0	0	0	0
<b>Cash and cash equivalents</b>	41 202	15 000	15 000	15 000	15 000	15 000
<b>Total assets</b>	41 689	17 372	19 819	22 731	25 424	28 646
<b>Equity</b>						
<b>Reserves</b>	0	-9 239	-48 613	-77 658	-93 558	-97 299
<b>Shareholders' equity</b>	-9 239	-39 374	-29 045	-15 900	-3 741	10 631
<b>Total equity</b>	-9 239	-48 613	-77 658	-93 558	-97 299	-86 668
<b>Liabilities</b>						
<b>Non-current liabilities</b>	50 000	40 000	30 000	20 000	10 000	0
<b>Loans obtained</b>	50 000	40 000	30 000	20 000	10 000	0
<b>Current liabilities</b>	929	25 985	67 477	96 289	112 723	115 313
<b>Suppliers</b>	176	3 107	6 304	10 074	13 556	17 650
<b>State and other public entities</b>	752	1 317	2 146	3 104	3 985	4 995

<b>Loans obtained</b>	0	21 561	59 026	83 110	95 183	92 668
<b>Total Liabilities</b>	50 929	65 985	97 477	116 289	122 723	115 313
<b>Liabilities and Equity</b>	41 689	17 372	19 819	22 731	25 424	28 646

## 12.9. Evaluation of the Project

Table 19 - Financial evaluation metrics

<b>NPV</b>	-70 036
<b>IRR</b>	156,47%
<b>Accounting Pay Back</b>	8 years, 8 months and 5 days

Table 20 - Other financial evaluation metrics

	2021	2022	2023	2024	2025	2026
<b>Return on Equity</b>	100,00%	81,00%	37,00%	17,00%	4,00%	-12,00%
<b>Return On Investment</b>	-22,00%	-227,00%	-147,00%	-70,00%	-15,00%	37,00%

## 12.10. Optimistic and Pessimistic Scenarios

To analyze the possible outcomes resulted from this project, it is essential to consider two more scenarios apart from the one described so far. The scenario presented until this point was the realistic scenario. However, how it's is an estimate, the results can suffer changes. So, two additional scenarios will be considered, the Optimistic and Pessimistic Scenarios.

In the Optimistic Scenario assumes an increase of sales by 10,00% and a reduction of 10,00% in costs with employees. In Pessimistic Scenario assumes a decrease of 10,00% in sales and an increase of 10,00% in pay roll. The graphic bellow presents the results obtained.

Table 21 - Optimistic and Pessimistic Scenario

<b>Optimistic Scenario</b>		<b>Pessimistic Scenario</b>	
<b>NPV</b>	-31 969	<b>NPV</b>	-150 130
<b>IRR</b>	111,64%	<b>IRR</b>	180,76%
<b>Accounting Pay Back</b>	7 years and eight months	<b>Accounting Pay Back</b>	10 years, nine months, and nine days

### **13. Conclusion**

The analysis done during this plan confirms the idea that this company is an innovative idea. The market analysis shows that an opportunity exists for this business because the interest is verified and the search from the customers for these shops are growing.

Furthermore, in terms of technological factors, the results affirm that e-commerce is the future, and the people are adapting well to online purchases. Further, despite the world virus, namely Covid-19, the sale of sexual products was not affected and has estimated to grow even more.

The Competitive analysis verified that companies in the market with the same strategy don't exist anymore. Although some competitors exist, most of them presented a huge variety of products and none of them present in their shops' products that have already been tested before. So, the differentiation strategy adopted by this company allows achieving customers that never tried this type of product before or people that only need advice from specialists.

In terms of financial measures, the sales of the company were estimated, as the financial results of the competitors are not public information. However, taking into account the analyses of the market, the reception of the company to the market can be much bigger. Furthermore, the company have a direct relation with suppliers, and the cost price presented are the ones to individual purchases. However, after creating the company, access to special prices will be available with discounts if more quantities are purchased.

Analyzing its results concludes that a 5-year long analysis is not enough to reach viable results. The company has a big growth set from 2024, however, because of still paying off the bank loan, the results are not favorable. So, it is possible to estimate that if the company continues to grow in the next years and stop paying the debt, viable results will be shown.

The two-case scenario developed confirms what was mentioned before. Even in the most positive scenario, the company presents a payback period of 7 years. So, it is necessary more than two years, for the company to continue to grow and pay the debt, so viable results can be achieved.

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## 16. Attachments

### 16.1. Attachment 1 – Survey

Figure 5 - Survey (1)



← Anterior

Computador Dispositivo Móvel

## A Sexualidade em Portugal

Antes de mais, obrigado por aceder ao questionário e tomar a iniciativa de participar neste estudo que visa analisar a Sexualidade em Portugal, no âmbito da criação do meu Plano de Negócio do mestrado em Gestão de Serviços e da Tecnologia, pelo ISCTE Business School.

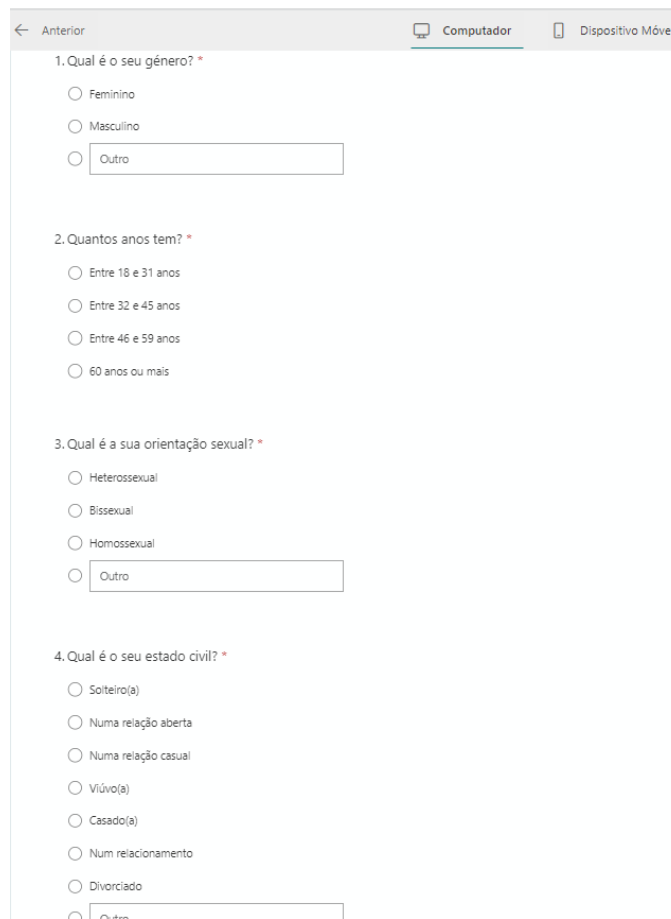
O objetivo deste estudo é conhecer a sua opinião face ao consumo de instrumentos sexuais, conhecimentos sobre o sexo e a educação sexual. A participação no estudo envolve a resposta a questões sobre o uso de instrumentos sexuais, frequência de relações sexuais, satisfação sexual, educação sexual, etc. Também serão pedidos alguns dados pessoais, como idade, género, informações relativamente a escolaridade, situação profissional, rendimento aproximado do agregado familiar.

Em nenhum momento será pedido o seu nome, correio electrónico ou outro dado que o possa identificar pessoalmente, garantindo o seu anonimato. O questionário demora cerca de 5 minutos a preencher. Não existem respostas boas ou más, nem respostas certas ou erradas. Só interessa a sua opinião pessoal.

Para esclarecer qualquer questão acerca deste estudo poderá contactar a responsável, Diana Pereira, através do endereço eletrónico [dpai@iscte-iul.pt](mailto:dpai@iscte-iul.pt).

...

Figure 6 - Survey (2)



← Anterior

Computador Dispositivo Móvel

1. Qual é o seu género? \*

Feminino

Masculino

Outro

2. Quantos anos tem? \*

Entre 18 e 31 anos

Entre 32 e 45 anos

Entre 46 e 59 anos

60 anos ou mais

3. Qual é a sua orientação sexual? \*

Heterossexual

Bissexual

Homossexual

Outro

4. Qual é o seu estado civil? \*

Solteiro(a)

Numa relação aberta

Numa relação casual

Viúvo(a)

Casado(a)

Num relacionamento

Divorciado

Outro

Figure 7 - Survey (3)

← Anterior Computador Dispositivo Móvel

5. Qual é a sua situação profissional? \*

- Estudante
- Trabalhador
- Trabalhador estudante
- Desempregado
- Reformado
- Outro

6. Qual é o seu nível de habilitações académicas? \*

- Ensino Primário
- Ensino Básico
- Ensino Secundário
- Ensino Superior
- Outro

7. Quantos filhos tem? \*

- 0
- 1
- 2
- 3
- 4
- Mais de 5

Figure 8 - Survey (4)

← Anterior Computador Dispositivo Móvel

8. Qual é o seu rendimento mensal?

- Até 500€
- Entre 501€ e 1000€
- Entre 1001€ e 1500€
- Entre 1501€ e 2000€
- Entre 2001€ e 2500€
- 2501€ ou mais

9. Em que zona de Portugal reside? \*

- Aveiro
- Beja
- Braga
- Bragança
- Castelo Branco
- Coimbra
- Évora
- Faro
- Guarda
- Leiria
- Lisboa
- Portalegre
- Porto
- Santarém
- Setúbal
- Viana do Castelo
- Vila Real

Figure 9 - Survey (5)

← Anterior Computador Dispositivo Móvel

10. Como descreve a sexualidade? Escolha entre as palavras descritas abaixo as que acha que melhor caracterizam a sexualidade.\*

- Intimidade
- Contato humano
- Relação sexual
- Oportinidade de orgasmo
- Procura do amor
- Ternura
- Busca de prazer
- Descoberta de sensações
- Satisfação dos desejos do corpo
- Atração por outras pessoas
- Admissão do próprio corpo
- Outro

11. Como se sente quando fala sobre a sexualidade com alguém próximo de si? \*

- Muito desconfortável
- Desconfortável
- Pouco confortável
- Confortável
- Muito confortável

Submeter

Figure 10 - Survey (6)

← Anterior Computador Dispositivo Móvel

12. Sentiria-se mais confortável se alguém especializado na área falasse abertamente sobre o assunto e lhe tirasse todas as dúvidas que tem? \*

- Sim
- Não

13. Estaria interessado em saber mais sobre sexualidade? \*

- Sim
- Não

14. Onde costuma procurar dicas ou informação sobre sexualidade? \*

- Internet
- Redes Sociais
- Meios de comunicação social
- Família
- Amigos chegados
- Outro

15. Como caracteriza a sua educação sexual quando era adolescente? \*

- Não se
- Não teve educação sexual
- Má
- Acentuada
- Boa
- Muito boa
- Excelente

Figure 11 - Survey (7)

← Anterior Computador Dispositivo Móvel

16. De que forma teve acesso à educação sexual? \*

- Família
- Escola
- Internet
- Meios de comunicação social
- Não tive
- Outro

17. Esta educação foi suficiente?

- Sim
- Não

### Figure 12 - Survey (8)

← Anterior Computador Dispositivo Móvel

18. Leia as seguintes afirmações e indique entre a seguinte escala: 1 - Discordo totalmente, 2 - Discordo, 3 - Não estou decidido, 4 - Concordo, 5 - Concordo totalmente

	Discordo totalmente	Discordo	Não estou decidido	Concordo	Concordo totalmente
Não preciso de estar comprometido com uma pessoa para ter relações sexuais com ela.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
As relações sexuais ocasionais são aceitáveis.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
As pessoas deviam, no mínimo, ser amigas antes de terem relações sexuais.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
O sexo é uma parte muito importante da vida.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
O sexo é, principalmente, uma função corporal, tal como comer.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
O sexo é, em primeiro lugar, obter prazer através do outro.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Usar "instrumentos e objetos sexuais" quando se faz sexo é aceitável.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A masturbação é algo agradável e inofensivo.	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

### Figure 13 - Survey (9)

← Anterior Computador Dispositivo Móvel

19. Com que frequência faz sexo?

- Todos os dias
- Semanalmente
- Uma vez por mês
- De três em três meses
- Uma vez por ano
- Nunca

20. Já alguma vez sentiu que a sua relação sexual estava boa, mas queria algo mais e não se sentia confortável para falar com o seu(sua) parceiro(a) sobre o assunto?

- Sempre
- Muitas vezes
- Às vezes
- Raramente
- Nunca
- Não se aplica

21. Já alguma vez sentiu que na sua relação não tem espaço para demonstrar quem realmente é e o que gosta de fazer? Como por exemplo, desejos, fetiches, etc?

- Sempre
- Muitas vezes
- Às vezes
- Raramente
- Nunca
- Não se aplica

## Figure 14 - Survey (10)

22. Já alguma vez teve relações sexuais sem vontade e apenas para satisfazer o seu(sua) parceiro(a)?

- Sempre
- Muitas vezes
- Às vezes
- Raramente
- Nunca
- Não se aplica

23. O que é que acha que pode aumentar o seu prazer durante o sexo? \*

- Uso de lubrificantes
- Ambiente
- Confiança no parceiro(a)
- Surpresa
- O momento não ser programado
- Novas posições
- Preliminares
- Uso de brinquedos sexuais
- Não se aplica
- Outro

Figure 15 - Survey (11)

← Anterior Computador Dispositivo Móvel

24. Qual a importância que dá aos preliminares durante o sexo? Indique numa escala de 1 a 5. \*

- 1 - Sem importância
- 2 - Pouco importante
- 3 - Importante
- 4 - Muito importante
- 5 - Extremamente importante
- Não se aplica

25. Com que frequência consome conteúdo sexual online?

- Todos os dias
- Semanalmente
- Uma vez por mês
- De três em três meses
- Uma vez por ano
- Nunca

26. Com que frequência faz sexting (enviar mensagens com intuito sexual) ? \*

- Todos os dias
- Semanalmente
- Uma vez por mês
- De três em três meses
- Uma vez por ano
- Nunca

Figure 16 - Survey (12)

27. Já alguma vez pensou em procurar ou comprar algo que lhe dê prazer próprio? \*

- Sim
- Não

28. Tem algum conhecimento sobre brinquedos sexuais? Indique numa escala de 1 a 5. \*

- 1 - Desconheço totalmente
- 2 - Desconheço
- 3 - Não estou decidido
- 4 - Conheço
- 5 - Conheço totalmente

29. Já alguma vez usou algum instrumento sexual, como por exemplo, brinquedos sexuais? \*

- Sim
- Não



## Figure 17 - Survey (13)

← Anterior Computador Dispositivo Móvel

30. Porque é que nunca usou ou não usa frequentemente?

- Não sei
- O meu parceiro não gosta
- Tenho medo de usar
- Estes tipos de Instrumentos têm má reputação na sociedade
- Outro

31. Sente-se confortável em comprar um instrumento sexual numa loja física ou prefere comprar numa loja online e este ser enviado para sua casa? \*

- Loja física
- Loja online

32. Já alguma vez comprou um instrumento sexual numa loja física ou através da Internet? \*

- Loja física
- Internet
- Nunca comprei

33. Quanto estaria disposto a pagar por um instrumento sexual?

- Entre 10€ a 20€
- Entre 21€ a 30€
- Entre 31€ a 40€
- Entre 41€ a 50€
- Mais de 50€

## Figure 18 - Survey (14)

34. Se hoje fosse a uma sex shop saberia qual o produto a escolher ou as funções dele? \*

- Sim
- Não

35. Quais são as sex shops que conhece? \*

- Vibroiândia
- Cupido
- Playbox
- Afrodisia
- Prazer Intenso
- Nenhuma
- Outro

## Figure 19 - Survey (15)

36. Leia as seguintes afirmações e indique entre a seguinte escala: 1 = Nada Satisfeito, 2 = Pouco Satisfeito, 3 = Satisfeito, 4 = Muito Satisfeito, 5 = Extremamente Satisfeito

	Nada Satisfeito	Pouco Satisfeito	Satisfeito	Muito Satisfeito	Extremamente Satisfeito
A qualidade dos meus orgasmos	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A capacidade de me "soltar" e me entregar ao prazer sexual durante as relações	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A forma como eu reajo sexualmente ao(a) meu(minha) parceiro(a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A forma como o(a) meu(minha) parceiro(a) satisfaz as minhas necessidades sexuais	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A criatividade sexual do(a) meu(minha) parceiro(a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A disponibilidade sexual do(a) meu(minha) parceiro(a)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A diversidade das minhas atividades sexuais	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A frequência da minha atividade sexual	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A frequência dos meus orgasmos	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

37. Obrigada pela sua colaboração!

Se tiver alguma sugestão ou comentário, por favor, escreva-a abaixo.

Introduza a sua resposta

## 16.2. Attachment 2 – An e-mail with the request of an interview to obtain more information to do the market analysis.

Figure 20 - E-mail with the request of an interview

