

# *Final Project*

*Msc. Management Engineering*



# *“ALFAIATE DOS PÉS”, BUSINESS PLAN*

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## List of Abbreviations and Acronyms

<b>Abbreviations and Acronyms</b>	<b>Meaning</b>
AdP	<i>Alfaiate dos Pés</i>
NPV	Net Present Value
BEP	Break-Even Point
BEQ	Break- Even Quantity
WACC	Weighted Average Cost of Capital
3D	3-Dimensional
ATO	Assemble-to-Order
ETO	Engineer-to-Order
MTS	Make-to-Stock

# 1. Executive Summary

## Business Idea:

Creation of a Shoe Company, that would aim to sell Customized and Personalized shoes enabled through 3D scanner technology. The Scanner would allow to measure the customer feet an approximation to the right feet size, accordingly to “*Alfaiate dos Pés*” sizes range. Due to the measurement data collected by the scanner, a customer profile would be created allowing the re-purchase to be performed online while avoiding the risk of purchasing a wrong sized product.

- The company aims to promote two main families of products, Customized Family – where the shoe is already design, the customer feet measurement will only provide the most adequate size for each foot; Personalized Family- where the customer can experience all the customized family attributes as well as the ability to change the color of a specific module. All the physical production would be outsourced.



Personalization Example

## Business Area Attractiveness:

The proposed products would compete in the medium-high income Portuguese market segment, a market segment estimated to be approximately 450 Million Euros. A survey was promoted in order to understand if the all concept and business idea would be feasible, as a result people are willing to purchase such product as well as to provide an extra fee, not only to have access to customization, as well as to reach shoe Personalization. From a survey analysis, approximately 75% of the interviewed answer positively when asked if they would consider buying a “perfect fit” shoe. With this business idea and concept, the customer can experience a certain degree of customization while staying within the same range of prices that is willing to pay.

## Resources/ Competences:

A highly Flexible Supply Chain able to provide required flexibility, in case of demand variability, as well as support for a New Market Approach - since the two main families follow an Assembly-to-order operational approach it is possible to decrease inventories using Lean techniques, something rather new for the shoe retail industry that is highly based on a Make-to-Stock operational strategy. Close relationship with key suppliers. Such suppliers will provide the necessary know-how and expertise in order to create a smooth operation – for instance all the 3D technology and shoe production know-how.

## Business Plan Objectives:

This business pans aims to provide a Big Picture regarding the feasibility of the study. In order to do so, Leather and shoe makers experts were used for cost estimation as well as operational feasibility. Although the study is divided in 4 main plans, Strategic Marketing Operational and Financial, none of them was performed in depth. They were performed in order to obtain sustainable and coherent conclusions, that would be used to understand the feasibility or unfeasibility of such business concept and idea. In other words, if feasibility is proved a more in depth plan must be performed.

## 2. Description of the Company

“*Alfaiate dos Pés*” [AdP] – meaning “Feet Tailor”, is a proposal for a Portuguese company that aims to enter into the global leather shoe market, both Portuguese Market and Online sales. The concept is to combine medium-high quality shoes with some level of customization and personalization, enabled through 3D graphical technology, computer software and a well-coordinated supply chain; while staying in the same range of prices as his main competitors.

The company aims to enter into the market with 3 main Families of Products:

- **Standard family of products** – That faces the standard market sizes, while having a high quality and design;
- **Custom Fit Family of Products** – Providing products that are approximated in size in a way to provide an higher sense of comfort and tailored ship - Developed due to an wider range of shoes sizes and enabled through computer 3D technology; while bearing high quality and design;
- **Personalized Family of Products** - Based on the customization process that support the “Custom Fit Family of Products”, this family will allow the customer to introduce some small design changes in order to create a more exclusive and personal product. Production will be enable due to modular design.



Figure 1. Company Logo

The name and logo of the Company:

- The name of the company “*Alfaiate dos Pés*” (AdP), meaning “Feet Taylor”, creates the sense of a higher service level;
- The old fashion framing represent traditional craftsmanship and confidence on the products quality;
- The type of letter used, and the lack of colors, show the exclusivity proposed to the customers.

## 2.1. Quality Perspectives

In order to create the company Vision and Mission, while bearing in mind quality as a main value proposal, I first tackled the main Quality perspectives that “**Alfaiate dos Pés**” will follow as business cornerstone.

After applying some research, we can easily understand that there is not a single irrefutable and perfect definition of quality. The main reason relies on the fact that, ours and customers idea of quality shifts accordingly to the type of product or service consumed. Despite that fact it is possible to access a definition of Quality by analyzing the 5 quality perspectives proposed by Garvin:

- **Judgmental view** - connected with the idea that quality is a synonymous of excellence.
- **Product based View** - As higher the performances of the product, the greater the quality.
- **Value Based Perspective** - greatly related with the Price-satisfaction dilemma.
- **User based Perspective** - highly connected with the fitness to use.
- **Manufacturing based Perspective** - perceived as the “Desirable output of engineering and manufacturing practices”.

Although all of those perspectives are important, “**Alfaiate dos Pés**” will put more effort pursuing endeavors in the Judgmental View of its products, as well as Value Based and User Based Perspectives. The main reason for such choice regards the fact that a Judgmental View of quality is deemed necessary in order to create a high Value Brand that have High value perception within his customers.

On the other hand, due to the approach followed by the company, concerning Value Creation – the possibility of having the Customer as Co-creator, a strong assessment between the Price Vs Value trade-off is possible while offering a well manufactured product.

At last, the User based perspective is strongly link with the idea of Fitness to use that the company wants to provide to its customers – for instance the Customize shoe enabled by 3D technology.

## 2.2. Mission and Aim of the Company

- **Mission:** “**Alfaiate dos Pés**” has as main mission the proposition of high value products for its customers by allowing them to participate and co-create products that fit their needs. The products must be having in mind three main cornerstone ideas – Fitness to use, High manufacturing Standards, Positive Value trade off (Price to Service);
- **Aim:** to growth sustainably and continually along the future years by providing innovative products, trendy designs and higher Quality Standards.




## 2.3. Description of the Product

### 2.3.1. The Product, The Customization and The Personalization

The company seeks to design and sell shoes, both for Man and Woman. Although the product design is strongly correlated with the latest fashion trends it is possible to access 3 main families of products, which of them with its main products offers (in terms of concept) that will be available for sale.

In order to provide the 2 out of 3 family lines that “Alfaiate dos Pés” proposes, it is necessary to understand the idea of Modular Design and Design For Mass Customization, since this will influence the economic feasibility of Custom fit and Personalized Products.

**Table 1. Families of Products**

		<i>Families of Products Available</i>			
<b>Perceived regarding Lines</b>	<b>Design Product Lines</b>	<b>Product Lines</b>	<b>Standard Products</b>	<b>“Custom Fit” Products</b>	<b>Personalized Products</b>
		<i>Sneakers</i>	The Product will be available in the market <b>offering the normal available standard sizes</b> ; The main factor of differentiation will be the shoe <b>design &amp; concept</b> and <b>Quality</b> (both in terms of fitness to use and Manufacturing capabilities)	It will offer the possibility to have a product that shall be produced in order to allow a more accurate and precise shoe size. Although it will be not 100% tailored, it will allow the customer to experience a customized shoes sensation due to a wide standard of sizes created for this purpose; <b>The main advantages</b> will be the <b>“Custom Fit”</b> , <b>design and Quality</b>	The purpose of this family o products, is to allow the customer to participate in the “Late Design” of is purchased product. This product will combine both the “Custom Fit” and the ability to promote small changes in some modules of product. Ex: Change the color of a Module. The main advantages of this product concern the “Custom Fit”, the “Self-Design” and Quality offered
		<i>Social</i>			
		<i>Daily Comfort Use</i>			

### **2.3.2. The standard family of products**

Within this family of products the company aims to enter in the shoe market while having the same business approach towards value creation, inventory management and Production planning.

Nowadays the general shoe industry follows the same type of approach towards a value creation proposition.

In the current configuration, the major part of companies aims for the same medium range price segment, trying to access the needs of its target customers.

After realizing such needs, the company, pursue marketing effort in order to design a proper product that would eventually spark a desire in the target audience and, consequently, create the demand for its products.

This Market Driven approach, used by the majority of the middle range segment players, is highly dependent of Marketing - since Marketing is the sole connection with the customer that enable the company to access information regarding is possible “stimulus” and in order to influence demand. Another issue, regarding the current market configuration, is connected with the Value Generation Process. By following such approach the customer influences the first and last step of the process (Value Definition and Value Communication, respectively), failing to have an input regarding the middle step, Value Realization.

#### **Supply Chain Consequences (Current General Shoe Market)**

As a consequence of this Value Creation Approach the Shoe industry is highly dependent of inventories, creating High Working Capital needs while being subjected to high competition. As an indirect consequence, many companies are obliged to have Mass Production in order to use Scale Economies to become more competitive in the current market, this implies a Push Strategy along the supply chain. Due to the push strategy, the sales points are obliged to buy all the range and quantities that they have forecasted, bearing all the unsold products costs.

Taking into account that the Shoe industry is highly fashion related, each brand produces at least 2 catalogues of products per years – respectively Spring-Summer and Autumn-Winter. As a consequence, there is a short Product-life-Cycle due to ephemerus Fashion trends. This fact allied with all the features related with the Value Creation Approach, will eventually create three main consequences:

1. Due to mass production, high inventories must be acquired in order to both provide the service level desired, as well as benefit from low production prices;
2. Due to the high turbulence of the shoe market, high competition is expected, as well as, a fast move concerning customer's trends and preferences. As a consequence the shoes are overpriced, having prices that range to 2x – 10x the production cost;

3. Although the Profit Margins are quiet amazing, it is necessary to bear in mind that at the end of the season, those products that haven't been sold, will benefit from sales price. Even after, shoes that were not sold, are then Written Off by the company.

While this facts might represent the most intuitive drawbacks of such a strategy, it has also its benefits. For instance, this Market driven approach allows an "Easy way In" for new companies, companies that, strategically speaking, rather create a structured and sustainable brand working with outsourcing rather than with In-House production (In its own production facilities) - this provides the necessary conditions to enter into a competitive market while supporting a relatively low investment.

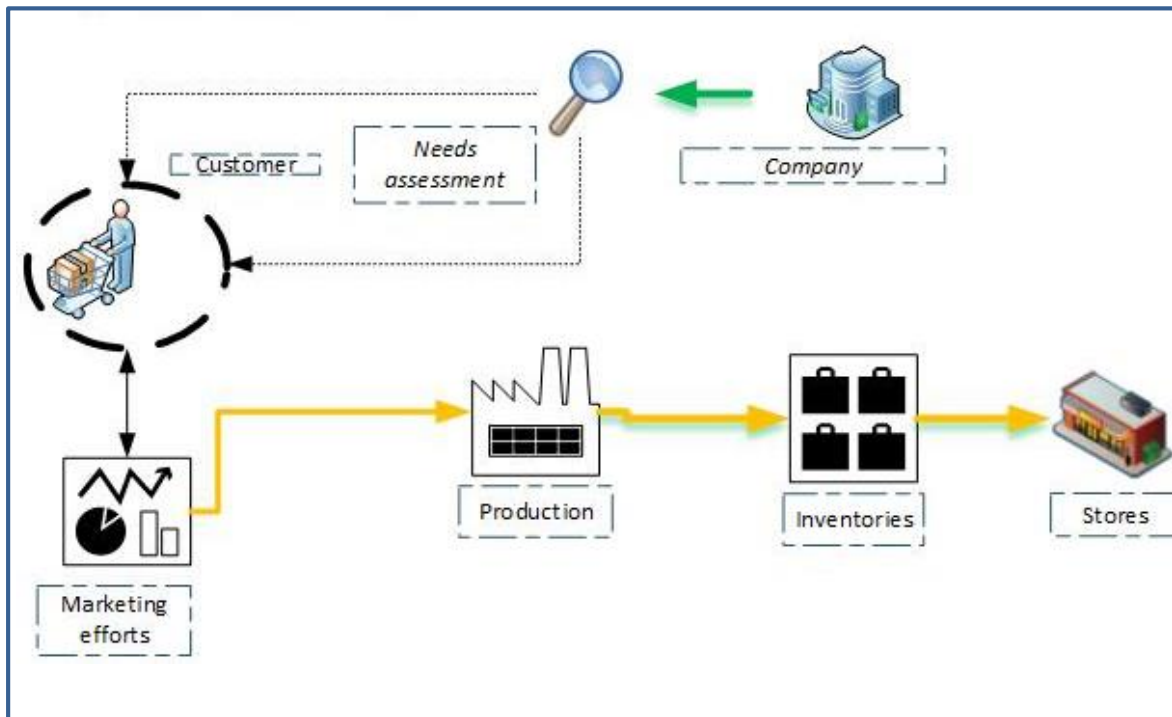


Figure 2. Current Shoe Market Situation, MTS operational Approach

### 2.3.3. The Customized and Personalized Family of Products and its implications

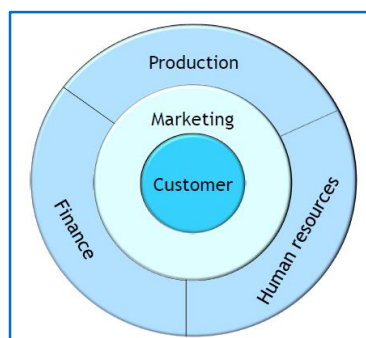
With the Customized Family of products the company can benefit from a value proposition based on the customer as Value-Creator, while having the possibility to produce some inventory to couple with a certain desirable service level and demand variability's.

With the Personalized Family of Products, the customer can experience and became a co-creator of company products.

#### A. New Market and Business Approach Proposition

The aim of this company is to promote a different, and somehow new, approach towards value creation by using the customer as innovator and co-creator regarding company products. By following a perspective where the customer is an innovator and co-creator of products, the customer will have an active role within all the steps towards the final Value Proposition provided by the company.

The customer input will then influence the Value Definitions, Value Realization and Value Communication steps, while Marketing has the important role to support all the activities and integrate them in order to satisfy customer needs.



**Figure 3- Role of Marketing.**

**Role of Marketing** – Marketing as the Function used in order to integrate all the companies efforts towards customers' needs.

Although the needs are still obtained through Marketing Research Techniques, its results are then worked along with the customer in order to find, and produce, the product that will suit him the best.

In particular, by using such approach a higher involvement related with the Product Development/ Service Development [Value Realization steps], Personal Selling and Advertisement [Value Communication] is expected from the customer.

This perspective entitles the customer to be an active source of innovation, as well as active member of the company.



## **B. Customer as Co-creator Approach towards Value creation - “Alfaite dos Pés” case**

When applying this perspective to the Shoe Market, some advantages might appear. For instance, having the customer as Co-creator allows the use of Assembly To Order [ATO] production approach. Although this has some disadvantages, for instance Lead Time is required, it also couples with some advantages:

Since 2/3 Families of products are ATO, there is not the requirement of having such heavier inventories, this will allow to use Operational techniques such as Just-In-Time/Lean operation approach thought all the supply chain. As a final consequence the company will benefit from smaller Working Capital Needs and Inventory costs.

### **What is Just-In-Time/Lean Operation?**

*“Lean Systems are sometimes referred to as Just-In-Time systems owing to their highly coordinated activities and delivery of goods that occur just as they are needed. Lean is both a philosophy and a methodology that focuses on eliminating waste (non-value added activities) and streamlining operations by closely coordinating all the activities. Lean systems have three basic elements: They are Demand Driven, are focused on waste reduction, and have a culture that is dedicated to excellence and continuous improvement.”*

In, *Operations Management 10<sup>th</sup> edition*, by William J.

Another main advantage regards the fact that all the finished products are already sold, since the customer must order them. This particular point changes the paradigm of the shoe industry, for instance, no more the company needs to rely on high volumes of items that tied them up to high Working Capital needs. By following this approach only the ordered products are produced. In particular the economic weight/Risk of “not sold last season collections” is reduced drastically, creating the conditions to have higher control on production.

## **C. Main drawbacks**

By following this “Customer as Co-Creator” approach it is very likely to don’t have the same economies of scale – in the case every order is very different from the previous one (not allowing to have long runs or standardize modules or parts), it is very likely that a major part of the production process cannot be run taking advantage of economies of scale –mass production.

The other main drawback regards the investment and paybacks. Since this approach is quiet new to the shoe industry, the customer might not accept the idea of having to face a Lead Time, this increases the risk.

Also, the fact of being an innovation, can create some problems regarding the Product Life Cycle curve; For instance a late growth phase and long maturity can be expected – Fulfilling every manager dream: a product with a long maturity, low investment, high sales and stable demand.

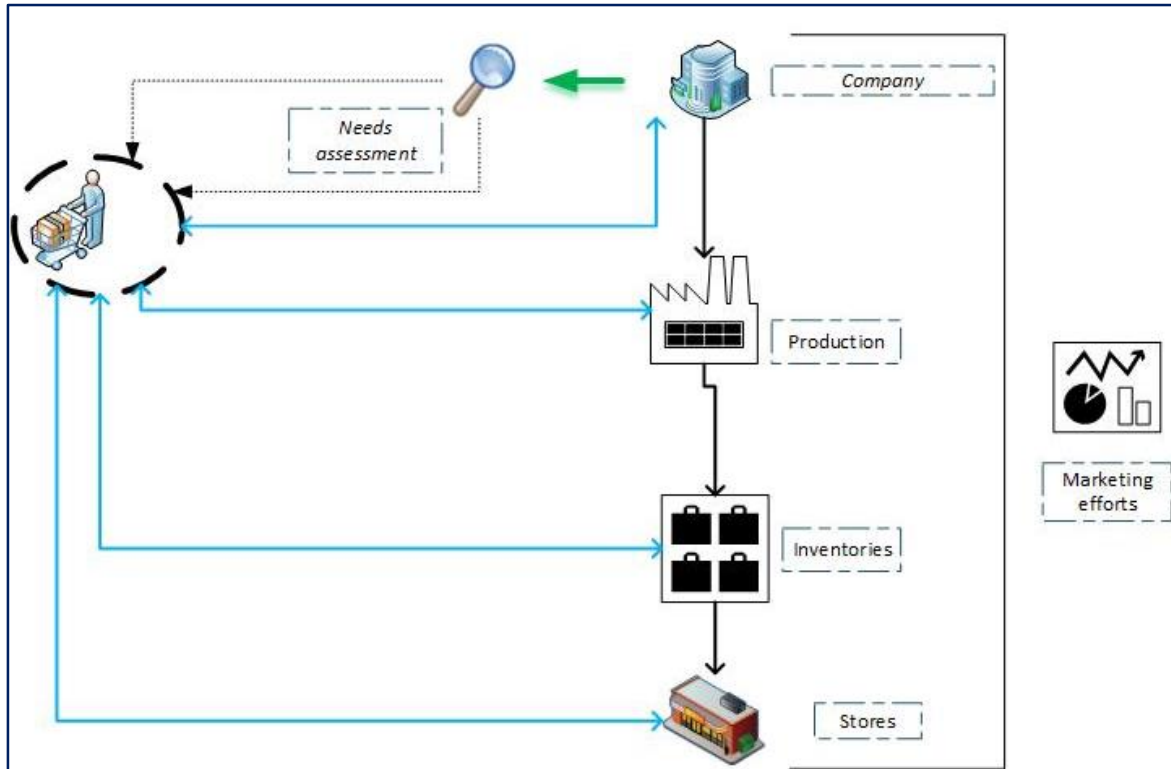


Figure 4. New Market Approach enable by AdP concept and ATO operations

### 2.3.4. The “Custom Fit” Family of Products

In order to develop a “Custom Fit” family of products the company will pursue endeavors regarding the increase of standard sizes available in the market, as well as, the development of a 3D CAD software that will allow to approximate the feet size to the most adequate “Alfaiate dos Pés” standard. Another advantage regarding this family of products concerns the fact that the customer can buy 2 different sizes, one per each foot, if necessary.

**Table 2. Ladies & Mens Standard Shoe Size Chart**

<b>US WOMENS</b>	3	3.5	4	4.5	5	5.5	6	6.5	7	7.5	8	8.5	9	9.5	10	10.5	11	11.5	12	12.5	13	13.5	14
<b>US MENS</b>							5	5.5	6	6.5	7	7.5	8	8.5	9	9.5	10	10.5	11	11.5	12	12.5	13
<b>UK WOMENS</b>	1	1.5	2	2.5	3	3.5	4	4.5	5	5.5	6	6.5	7	7.5	8	8.5	9	9.5	10	10.5	11	11.5	12
<b>UK MENS</b>	1.5	2	2.5	3	3.5	4	4.5	5	5.5	6	6.5	7	7.5	8	8.5	9	9.5	10	10.5	11	11.5	12	12.5
<b>EUROPEAN</b>			35	35.5	36	36.5	37	37.5	38	38.5	39	41	41.5	42	42.5	43	44	44.5	45	45.5	46	46.5	47

**Table 3. Available (AdP) Internal Lasts Sizes [European Standard]**

35	35.25	35.5	35.75	36	36.25	36.5	36.75	37	37.25
37.5	37.75	38	38.25	38.5	38.75	39	39.25	39.5	40
40.25	40.5	40.75	41	41.25	41.5	41.75	42	42.25	42.5
42.75	43	43.25	43.5	43.75	44	44.25	44.5	44.75	45
45.25	45.5	45.75	46	46.25	46.5	46.75	47		

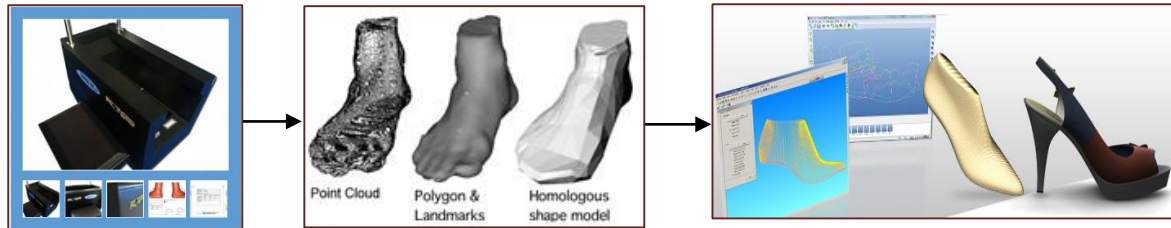
The “Custom Fit” family of products will be created facing a wider standard of sizes. This enables the customer to acquire a fitter product than those available in the current market, while at the same time, creating a possibility for the company to exploit Economies of scale that an 100% custom made product does not allow.

The products sold under the “Custom Fit” family of products will embrace the same designed of “Standar Family of Products”, the only visual difference will be the color of the shoe Soles or Welt, this particular detail aims to create a sense of luxury and exclusivity for the client.

Although the preferred supply chain system is a Pull System. Since the designs will be the same provided in the “standard Family”, there is the possibility to Make-to-Stock a small amount of final products in order to couple with demand variability's. Despite of such an option, the AdP idea is to implement a Pull system on this Family of products, this way less inventories are required and a Assemble-to-Order strategy can be pursued.

### How to “size up” the client feet

In order to ensure the best approximation, in terms of size for each foot, AdP will use a 3D CAD software that through a 3D scanner will allow to compute a feet mold. After that the software will size up and compute the best “AdP Standard Last Size” that fits the best the customer foot anatomy.

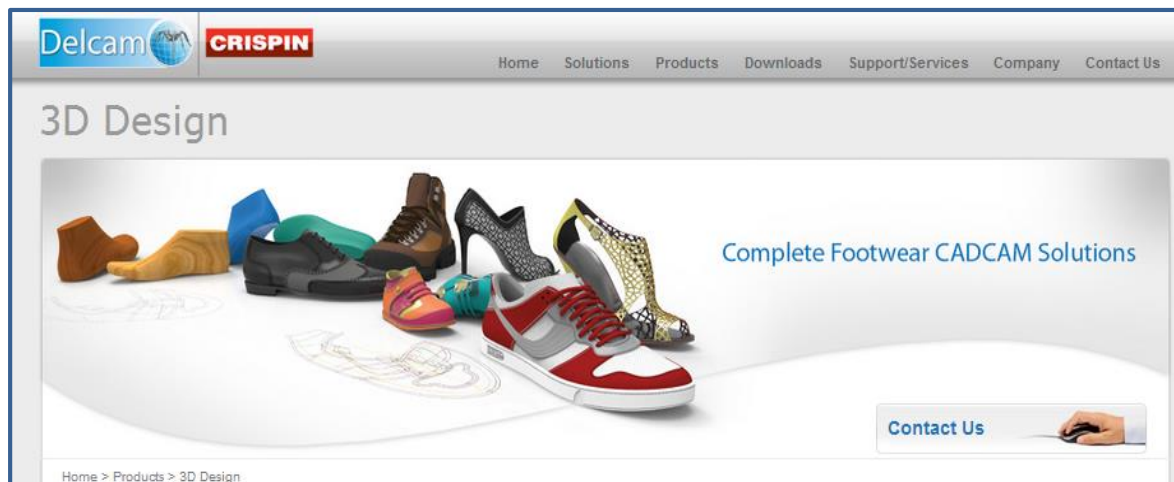


**Figure 5. 3D Software, Last Model and Shoes Model, Delcam Products**

The purpose of this Family of products it's not provide a 100% custom made product, rather, an approximation regarding the right sizes for each feet.

### **DELCAM**

- Provider of 3D Software and Hardware Technology for the Shoe Making/ Medical Industry;
- Delcam provides all the training and support necessary in order to synchronize the Development and the production stages of the final product.



**Figure 6- Delcam Footwear CAM Solutions.**

### **2.3.5. The Personalized Family of Products**

Aims to take advantage from the Custom Fit Family of products while offering the possibility to use the customer as co-creator of the final product.

The main idea behind this family concept is the combination between the “Custom Fit”, provided by the 3D Scanner and the wider range of Last sizes available within AdP database, while endeavoring the customer to use late customization options in order to co-create the product that he/she wants the most.

“Alfaiate dos Pés” strongly believes that the most value product it can offer, is the one that the customer helps to create. Facing this cornerstone, the company will provide some models of shoes that will enable small modular changes in terms of colors. This changes will be created in order to minimize the complexity increase in terms of Production, while allowing special features or details that would help the customer to create the product that he identifies himself the most.

Embed in the Product Design and concept, will be a Modular Designed approach, a Mass customization strategy used in order to benefit from standardize production processes while embracing an wider variety of final product options.

By pursuing such endeavor the customer will be able to change the color of a few pre-selected modules. This will increase the number of possible combinations of final products, without increasing the production complexity.

The main disadvantage connected with this product regards the fact that it will not be possible to Make to Stock. All the orders cannot be forecast, as a consequence a pull system supply chain strategy must be used, as well as ,a highly flexible supply chain strategy must be engaged in order to couple with demand variability while providing the same service level.

### 2.3.6. The AdP Families of Products

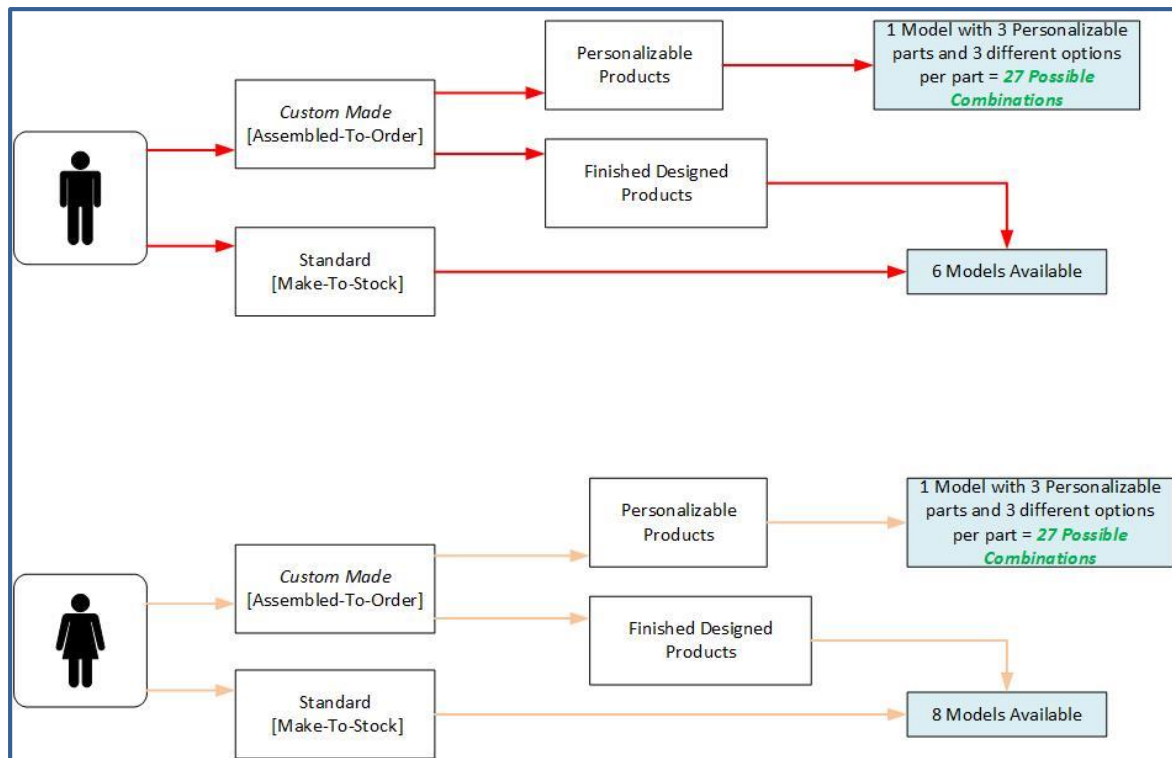
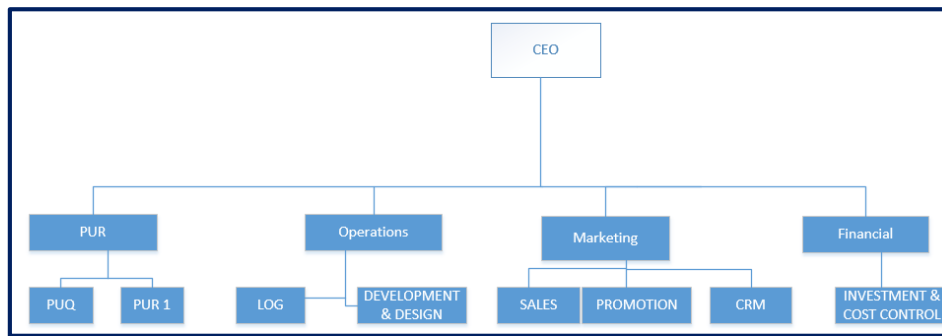


Figure 7- AdP Main Products and Families.

## 2.4. Organizational Chart



**Figure 8- AdP Organizational Chart.**

In order to fulfill the final purpose of the company a functional organizational chart was created. This chart will allow the company to take advantage economies of scale while avoiding considerable problems of coordination.

The Company will be divided in four main departments:

- **PUR:** Purchasing department, it will be held responsible for two main areas, PUQ [Purchased Quality] and PUR1[Direct and Indirect Purchases];
- **OPERATIONS:** This department will deal with all the operational problems through two main areas, LOG[Logistics] and DEVELOPMENT & DESIGN;
- **MARKETING:** As a department it will encompass three main areas, SALES; PROMOTION; CRM[Customer Relationship Management];
- **FINANCIAL:** This department is only accounted for one single Area, INVESTMENT & COST CONTROL;

Each Department will have a responsible. This responsible will be in charge to monitor all the relevant KPI's of its department. In order to have a tight control and improve communication and effectiveness, all the departments will be treated as having a Customer-Supplier relations.

For instance PUR1 will be the supplier of PUQ; in its turn, PUQ will be the supplier of DEVELOPMENT and so on so forward.

Main Jobs Related with the Areas:

- **PUQ:** It will responsible to control all the quality specifications and requirements needed for the product production, as well as audit customers if necessary to assure accurate processes;
- **PUR1:** The main job of this area will be the negotiation of direct/Indirect supplies, both outsourced final product and relevant materials [for instance Store furniture, Software...];
- **LOG:** All the logistics issues will be accounted to this area: storage; transportation - both internal logistics (between warehouse and stores) and external logistics (from supplier to warehouse); Inventory checks; Reverse Logistics;

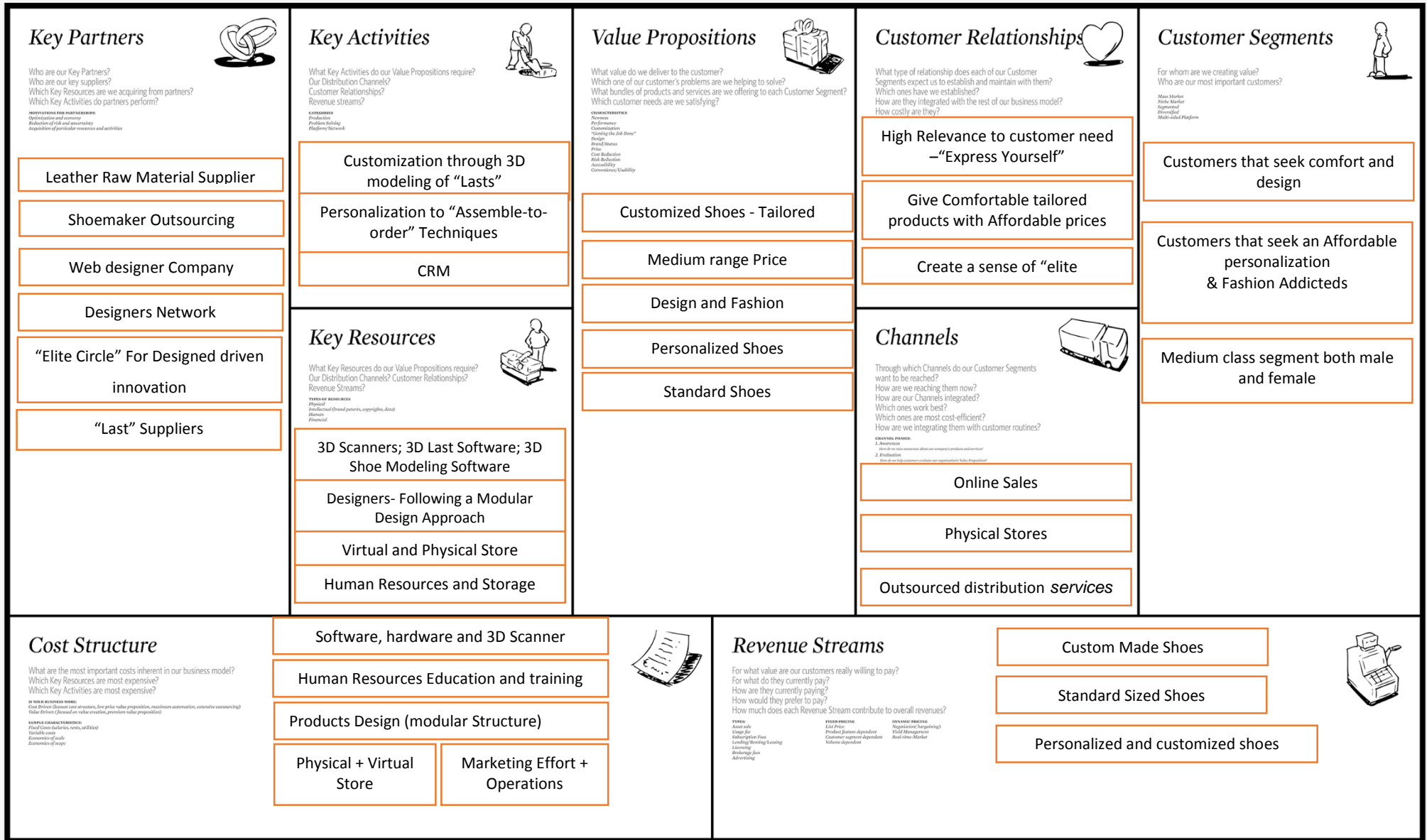
- **DEVELOPMENT & DESIGN:** It will be the “Creative” heart of the company, this area will be responsible for the design of new products taking into consideration the latest trends, materials and product possibilities.
- **SALES:** All the matters regarding sales figures, Historical data analysis and market trends will be accounted to this area.
- **PROMOTION:** Since one of “Alfaite dos Pés” main goal is to grow sustainable over the years, this department will be held responsible for all the Marketing Efforts required to create a sustainable market position.

It is also necessary to refer an informal Committee that shall be created, Elite Circle. The idea of such committee is to access market trends and product designs that can meet the most the market needs. An “Elite circle” composed by invited people (external or internal to the company) that present the ability to foresight market trends and cultural changes in the society. This team shall be responsible to evaluate the products in the pipe line and help the company to access the best product options to make available to the market.

AdP believes that by having such a group of people, smaller collections and economical risks might be minimized.



# 3. Business Model Canvas



## 3.1. Canvas Business Model Explanation

### 3.1.1. KEY PARTNERS

In order to deliver “Alfaiate dos Pés” value proposition, company partners are mandatory. Due to a wide Shoemaking and leather production cluster in Portugal, high control and cooperation between companies is an advantage. In fact “Alfaiate dos Pés” will have a close relation with both the shoemaker company – which will allow a tight control on the productive; the main raw material producer – Meaning that the leather will be created bearing in mind final customer specification; and a Leather Technical Consultancy company that will foresee all the main raw material creation. Nonetheless, due to the Leather Technical Consultancy Company core business, “Alfaiate dos Pés” will be allowed to have insights related with the new fashion trends that will be used in next season collections.

Facing the customization option, a close relationship must be developed with the “Last” producer. This way he will create the “Last Molds” accordingly with “Alfaiate dos Pés” specification. This relationship is critical since it might jeopardize the company cornerstone value proposition.

The web designer company will be in charge to develop both the Virtual Store, the “web Configuration Platform” and arrange all the necessary equipment in order to monitor customer’s preferences. It will also be responsible to provide technical support regarding operational control activities.

Designers Network – Company that provides Human Resources specialized in fashionable apparel designing. “Alfaiate dos Pés” wants to be connected with top designers and students that want to develop their own products while associated with a brand. During this initial phase of implementation no Design Department will be created. Incentives will be given so that Professional Designers can become exclusive to AdP brand [For instance Fixed Initial Fee for each design + Variable fee depending on the shoe sales volume]. Nevertheless a tight relationship is crucial for the success of the company.

#### **“Elite Circle”**

This represents a group of people chosen taking into consideration their life style, education and cultural habits. The main idea is to use such group in order to understand cultural trends and weak signals. By doing so, “Alfaiate dos Pés” will be able to create both an innovation platform [Design Driven Innovation], and a consensus group that will evaluate the most Promising Shoes Designs to be implemented. This Key Resource will not have a direct impact on the Product Formulation or Process, although they will be used in order to smooth the operations and design choices.

Bearing all of these factors in mind it is possible to have a flexible supply chain. Where all the participants are interested in “Alfaiate dos Pés” success, as well as, on their own.

### 3.1.2. Key Activities

In order to deliver our final products two main activities must be performed. The first activity is related with the Modular Shoe Design – Because only through this operational approach personalization and customization can be proposed while taking advantages from Previous Operational Standardized steps; The second main activity is related with the Customization of the Last through 3D Modeling – The idea is to use the software to approximate the size of the 3D model to a custom made “Alfaiate dos Pés” Last; This way the customer will experience customization on the final product while the company can still benefit from economies of scale (Deeper considerations shall be tackled in the operational plan); The third and last point regards the Personalization. In order to provide personalization “Alfaiate dos Pés” will combine the Modular Shoe Design with an Assemble- to-Order operational technique, this will allowing to apply late personalization on the final product while taking advantages of previous economies of scale. It is important to take into consideration the number of possible combination in the shoe.

### 3.1.3. Key Resources

The most important resources will be the following:

- **3D Scanners; 3D Last Software; 3D Shoe Modeling Software:** It is a critical resource since it will jeopardize the execution Custom and Personalized shoes. Technical knowledge and training will be required. It is the use of such technology that will allow the creation and execution of the concept while having a relative small Lead-Time and low number of “fittings”. It is also the main competitive advantage regarding Online Sales;
- **Designers - Following a Modular Design Approach:** The modular Design is the operational Key strategy that will allow to introduce our Business Concept while taking advantage of, relatively, short lead times;
- **Virtual and Physical Store:** Are a primordial Resource: Not only the Virtual Store will be used as a point of contact with the customer, as it will allow him to purchase the footwear at a distance. On the other hand a Physical Store is required, mainly for two reasons. At first because the customer is “used to” go to the store to purchase the shoe – The current Business Model implies that, if you don’t buy them online, the customer must go to the store; Secondly because, in order to allow customization we need to collect customer data, the physical store will be the point of contact between the customer, the company and the proposed concept;
- **Human Resources and Storage:** Do to the slightly innovative concept, highly trained human resources are required. The main reason regards the fact that, in order to create the custom shoe the customer must go underneath a foot scanner, this situation might be awkward for the customer; In order to minimize that fact highly trained human resources are essential to create an enjoyable experience for the customer.

- Storage facilities are required mainly to store the “Standard Sized Products” and temporary finished products. It will also be the company headquarters, holding all the training, quality and customer relationship management education and company support activities.

### **3.1.4. Value Proposition**

#### **Customized Shoes – Tailored**

“Alfaiate dos Pés” aims to create a customized shoe. The main purpose is to allow medium range customization products. Nowadays such products follow a Pure Customization, almost Engineered-to-Order, and are only available for an elite of people. The company wants to promote the idea that “Customization and comfort is accessible for everyone”.

#### **Medium range Price**

The already available customized shoes have price ranges from 400€-1000€ [Crockett and Johns]. The main price target of “Alfaiate dos Pés” is a range of price from 80-150€. This will allow the company to compete in the medium price segment, leveraging the customization concept in order to pursue a higher market share, brand loyalty and customer satisfaction. Do to the Flexible Supply-Chain, and the New Business Model Proposition, Lean strategies can be used. Eventually allowing smaller Working Capital Needs and smaller inventory costs burden.

#### **Design and Fashion**

Represent a “Must have” condition if you want to be in the Shoe business market. In order to fulfill such requirement, a team of professional and student’s designers will be used to create the company products. Eventually the selection of the models will be overseen by the “Elite Circle” that will select the most promising ones.

#### **Personalized shoes**

Represents the second main cornerstone of “Alfaiate dos Pés”. It allows the customer to express himself through the personalization of its products. It also creates an emotional connection between the user and the brand. Can be used as a competitive advantage against the segment competitors.

#### **Standard Shoes**

Due to the new concept, at least in the AdP main target market- the Portuguese one, the standard shoes family will allow to compete directly with the main competitors while introducing the new concept. It will represent a Revenue stream, since it is a standard product in a standard market, used to support the development of the remain families.

### **3.1.5. Cost Structure**

In terms of cost structure, the main expected costs will be due to the software, hardware, Human Resources training required to perform customization, and all the Operations and Support processes. Since the production will be outsourced no heavy structure will be created. Taking advantage of outsourcing possibilities, the company can use its resources in order to push Marketing effort strategies to promote brand awareness and demand for its products.

As a consequence of “Alfaiate dos Pés” concept, a Physical store must be created and designed as well as a virtual one.

The remaining cost investments will be due to storage facilities and personal that will oversee the activities and implement strategic and tactical decisions.

### **3.1.6. Customer Relationship**

#### **High Relevance to customer need –“Express Yourself”**

Following the latest trends regarding customer behavior, “Alfaiate dos Pés” tries to pursuit endeavors in order to allow the customer to “express himself” by using our personalized product. This way the customer will have the possible to Co-create the design that he believes to be the one that fulfill his needs. As a consequence of such experience, a high loyalty relationship will be set in motion from the moment he first purchase the company product.

#### **Give Comfortable tailored products with Affordable prices**

The customization techniques allow the customer to solve two main issues. The first connected with different feet sizes, this way the customer can be ensured that the shoes are approximated feet-tailored products. The second regards comfort, by providing a Medium-High quality standards regarding the shoe manufacture he can ensure a positive tradeoff Price Vs Comfort. A secondary advantage is connected with those customers that purchase products via Web. “Alfaiate dos Pés” will ensure a tailored product, allowing high reliability and confidence when buying online (which is expected to become a relevant revenue stream although it is not considered in this Business Plan).

#### **Create a sense of “elite Belonging”**

Another consequence related with the “Alfaiate dos Pés” business concept is connected with the idea of elite belonging. As explained before, nowadays personalized and custom made shoes are products available only to Elite customers that can afford extremely luxury and expensive shoes. By allowing a certain degree of customization and Personalization, the medium class customer- that is capable to spent between 80-150€ per shoes; will have a sense of “elite belonging” since he is receiving an almost “Similar” service.

### 3.1.7. Channels

- **Online Sales:** One of the main selling channels will be a Virtual Internet based store. After an in-store creation of a profile, the customer can be ensured that the online order shoes will have the perfect fitting. This option will leverage and break down the biggest drawback related with apparel (not be the right size);
- **Physical Stores:** Necessary for both, more conservative consumers that rather select the product in store and have a physical experience, and for the data collection regarding customer profile creation. It is also the major point of contact between the company and consumers;
- **Outsourced distribution services:** Is connected with shipment services that might be required. The company will not provide such service, although it will give the possibility of international shipment. Nevertheless outsourced Shipping companies will be hired to provide the delivery service.

### 3.1.8. Customer Segments

- **Customers that seek comfort and design:** “Alfaiate dos Pés” aims to target those particular types of consumers that seek both a comfortable daily shoe and fitted to use. In particular those that sometimes have some differences along the fit sizes (for instance right foot is size 10,5 and left foot is a 10); Customer that want’s to have a trendy and design shoes;
- **Customers that seek an Affordable personalization & Fashion Addicted:** Particular type of customer that feel the urge to express himself, usually fashion addicted; For these particular type of customer, the best product is the one we can Co-Create. The type of customer that feels the need to “Express himself” through the products he uses;
- **Medium class segment both male and female:** Generally speaking, both males and females with ages between 16-45 years old that seek to have designed and trendy products.

### 3.1.9. Revenue Stream

- **Custom Made Shoes:** The family of products that will be developed taking into account comfort and tailored ship. The shoes models will not be personalizable, although they will follow a Made-To-Order approach and size customization.
- **Standard Sized Shoes:** Follows a Regular Shoes company business model, the purpose is to allow the “Alfaiate dos Pés” shoes models to the range of people that are not interested in customization and don’t want to face a “Lead-Time” required for a Made-to-order product. They will be sold having the market standard sizes; Due to the low risk, compared with the other families, this type of product is believed to generate more revenues allowing to support the other families.

- **Personalized and customized shoes:** This unique model will reflect the pure concept of “Alfaiate dos Pés”, will be the purposed model for fashion enthusiastic following the mass trend of “Express yourself”.

## 4. Strategic Plan

### 4.1. External Analysis

#### 4.1.1. PESTEL analyses Framework

It is used to perform an environmental assessment of macro variables such as Political, Economical, Social, Technological, Environmental and Legal factors and its impact to the company objectives. Although it might look that every single factor has the same weight regarding its impact on strategic decision that is not always true.

For instance, in “Alfaiate dos Pés” case, Technological and Economic Factors have higher importance than Environmental, not because environmental issues should be neglected, but due to the fact that they are considered a standard for any company operating in this particular market

It is also necessary to explain the reasons behind each objective:



Figure 9- Pestel Analysis Framework.

#### A. Political Analysis

Portugal is a republic and democratic country. Having a center-right government that follows a capitalistic position while facing some socialistic efforts. In other words, although some issues follow a socialist behavior – For instance education and health are a common value; the government also tries to implement a free market philosophy, pursuing efforts towards decreasing market entering barriers and liberalizations. The Portuguese Republic has been a member state of the United Nations since 1955, a founding member of NATO (1949), OECD (1961) and EFTA (1960); In 1986 left EFTA to join the European Economic Community, that would become the European Union in 1993. In 1996, in order to create deeper economical and cultural bounds between Lusophone nations, the Portuguese Republic, co-founded the Community of Portuguese Language Countries (CPLP) [composed by: Brazil, Angola, Cape Verde, Guinea-Bissau, Mozambique and São Tomé & Príncipe].



## B. Economic Analysis

As an active member of the European Union and the Economic Monetary union, the Portuguese Republic benefits from the same conditions as the others union members, as an example: the Currency (the Euro €), exchange rates and Free-Trade agreements are the same between countries in the union.

In 2011, Portugal faced its poor economic performance and embraced the challenge of asking for external help. In particular the ECB the EC and IMF answer the calling and composed the TROIKA, an entity that had as main objective help to consolidate the economic data and prepare re-adjustment packages that would provide the necessary conditions to have a sustainable economic growth.

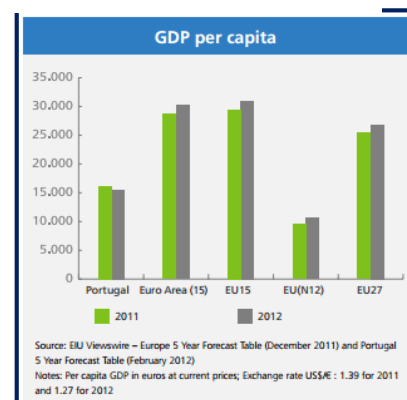
In that year, 2011, the Economic Adjustment Programed, proposed by TROIKA was initiated. The program was created in order to face main economic problems such as: low GDP and productivity growth for a decade; Potential output growth having a downward trend; Structural problems that caused major loss of competitiveness; Current account deficit not sufficient to restore external sustainability and a very high external indebtedness.

After the initiation of the Adjustment Programs lots of austerity measures were imposed, to the Portuguese Republic, as a consequence of the adjustment program. Nowadays, in 2013, weak signals show that the hard measures have reversed the downward trend and better economic performances are starting to be obtained. Nevertheless the Portuguese Government started campaigns in order to promote and attract FDI to the country.

## C. Social Analysis

Accordingly to the latest statistics, Portugal is facing a High unemployment rate (Specially from University Graduates), Low minimum Salary (one of the Lowest within European Countries) and a relaxation of the labor rules. Even so, Portugal still remains a safe country to live in, without any ethnical fights or even high values of criminality. In terms of Population, Portugal has no more than 10,5 Million Inhabitants, and an active population of about 5.534.000 people. Concerning the GDP contribution by sector, 74.4% is due to Services, 23.1% due to Industry and the remaining 2,6% belong to the Agriculture sector.

Graphic 1- GDP per Capita.



**Table 4. Social-Economic Data**

	<b>Population</b> <i>10<sup>3</sup>(estimated)</i>	<b>GDP [Current</b> <i>Prices, Year]</i> <i>10<sup>6</sup>€</i>	<b>GDP</b> <i>%Variation</i>	<b>GDP per</b> <i>Capita</i> <i>(€)</i>	<b>Inflation</b> <i>%</i>	<b>Unemployment</b> <i>Rate 4th</i> <i>Quarter/year [% of</i> <i>Workforce]</i>
<b>2012</b>	<b>10,543.50</b>	165,409.20	-3.31	<b>15688.26</b>	2.77281	16.9
<b>2011</b>	10,557.60	171,064.80	-1.04	16203.00	3.65391	14
<b>2010</b>	10,573.10	172,859.50	2.57	16348.99	1.40212	11.1
<b>2009</b>	10,568.20	168,529.20	-2.01	15946.82	-0.83553	10.1
<b>2008</b>	10,558.20	171,983.10	1.57	16289.05	2.58907	7.8
<b>2007</b>	10,543.00	169,319.30	5.26	16059.88	2.4533	7.8

(INE - Portuguese National Institute of Statistics, 2012)

**D. Technological**

Portugal embrace “state of the art” R&D Infrastructures, as an example Champalimaud Foundation (the most advanced European Research Center for Biomedical Investigation); It is also possible to find some of the Top European Engineering Universities. Portugal also benefits from a wide spread network of highways, 3 airports and 2 deep seaports; All of this together allow a competitive Logistic Network that provides shipment from/to every part of the World.

Regarding Machinery and heavy industrial Equipment, the Apparel Industrial Cluster is huge and very well connected, as a consequence any need can be satisfied within the National Cluster Members (Especially for the Leather Apparel Cluster) or even internationally, without big efforts.

## E. Environmental

Located on the Iberian Peninsula and bordered by the Atlantic Ocean, to the west and south, and by Spain to the north and east, Portugal is a country that possesses an Mediterranean Climate, having an Average temperature of 15°C.

In the past Decade environmental protection and energy sustainability, have become a main issue for the Portuguese Republic Government. Although the government tries to impose regulations and policies regarding environmental issues, it is possible to contract a public body for waste disposal/Recycling services.









**Figure 10- Portugal Climate Chart.**

## Legal

Portugal is a country that promotes a Heavy regulation regarding Intellectual Property Rights, Labor and controls “How companies Operates” by using the “Social Commercial Code”. Law 18/2003 was designed in order to prevent opportunistic behavior and stimulate competition among market players, and the enforcement of such law is ensured by the Competition Authority.

As a conclusion, The PESTEL analysis reveals a country that has a neutral impact regarding the Political Issues, a negative Impact concerning Economic Issues, but a Positive Impact in every other areas. Even though the Critical importance Economic Perspective, I strongly believe that it doesn’t outbalance the positive impacts creates by the other perspectives under analysis. For instance, although regulations might be tuff, they represent an extra protections against Copies or even data theft.

**Table 5. Summary Table Analysis**

<b>PESTEL</b>	<b>Result</b>	<b>OVERALL</b>
<i>Political</i>	<ul style="list-style-type: none"> <li>Portugal has a Constitutional Republic and a Parliamentary System; The Leader of the Portuguese Government is the Prime Minister, and the power of Veto/dismissing the government is given to the Republic President;</li> <li>The Portuguese Government is Highly committed to meet the Maastricht Convergence Criteria by increasing its GDP;</li> <li>The market operates under a Competitive Economy Principles, no enter barriers are imposed;</li> <li>There are no war treats or any kind of conflicts between Portugal and surrounding countries;</li> <li>Portugal benefits from the Free Trade Agreements (FTA's);</li> </ul>	
<i>Economical</i>	<ul style="list-style-type: none"> <li>The Portuguese Republic has been a member state of the United Nations (1955), NATO (1949), OECD (1961), (1986) European Economic Community, (1993) European Union</li> <li>In 2011, Portugal embraced the challenge of asking for external help. In particular TROIKA (ECB, EC,IMF); In 2011 the Economic Adjustment Programed, was initiated.</li> <li>Nowadays, in 2013, weak signals show that the hard measures have reversed the downward trend and better economic performances are starting to be obtained; Increasing GDP</li> <li>Possible Decrease of IRC (Companies Taxes) from 25% to 15%</li> </ul>	
<i>Social</i>	<ul style="list-style-type: none"> <li>There are strict Labor Regulations and Unions, although due to the economic crisis, an consequently a high unemployment rate, the labor regulations have been relaxing</li> <li>The minimum age is 485€/month - One of the lowest in the European Union;</li> <li>10,5 Million Inhabitants; Unemployment rate ≈ 17%</li> <li>30<sup>th</sup> Easy to Do Business with Ranking;</li> </ul>	
<i>Technological</i>	<ul style="list-style-type: none"> <li>The Leather manufacturing cluster is huge in Portugal. Full high state of the art companies that can provide a high service level, competitive prices and conformance regarding CiQ (Critical to Quality) issues;</li> <li>A width spread network of Universities is available, as well as high number of specialized workers;</li> <li>Industrial Machinery and technical support are available;</li> </ul>	
<i>Environmental</i>	<ul style="list-style-type: none"> <li>Strong Regulation regarding the environment issues is available;</li> <li>There is a high surveillance and penalties regarding Pollutions;</li> <li>Public Bodies provide Recycling Processes mediating an annual fee;</li> <li>Mediterranean Climate</li> </ul>	
<i>Legal</i>	<ul style="list-style-type: none"> <li>Industrial and Intellectual Property Rights are heavily protected under National and European Rules;</li> <li>There are strong regulations concerning "How companies Operate", competition, Financial services, and Labor Rights;</li> </ul>	

## 4.2. FIVE FORCES OF PORTER Framework

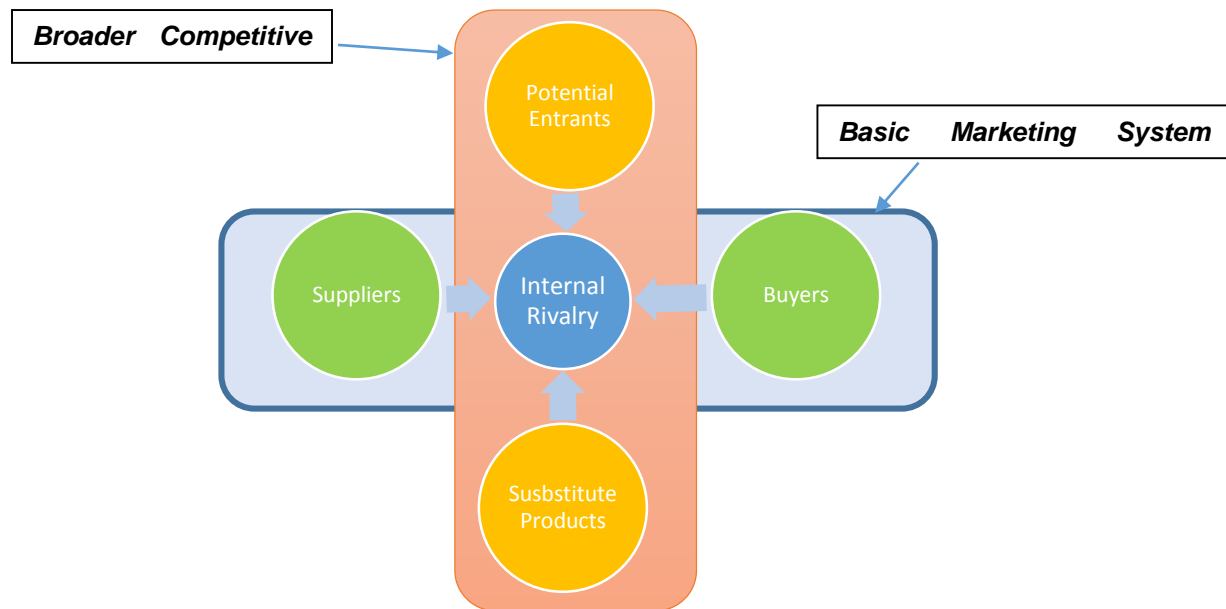


Figure 11- Porter's Five Forces Framework.

### 4.2.1. The Basic Marketing System

#### A. Suppliers

"Alfaiate dos Pés" aims to use the Portuguese Leather and Shoes cluster in order to produce its main products. Such decision bears the fact that Portugal has one of the most competitive Shoe Making and Leather clusters in Europe, while taking advantage of small logistic distance among producers and supplier; another reason behind this strategic decision regards the high competition among suppliers and the close relation that suppliers and customers create when performing a B2B interaction. This allows the creation of a Flexible Supply Chain that is deemed necessary to accommodate demand variability required by some of AdP Product Families.

**Table 6- Suppliers Force.**

Market Concentration	<b>Low market concentration;</b> High number of possible suppliers within industrial Leather Cluster. Relatively small distance between suppliers and the company;
Intensity of Competition	<b>High Competition among suppliers;</b> High variety of suppliers independently from the product Technical/Manufacture quality of the product.
Relationship Nature Between Suppliers:	<b>Cooperative.</b>
Specific Nature of the Product	<p><b>3 main Product Families:</b></p> <ul style="list-style-type: none"> <li>• <b>Personalized &amp; customized Products</b> - highly complex requires a very flexible network and capable suppliers to deliver Product Manufactured Quality [specifications] and respect Lead Times; <u>Straight Relationship Required &amp; Process Control;</u></li> <li>• <b>Customized Models</b> – Medium complexity, requires a very flexible network and capable suppliers to deliver Product Manufactured Quality [specifications] and respect Lead Times. Control on suppliers operations is required;</li> <li>• <b>Standard Models</b> – Low complexity; Doesn't require a highly responsive and reactive supplier; Control can be performed after production using Product Inspection.</li> </ul>
Importance of Supply	<p><b>Shoe Manufactures-</b> High importance due to final product Outsourcing;</p> <p><b>Leather Manufactures and Other Raw Materials [final Product suppliers] –</b> Low importance, controlled and chosen by the Shoe Supplier;</p> <p><b>Hardware and 3D software suppliers</b> - High importance due to straight connection with “Alfaiate dos Pés”concept.</p>
Complexity of Supply	<p><b>High Complexity:</b></p> <ul style="list-style-type: none"> <li>• “Personalized&amp;Customized” Family of Products;</li> <li>• 3D software and hardware;</li> </ul> <p><b>Average Complexity:</b></p> <ul style="list-style-type: none"> <li>• “Customized Family” of Products;</li> </ul> <p><b>-Low Complexity:</b></p> <ul style="list-style-type: none"> <li>• “Standard model” Family of Products.</li> </ul>

As a conclusion, the main source of bargaining power is connected with the 2 main families of products production complexity; on the other hand there is also the risk of a supply chain vertical integration from the Shoe Manufacturing supplier. The Shoe Makers suppliers and the 3D Software and Hardware Company are the most critical ones.

## B. Buyers

“Alfaiate dos Pés” aims to start its operations in the Portuguese Market. This market will follow a B2C (Business to customer) approach; due to this fact a Higher relevance will be given to External Market Factors such Economy, Social, Technological, Political and Environmental. On one hand a B2C market will allow to have a higher number of potential customer, on the other hand this customers will be a source of Turbulence and complexity regarding the final demand – an higher Marketing Effort will be required in order to smooth final product demands and stabilize operations and revenues.

**Table 7 – Buyers Force.**

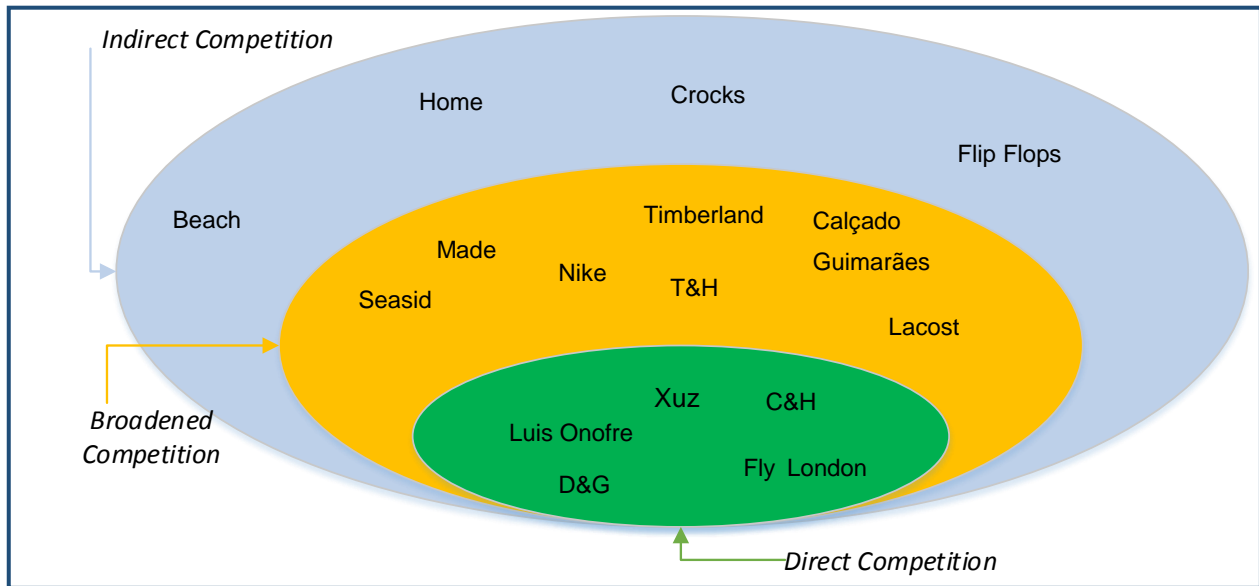
<b>Price Sensitivity</b>	<p><b>Price sensitivity impact is highly connected with the Family of Products:</b></p> <ul style="list-style-type: none"> <li>• “Customized” and “Personalized and Customized” families of Products <b>Low Price sensitivity;</b></li> <li>• “Standard Models” families of products <b>High Price Sensitivity.</b></li> </ul>
<b>Volume of Purchase and incidence cost</b>	On average 3.2 shoes per year.
<b>Product differentiation</b>	<ul style="list-style-type: none"> <li>• Personalized and/or Customized products – High differentiation regarding main competitors;</li> <li>• Standard models – Low differentiation, mainly on the shoe model design.</li> </ul>
<b>Switching Costs</b>	<p>In order to analyse the switching cost, an easier way is through the Sales Channel analysis:</p> <ul style="list-style-type: none"> <li>- For internet re-buyers there is a <b>High switching cost</b> related with the size uncertainty and possible risks connected with purchase insatisfaction and reverse logistics;</li> <li>- For store buyers: <ul style="list-style-type: none"> <li>• <u>Standard Models Buyers</u>- <b>Very Low or negletable switching costs;</b></li> <li>• <u>Personalizable and/or customizable models buyers</u> – <b>Medium switching costs related with shoe comfort and design.</b></li> </ul> </li> </ul>
<b>Threats of Upstream Integration</b>	Since the product is going to be sold in a B2C Market, there is a very low threat of upstream integration;
<b>Possession of Detailed Information on the Product</b>	<p>No or low information regarding the Product creation and “back office processes”; Selected Detailed information regarding the concept;</p> <p>In case of Customer as Co-creator, “Non business critical information” will be provided in a detailed way.</p>

As a conclusion there is not a single expected buyer behavior. Due to the 3 families of products available, it is possible to distinguish between 2 buyer behaviors. **For the standard models, we can expect low switching costs, low differentiation (mainly on the shoe design), high price sensitivity and high competition.** On those families of products that allow a certain degree of Personalization &/or Customization **a higher switching costs is expected (mainly for online purchases), lower price**

**sensitivity and lower competition due to the high product differentiation** enable by “Alfaiate dos Pés” concept.

Despite this two main Buyer behaviors, there is a low risk of upstream vertical integration.

#### 4.2.2. Broader Competitive System



There is a high competition among the shoe market. Due to a high performance VS price sensitivity, the customer tends to choose the products that can have almost the same performance while paying less for them. Another main advantage regards the designs. Since the shoes manufacturing quality is relatively the same, for the Direct Competition companies, design represents the only factor of differentiation among the products. This facts don't allow to have a single and irrefutable market leader. As a consequence, increases the likelihood of having more competition (Potential entrants) in the market.



### A. Potential entrants

<b>Economies of scale</b>	No need for economies of scale; High possibility to outsource the production.
<b>Exclusive Product differences</b>	Depending only on the Design and raw material quality; Usually the shoe sizes are “Standard” meaning no difference within products.
<b>Financial Requirements</b>	Medium- Low; high importance for Working Capital- if outsourced is used.
<b>Product/Brand Loyalty</b>	Medium: Brand loyalty only happens when the customer is satisfied both with comfort and design. For low-hand price sensitive shoes, there is a very low brand loyalty is expected; Brand Recognitions is highly connected with Brand Loyalty.
<b>Exclusive access to distribution channels</b>	Very Exclusive. A well-coordinated supply chain and distribution channels is highly complex to achieve.
<b>Institutional limitations</b>	No limitations.

### B. Threat of substitute products

<b>Performance/Price Ratio</b>	Medium-Low: Due to the concept proposed by AdP, it is expected an higher overall performance then the main competitors [due to “Customization”], even though, since there is a low brand loyalty, the Performance Price ratio is highly volatile as a consequence of prices changes.
<b>Customer Inclination to change</b>	Low-Medium: The design is the main driver for the change, although production quality and comfort can be an intensive anchor that might lead to higher brand loyalty.
<b>Possible strategic advantages gain from substitution</b>	Low; It is very unlikely.

It is very unlikely to have a product that fully substitute shoes. Although there might be other types of desings or purposes for the use, for instance football shoes, there are no substitute products beside Flip-Flops and socks or “Crocks” – meaning that the range of substitute products is quiet limited.

### C. Internal Rivalry

<b>Growth Rate of the Market</b>	Stable Mature Market (Portuguese Market).
<b>Degree of Differentiation</b>	Low. Based on design and shoe comfort. If the customers wants a product with a certain degree of differentiation, it must be Engineered to order following a total customization process- Niche market for high hand, high price (luxury) products.
<b>Nº of companies and Concentration</b>	Low concentration. There is not a single irrefutable market leader, it is very volatile due to the low brand loyalty.

<b>Level of diversity between competitors</b>	Low. Based on the design and production quality.
<b>Incidence of fixed costs</b>	High. Due to the market proposal and business model, the competition economic activity requires high volumes of finished product Stock.
<b>Exit barriers</b>	There are no strong exit barriers. Highly dependent on the competitor cost structure; Usually the finish products and raw material stocks accumulated due to a push supply chain strategy.

There is a high competition among shoe brands. Due to a high performance price sensitivity, the customer tends to choose the products that can have almost the same performance while paying less for them. Another main advantage regards the designs. Since the shoes manufacturing quality is relatively the same, for the Direct Competition companies, design represents the only factor of differentiation among the products. This facts don't allow to have a single and irrefutable market leader. As a consequence, and taking into consideration the possibility to outsource the production, likelihood of having more competition (Potential Entrants) in the market increases.

**The main factor of differentiation will be created within the supply chain, even if the design and quality cannot be neglected. A cooperative and flexible approach will allow a fast adaptation to the market turbulence**, as well as, it will create the necessary conditions to follow a pull strategy, reducing the stocks all over the supply chain, enabling to have a more competitive product. This is the crucial effort that AdP wants to pursuit with its key suppliers.

#### D. Internal Analysis

Since AdP is a Start-up company the internal analysis will be based on Porter's Value Chain:

<b>Porter's Value Chain</b>				
<b>Firm infrastructure</b>	Low Fix-Costs, having the biggest incidence in case of technology purchases; The biggest effort is connected with the Working Capital required to develop prototypes, shoes production and other variable costs.			
<b>Human Resource Management</b>	Since AdP is a startup company, there is a small need for human resources (6/5 employees). Due to this fact there is no great deal of complexity related with human resource management. AdP will follow a team work approach, where everyone can contribute with his ideas and have a direct impact on the decisions and final outcomes.			
<b>Technology Development</b>	Required technology, for instance all the 3D softwares and scanners, will be provided by an external company. AdP will only use such technology. A high effort will be given in order to create Shoe Designs following a Modular Design operational concept.			
<b>Procurement</b>	Due to cooperation and a mutual trust relationship with suppliers along the supply chain, procurement will represent an Advantage. All the suppliers are well established and succeeded companies within the shoemaking and leather cluster.			
<b>Inbound Logistics</b>	<b>Operations</b>	<b>Outbound Logistics</b>	<b>Marketing &amp; Sales</b>	<b>Service</b>
Provided by the suppliers; all the raw materials are purchased by the Outsourced company, AdP only controls the quality.	Production will be outsourced; Designs and Point of Sale management will be operated by AdP.	Depending on the freights and shipment quantities. There is Outsource possibility or partnership with the key suppliers.	In house, it will be the main effort and focus of AdP.	CRM will be provided in house. Facing the idea of higher service level promotion.

### 4.3. SWOT Analysis



From the SWOT analysis we can have a big picture regarding the Threats, Weaknesses, Opportunities and Strengths that characterize AdP.

The main idea with this analysis is trying to promote strategies that will minimize weaknesses and threats and maximize opportunities and strengths in order to become more competitive in the market. From the graphic above we can understand that the major Weaknesses regards the “Investment Costs” and lack of “Know How”. Which for a startup company is deem essential, in particular for AdP, that aims to compete in a mature market, a strong know how regarding the manufacture procedures and processes is incredible relevant.

On the other hand I should give a close attention to 3 main, more significant, Threats - “Need of Scale Economies”, “Lack of differentiation”, “High dependence on the supply chain”; Since the 3 main threats may create a high risk to jeopardize the overall company operations and sustainability.

When analyzing the Strengths, we can pay attention to two main characteristics. The “AdP concept” itself, which can be a factor of differentiation within the Portuguese Market, and the “key suppliers know-how and wiliness to become business partners”, a crucial characteristic necessary to implement a Pull strategy and allow the required flexibility that AdP requires to fulfill is customers’ orders while applying the “New Market Approach”.

Opportunities – Regarding this factor of analysis, the major opportunities are related with government incentives. This particular incentives allow to have a smaller initial investment and risk- for instance lower credit rates or wages governmental contributions, while taking advantage of certain entrepreneurial programs that provide the startup capital (until 50.000€ depending on the companies degree of innovation and potential economic impact for surrounding communities); Besides this economic incentives, AdP can use a particular set of resources that allow access to main designs and trends, allowing to be a step further than its competitors, in aspects regarding fashion.

As a conclusion AdP must realize a strategy that will optimize Strengths and Opportunities while decreasing the possible risks and negative impacts that might appear from Threats and Weaknesses. Taking into consideration that the main Threats and Weaknesses are connected with lack of Know-how and Supply chain relationships Risks;

**A. The first strategic Objective will be to propose a Join Venture to a shoemaker company.**

By allowing such join venture AdP can benefit from the years of manufacturing experience, and market know-how, realized by the manufacturing company. Nevertheless it is possible to decrease production costs and split the overall investment required to create AdP, while smoothing the economic relationship required to have a flexible supply chain strategy.

With the Join Venture, the shoe manufacturing company, can benefit from AdP concept, possible increases in production and part of the overall year profits.

**The main market strategy of AdP will be to enter in the Portuguese Shoe retail market, trying to compete within the shoe segment for customers within 16-40 years old – a 450 Millions EUR Year market. The company will outsource the shoe production, and be held responsible for all the activities, and support activities, connected with the creation of the 3 families of products – Standard, Customized, and Personalized.**

From a conducted survey, it was possible to realize that the Portuguese customers are willing to pay- on average- 11.6€ more for the “Customize Family of Products” and an extra of 9.4€ to have access to the “Personalizable Family of Products” – Using as reference an average quality, average design shoe.

This facts, allow “Alfaite dos Pés” to use its concept in two different fronts. The first one, as a competitive advantage against the market competitors; The second one, taking advantage of the willingness to pay that the customer have for this two families of products – In other words, the customer is willing to pay for a service that is realized as the AdP main competitive advantage.

**B. The second strategic objectives is related with the families of products available.**

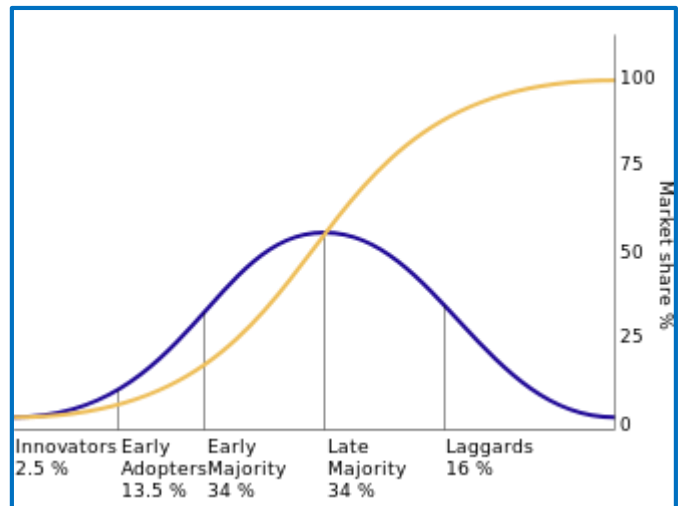


Figure 12 Attitude towards Purchase, cumulated.

AdP concepts highly based on customization and fitness to use. Nowadays shoe customization is a possibility given to the high class segment; Providing such concept to the medium-high income segments ,in a mature market, creates certain risks – For instance a late response regarding customer first attitudes to the purchase, might bankrupt the company.

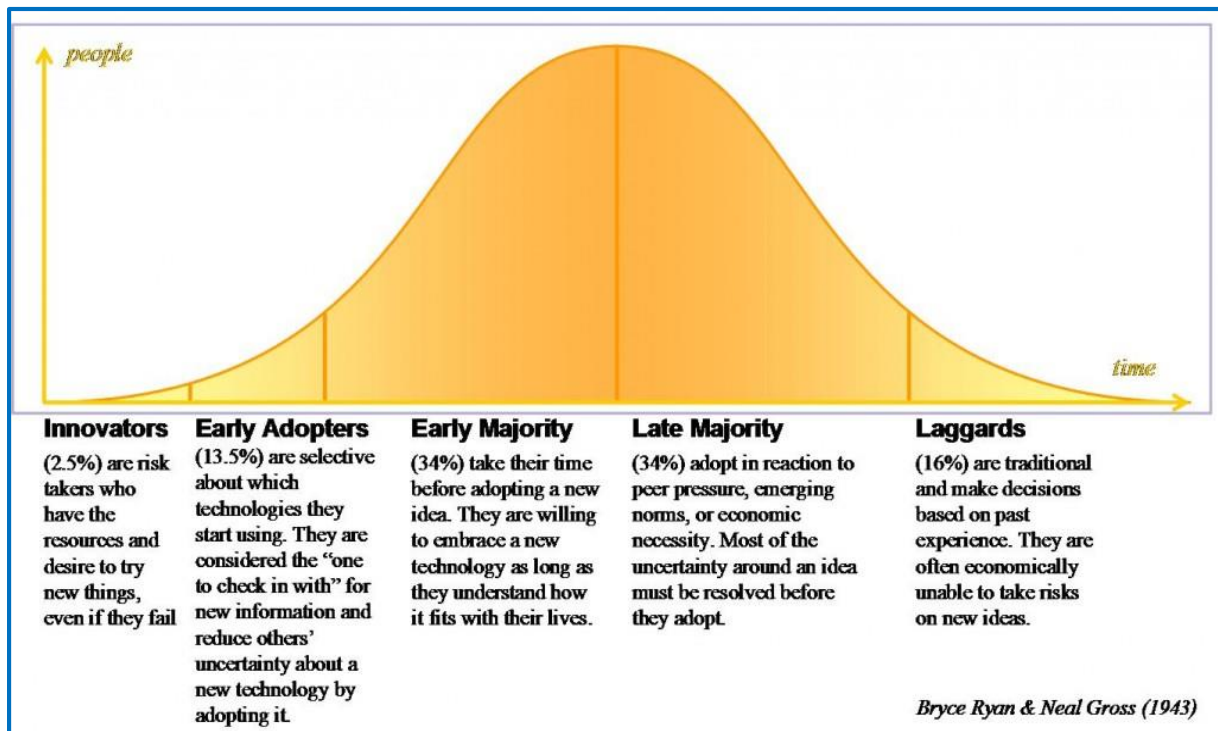


Figure 13 – Attitude towards Purchase.

As a consequence of Roger’s Curve, the accumulated demand tends to follow the following path, where the Time to fulfill each stage is somehow correlated with the product innovation:

For a Startup company it is deemed necessary to start profiting as soon as possible. Due to this fact, the “Standard Family” of products will be produced and available as part of the Family Range. This Family of products is able to provide a high manufactured quality as well as an appealing design – Meaning that it provides to the customer almost the same value proposition as our main competitors products;

If we consider that the customers chose their mainly based on the Price Vs Value dilemma, and he has neglectable switching costs, it makes sense to consider that all the time to fulfill the first 3 stages of Roger’s curve is smaller than it would be for the Concept Families “Customizable” and “Personalizable”;

Bearing all this factors in mind, the Standard Family of products will be created with the sole purpose of providing an earlier revenue stream that would be channeled in order to support all the operations and the remaining families of products.

### **C. Third Strategic Objective regards the designers and “Elite Circle” usage.**

In order to develop any product a design is required. This can be a crucial factor for the price determination. Usually companies hire a well known designer and hope that they create a product that would fulfill the cultural and social needs that should be realized within the next season’s.

Since AdP is a startup company, investing in well known designers is something out of question. Firstly because the costs are high, meaning that a huge part of the investment would have to be done on the shoe design disregarding other product attributes, as fitness to use or raw material quality. Secondly because a well-known designer is unlikely to want to be connected with a startup company, usually they prefer established companies that can provide reputation.

For this reason AdP aims to create an Elite Circle, an unofficial committee composed by people that will have different backgrounds and experiences but similar capacity to foresee weak signals regarding cultural and social changes. The sole purpose of this “Circle” will be the discussion and selection of AdP collections. They will provide feedback on the pipeline products as well as being stimulated to give input regarding new trends.

As a consequence of such circle, AdP doesn’t need to be connected directly to a unique designer. The filter created with such committee allows the possibility to have freelancers, willing to collect an initial fee for their products as well as variable fee depending on sales volume.

This approach, towards the shoe designing’s, creates a certain economic flexibility regarding the AdP rump up phase; While the “Elite Circle” decreases a risk of having flop products.

## 5. Operational Plan

### 5.1. Headquarters

Since the main market is the Portuguese Market, it seems logical to establish the company headquarters in the country; Nevertheless, there are other factors that corroborate the location choice, for instance:

- Portugal is positioned in the “Iberic Peninsula”, having bounds with Spain, as well as, with Portuguese speaking countries such as Brazil, Angola;
- A new and vast network of highways that allows to cross Portugal (from south to north) within 9 hours;
- The Portuguese manufacturing cluster, in particular the shoe cluster and related raw materials, is very strong and competitive. Being the 2nd worldwide right after Italy and very distant from the 3th, France;
- Portugal is member of European Monetary Union. This allows rights regarding international trading within European Union members, as well as, the same currency as the main members;
- Due to Investment Incentives proposed by the Portuguese government, companies can hire workers paying only 20% of the wage, the remain salary is financed by the government.

The precise location of AdP will be in Alcanena, a village in the center of Portugal. This village distances 100km from the capital city, Lisbon, and 230 kms from the second biggest city, Porto. Alcanena is also right next the main highway A1( connecting Porto and Lisbon) and A23 (connecting Alcanena to Madrid).

This village is well known for the Leather Industry cluster, allowing a close distance between the company headquarters and raw material providers. The Shoemaking is within a 200kms radius.

The most important factor for the selection of Alcanena as the main Headquarters location regards the fact that it is possible access an office without paying any fee or rent. Since AdP is a startup company, and taking into consideration the sourcing highway network, Alcanena seems the best place to establish the company.



Figure 15. Country: Portugal



Figure 14. Precise Location: Alcanena



## 5.2. Key Processes

### 5.2.1. Designed for Production

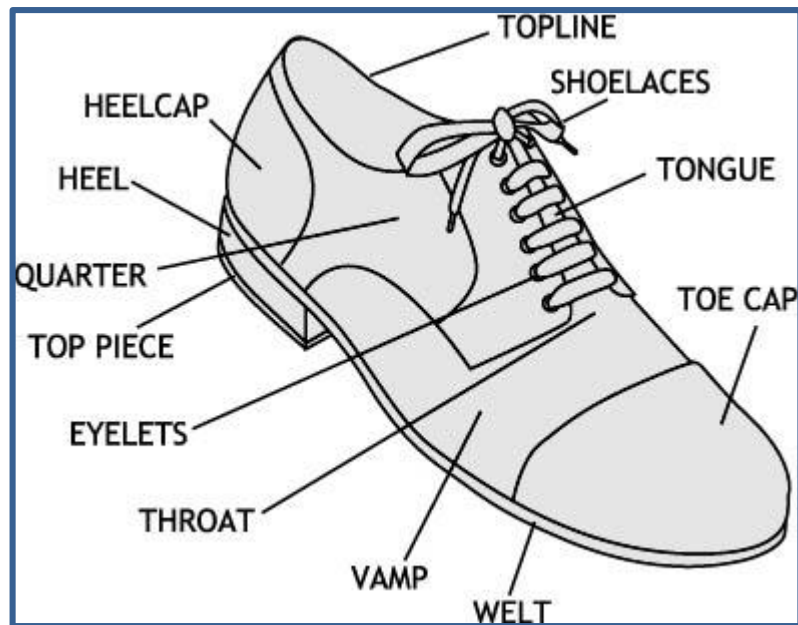


Figure 16- Shoe Construction Modules.

By designing such a product bearing in mind a Modular Design, it will be possible to change the color of the “TOE CAP” or the “HEEL CAP” without increasing the level of product assemble complexity; Since the Leather must be cutter and sewed, it is not critical to change the “Toe Cap” leather color since all the following assembled and construction phases don’t depend of the color of the product.

The “Standard” and “Custom Fit” range of products will not provide an higher complexity regarding the product production. In fact it will be possible to create the “Standard” family of products using a **Make to Stock operational approach**- Since all the products will have no differentiation it will be possible to have runs of the different sizes and stock them in warehouses.

“Custom Fit” Family of products can also benefit from a Make-to-Stock operational approach. The main difference from this family of products to the “Standard” regards the wider range of available sizes, and the possibility to combine different sizes, of the same product, for both feet’s. Although this is not the pursuit Operational Strategy, it will be possible to create a smaller inventory in order to couple with demand variations while providing the same service level and having a smooth supply chain.

Ideally the pursued operational strategy will be the “Assembled to Order”, since it allows the company to bear less inventory costs and at the same time produce the products based on actual Orders and not based on Demand Forecast. Eventually it will allow a more lean production system and lower inventory.

The Main Operational complexity urges due to the personalized family of products. Since the customer will be able to select some colors regarding specific modules of the shoe, the operational strategy embed will

be “Assemble to order”. Although this is the preferred operational strategy for the “Custom Fit” product option, the main difference tackles the fact of not having possibility to bear inventory regarding the personalized products. Due to this fact the operational complexity increases since the company wants to provide a stable and high service level. As a conclusion there will not be any finished product inventory for this family of product, this means that there is no possibility to couple with a demand variation. The only solution regards a Reactive Supply Chain- A supply chain that can couple variations due to a certain degree of flexibility that allows to provide a prompt response to change.

#### **A. Design For Mass Customization and Modular Design**

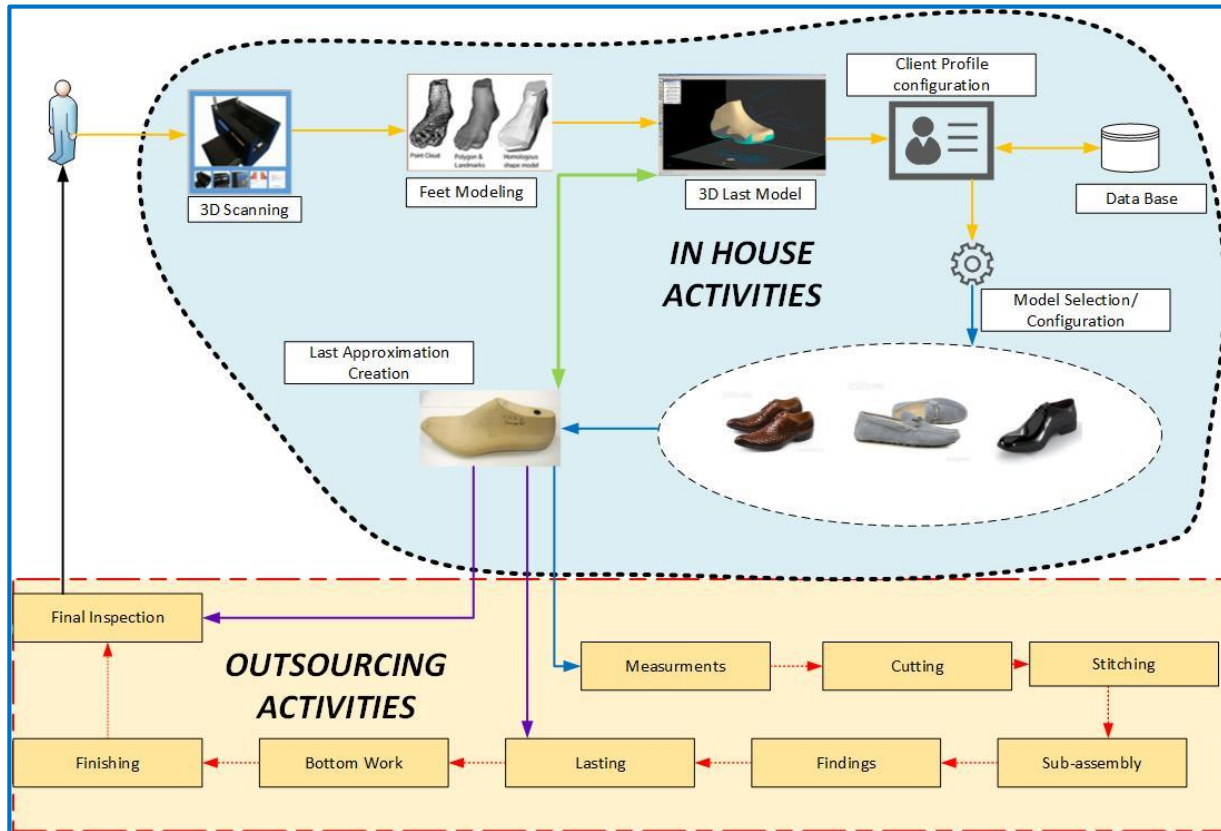
**Mass Customization** allows a company to provide a wider range of products to the market (a certain degree of customization), while not losing the benefits of a standardized product. There are two ways to pursue mass customization. The first is related with **Delayed Differentiation**- the process of producing but not finishing the product, the product shall be only finished when the customer specifications are known; The main economic benefits is tied with the standard parts and process existent until the Customization option [EX: The color of a Car – The car is built following a standardize process and the color is on hold until the customer selects the preferred one.]; The second production strategy is connected with a **Modular Design Approach**, Modular design allows to create a product by assembling different modules, a certain degree of customization appears due to the easy replace and change of such modules, creating a customized product [Ex.: Dell computers, allows you to create your own device taking into consideration the combinations between processor, memory and graphical card needs. The final product is created through the assemble of those different modules.].

The products proposed by “Alfaiate dos Pés” will follow a modular design approach.

By pursuing a Modular Design strategy it is possible to benefit from the main advantages of a Pure Standardization approach, while avoiding its main drawbacks. In the case of “Alfaiate dos Pés Business Model”:

- **Main Advantages:**
  - Reduced training costs and time;
  - More routine purchasing, handling, and inspection procedures.
- **Extra Advantages due to a Modular Design:**
  - Higher level of product customization;
  - Ability to provide Personalization.
- **Disadvantages:**
  - Module configuration doesn't allow a high number of possible configurations;
  - Inability to disassemble a module in order to replace a faulty part might imply product becoming scrapped.

## 5.2.2. The basic operational cycle of the Final Product (with customer interaction for “Custom Fit” and “Personalized”)



- Represents the initial steps that the Customer must perform in order to be able to use “Alfaiate dos Pés” Custom-made-products. After having the Profile created, the customer can access the Database and start performing the “Configuration” stage while ensured that the shoe will match his size specification.
- The green arrow represents the connection between the “3D Customized Lasting Model” and the “Approximated Physical Lasting”; In order to smooth the production complexities, there will be an approximation between the 3D Last and the Real Last used, this will allow the use of Modular Design techniques and benefit from scale economies while providing a certain degree of customization.
- Represents the buying/Ordering Process stages. The After receiving the purchase order a “Last” should be created, and the measurements regarding leather consumptions and feet size will be delivered to the Outsourced Company that will create the shoe accordingly with specifications
- Purple arrows represent control activities performed in the Shoe. This way it will be possible to access if the specifications were fulfilled; after that the shoe will be delivered to the customer.

Figure 17- Business Main Activities .

First, since “Alfaiate dos Pés” will be a startup company, having all the manufacturing conditions would imply higher costs, higher complexity and a deep consolidated knowledge regarding the Shoemaking processes.

Secondly, by having all the physical production using outsourcing, this will enable the company to focus its resources on its main core business, allowing the company to interact with their customers in order to figure out new ways to provide higher value products.

### 5.3. Main Resources

*“3D Scanners; 3D Last Software; 3D Shoe Modeling Software: It is a critical resource since it will jeopardize the execution Custom and Personalized shoes. Technical knowledge and training will be required. It is the use of such technology that will allow the creation and execution of the concept while having a relative small Lead-Time and low number of “fittings”. It is also the main competitive advantage regarding Online Sales.”*

3D CAD and Scanner software is already widely used in the Shoe Making Industry. The producers use this software to compute, not only for the designs of the shoes, but also for the assemble and Bill of Materials required for each module that shall complete the product.

This type of technology also allows to improve the Cutting Process efficiency, since it is possible to use laser/water cutting machines that when combine with the CAD projections, allow to optimize the raw material consumptions due to the upload of each module size.

**The idea underneath the usage of this 3D scanner and CAD software, Is to incorporate a technology already used and master at Production System level, and use it in order to become a competitive advantage and a source of Service Level and Customer Satisfaction.**

Nowadays few companies produce the 3D feet Scanners. The major part of those scanners are used in order to provide orthopedic specification for medical purposes. As a consequence, such scanner allows an outstanding accuracy in terms the technology providers, allow to purchase not only the hardware but also the required software to access all the measurements required.

“Alfaiate do Pés” doesn’t aim to produce any kind of orthopedic shoe that follows a medical purpose, nevertheless the type of technology used in this situations is the one that the company seeks, since it will allow to have a clear idea of all the customer feet size specification.

The main benefits with the expansion of this technology from the Operational System to the Sales and Marketing areas are the following:

- Higher control on the customer feet specifications;
- Reduce in time regarding Engineering/Design and development of patterns;
- Higher perception of the final product before prototype creation (Lower investment and Risk in terms of product development);
- Possibility of easy integration between the customer specification, designing and production. Eventually allowing smaller lead times and increase in variety options.

Designers- Following a Modular Design Approach: The modular Design is the operational Key strategy that will allow to introduce our Business Concept while taking advantage of, relatively, short lead times.

## 5.4. Human Resources

**Table 8 – Required Human Resources & Skills.**

ROLE	Academic Specifications	Number of Workers	Location	Training / Personal Material
Quality and Operations Manager	Industrial Management Engineer	1	Headquarters	YES/ YES
Logistics and CRM Manager	Industrial Manager Engineer	1	Headquarters	YES/ YES
Sales and Marketing Manager	Marketing/Management	1	Headquarters	YES/ NO
Sales Force	High School or superior	4	Store	YES/NO

**Quality & Operations Manager** – He/She will be responsible to coordinate the outsource products quality and specifications accordingly with the required ones; He shall perform continuous improvement techniques in order to improve efficiency; He/ She will be responsible to coordinate the Operations in order to assure the required Lead Times, pursuit scale economies and foresee specific families of products forecasts.

**Logistics and CRM Manager** – He/She will be the close bound with the supply chain, will endeavor towards Pull Supply chain strategy and foresee the decouple point required for the “Standard Family of Products”. He will also be held responsible for all the Inventory and Transportations requirements. He will be the point of contact between AdP and the customer, performing a close Customer Relationship Management.

**Sales and Marketing** – He/ She will be held responsible for sales analysis and promoting marketing efforts in order to increase them. He/She will deal with all the marketing efforts required in order to promote the both brand and improve sales revenues.

## 5.5. Key Suppliers

### 5.5.1. Delcam Crispin

*"...Delcam is one of the world's leading suppliers of advanced CAD/CAM solutions. Delcam's range of design, manufacturing and inspection software provides complete, automated CAD/CAM solutions, to take complex-shaped products from concept to reality..."* in Delcam factsheet, August 2012.

Delcam offers the possibility to pass from concept to reality by using its products and services. The company is highly specialized in software for design and modeling, in particular, for the shoe industry. Nevertheless the company enable solutions regarding 3D scanners. This scanners allow to create an effective customer's feet molde.

Due to the strategic importance, both for the shoe desing and 3D scanner and 3D CAD software, Delcam will be one of the main Key Suppliers, with which a close relationship would allow the creation of 2 main product families:

- Personalized and Customized Shoes: That are srongly dependent and correlated with the 3D scanner and Design software.

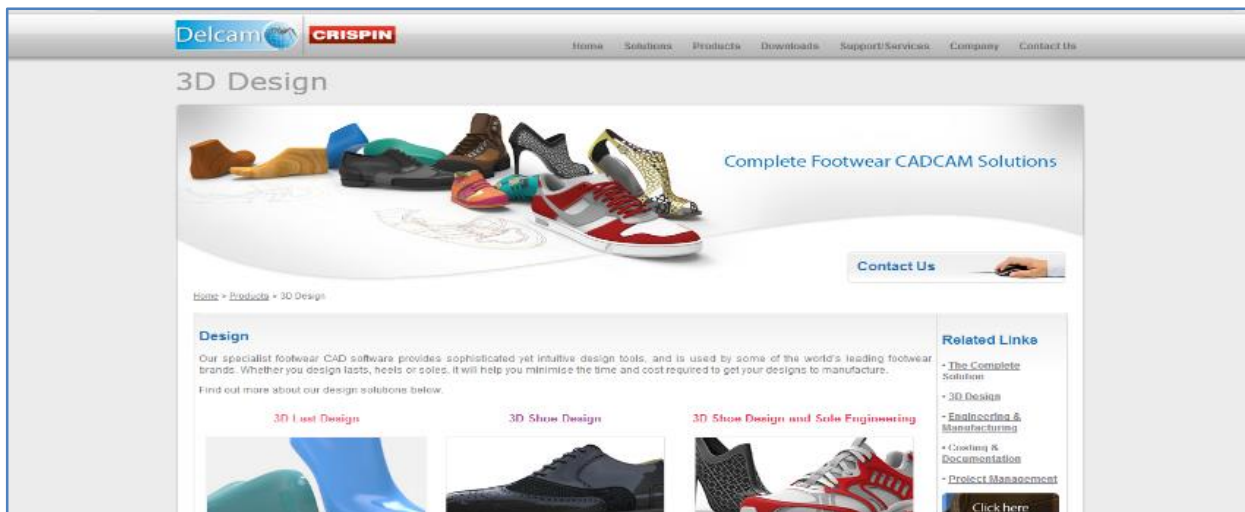


Figure 18- Delcam Website.

## 5.5.2. Jomarpi, SA

A Shoe Production company established in Benedita – 20kms from Alcanena [AdP Headquarters], allows the possibility to become a key partner due to production outsourcing. The company is Highly specialized in man and women shoes, operating in the market since 1954. In 2000 they started using 3D CAD Software in order to optimize production stages, as well as, for the designing of their products. Jomarpi is also enabled with both, ISO 9001 and a Laser cutting machine - which allows to optimize the cutting process taking into consideration the shoe components export from the CAD design; Since AdP will outsource its products manufacturing activities, Jomarpi SA will be the key supplier. The existent experience in the market allow it to became a key partner regarding production techniques and trends, as well as, taking advantage from Economies of Experience and its Inbound Supply Chain.

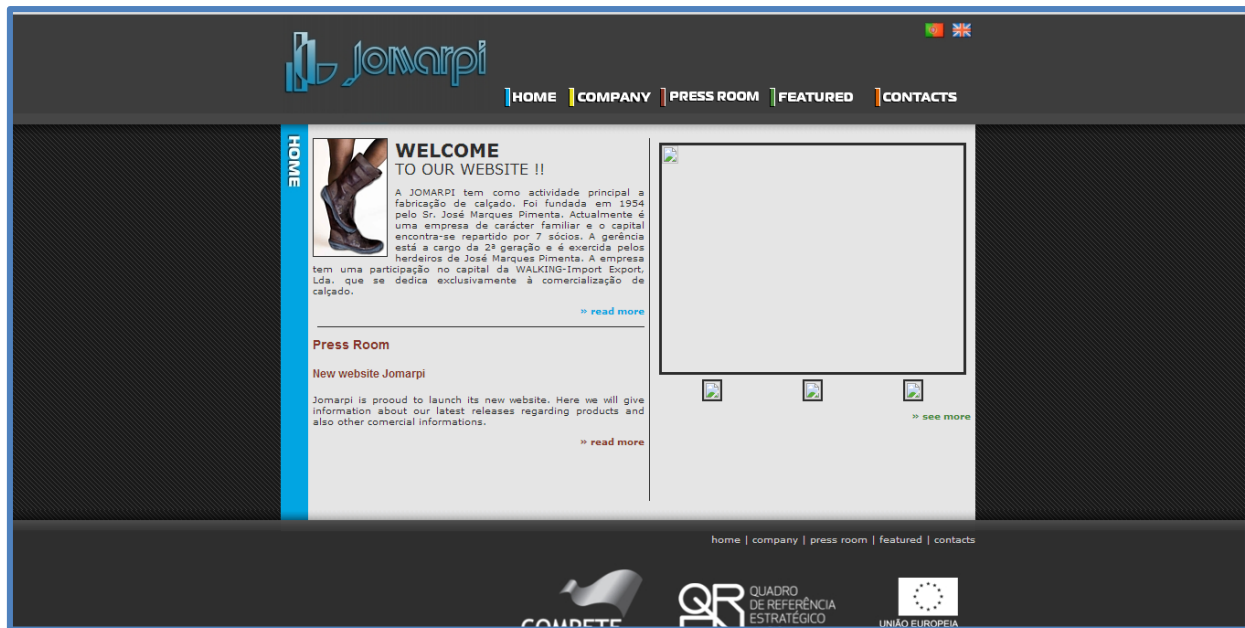


Figure 19- Jomarpi SA Website.

### 5.5.3. A. Vizinho Lopes Lda

Technical Consultant Company for the Leather Industries. As a part of the main goals, A.Vizinho Lopes invests heavily on product innovation. Being one of the top Portuguese consultancy companies in terms of innovation and fashion trends for the leather business. Due to close bounds between “Alfaiate dos Pes” and A. Vizinho Lopes, main synergies might disrupt; The close relation will allow to have insights in terms of new trends and fashion applications that can be used in the shoe production, as a result, a competitive advantage for AdP designs might appear. On the other hand due to more than 13 years of experience in consultancy, the A.Vizinho Lopes is available to work closely with AdP in order to enable preventive quality techniques and controls regarding leather production, the main and most critical raw material used within the shoe construction – reducing significantly the risk for AdP.

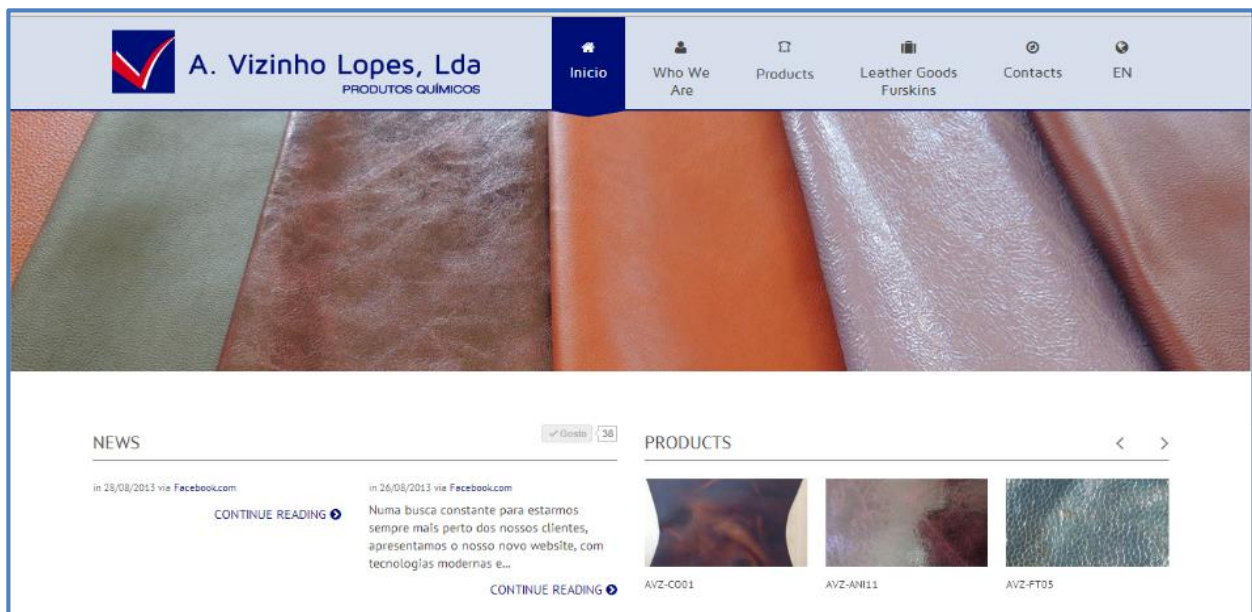


Figure 20- A.Vizinho Lopes Lda, Website.





## 5.6. First cut Evaluation

<i>Shoe Prototype Development (Per size/Shoe)</i>	<i>Price UNIT</i>	<i>Nº of items required</i>
Last	70 €	1
Prototype Creation (Per shoe and Size)	200 €	1
Cutters	50 €	5
Raw Material Avg Pack cost(Lethear Insoles, laces...)	30 €	1
Design Costs (Per Shoe)	250 €	-
<b>Total Prototype development costs (Considering 1 Shoe,1 size per Design)</b>	<b>800 €</b>	-

<b>Mass Production Unitary Cost</b>		
<i>Outsourced Production Cost (per shoe) + Transportation to Warehouse+ Shoe Box + Production Prototype [withouth Design]</i>		
<b>Standard Family</b>	<b>Customized Family</b>	<b>Personalized Family</b>
<b>45 €</b>	<b>50 €</b>	<b>55 €</b>

<b>Number of Lasts Required for production</b>									
<i>Size</i>	<i>Nº Of Units</i>	<i>Size</i>	<i>Nº Of Units</i>	<i>Size</i>	<i>Nº Of Units</i>	<i>Size</i>	<i>Nº Of Units</i>	<i>Size</i>	<i>Nº Of Units</i>
35	3	37.5	3	40.25	3	42.75	3	45.25	3
35.25	3	37.75	3	40.5	5	43	5	45.5	5
35.5	3	38	5	40.75	3	43.25	3	45.75	3
35.75	3	38.25	3	41	5	43.5	5	46	3
36	3	38.5	5	41.25	3	43.75	3	46.25	2
36.25	3	38.75	3	41.5	5	44	5	46.5	3
36.5	3	39	5	41.75	3	44.25	3	46.75	2
36.75	3	39.25	3	42	5	44.5	5	47	3
37	3	39.5	5	42.25	3	44.75	3	Total Lats Required 174	
37.25	3	40	5	42.5	5	45	5		

		<b>Amortization within 4 years</b>			
Total Investment in Lasts	12,180.0€	3,045.0€	3,045.0€	3,045.0€	3,045.0€
Total Operational Costs to launch 2 Catalogues	66,610 €	-	-	-	-

## SOFTWARE AND SCANNER

<i>Delcam Costs</i>	<i>Training</i>	<i>Product costs</i>	<i>Maintnance</i>
3D Software	0	EUR 20,000	0
3D scanner	0	EUR 30,000	0
<b>Total Delcam Costs</b>			<b>50,000.00 €</b>

	<b><i>Depreciations Rate 25% for a 4Years Lifetime</i></b>			
Year N°	1	2	3	4
Value Depreciation year (COST)	12,500.00 €	12,500.00 €	12,500.00 €	12,500.00 €

*AdP was able to negotiate maintenance and training as part of the Delcam Software and Hardware Product Package; This way all the Investment required would be the machinery and software, the reaming maintenance and training would be provided, during 4 years, without encoring in an extra costs.*

Human Resources										
Position	Skills	Special Conditions	Gross Wage (€)	Government Subsid	Extra (Lunch Subsid.)	Social Security Contributions	Total Cost Month (1 <sup>o</sup> Year)	Total Cost Month(After 1 <sup>o</sup> Year)	Training and Personal Equipment (Year)	
Quality and Operations Manager	Industrial Management Engineer	Internship (1 year Contract)	691.713	80% of Wage	4.27€ Day	21.50%	€ 287.06	€ 1,343.94	3,500 €	Government Subs. Expires after 1 year, gross wage of 1000€ was then considered
CRM Manager /Sales Manager	Industrial Management Engineer	Internship (1 year Contract)	691.713	80% of Wage	4.27€ Day	21.50%	€ 287.06	€ 1,343.94	3,500 €	
Marketing	Marketing	Internship (1 year Contract)	692.713	80% of Wage	4.27€ Day	21.50%	€ 287.48	€ 1,343.94	3,500 €	
Sales Worker	High School or superior	Internship (1year Contract)	691.713	80% of Wage	4.27€ Day	21.50%	€ 287.06	€ 287.06	1,000 €	Promote New Internships every year
Sales worker	High School or superior	Internship (1year Contract)	691.713	80% of Wage	4.27€ Day	21.50%	€ 287.06	€ 287.06	1,000 €	
Sales Worker	High School or superior	Internship (1year Contract)	691.713	80% of Wage	4.27€ Day	21.50%	€ 287.06	€ 287.06	1,000 €	
Sales worker	High School or superior	Internship (1year Contract)	691.713	80% of Wage	4.27€ Day	21.50%	€ 287.06	€ 287.06	1,000 €	
	<b>Total Costs Human Resources 1<sup>o</sup> Year</b>			<b>Total Costs Human Resources After 1<sup>o</sup> Year</b>						
<b>TOTALS</b>	42,637.78 €			82,002.86 €						

**Human Resources Considerations:** The Subside provided by the government for Internships only lasts 1 year; for this reason AdP will maintain the key human resources and will promote new internships for Sales Workers. This fact will increase the wages and the Human Resources costs.

<b>HEADQUARTERS COSTS</b>						
<i>Furniture (Headquarter Costs)</i>		<i>Total price per item</i>	<i>Product REF</i>	<i>Sizes(cm)</i>	<i>Nº Units</i>	<i>Unit Price</i>
<b>IKEA</b>	Carpet	73	200.864.89	200*300	1	EUR 73.00
	Table 6people	250	598.628.60		1	EUR 250.00
	Desk	70	501.800.46		1	EUR 70.00
	6 Lamps	108	598.982.65		6	EUR 18.00
	Desk Lamp	32	603.701.83		4	EUR 8.00
	Desk Chair	43	901.965.97		1	EUR 43.00
<b>STAPLES</b>	White Board	104	731458	90*120	1	EUR 104.00
	Pens for the board	20	232170		1	EUR 20.00
<b>IKEA</b>	Wall frame	15	402.316.21	56*56	1	EUR 15.00
	Wall frame	10	802.090.72	50*70	1	EUR 10.00
<b>Electronic Equipment</b>						
<b>STAPLES</b>	Electric plug-ins	6	670865	3m	2	EUR 3.00
<b>Office consumables Initial Costs</b>						
<b>STAPLES</b>	Paper	3.8	440570	A4 500sheet	1	EUR 3.80
	Clips	2.19	704821	120 clips	1	EUR 2.19
	post-it	4.49	759993	75*75	1	EUR 4.49
<b>IKEA</b>	Folders	7	601.532.50		1	EUR 7.00
<b>STAPLES</b>	Dossiers	11	479154	5dossiers	1	EUR 11.00
	Splitters for dossiers	5	87327		5	EUR 1.00
	plastic covers	3.6	98658		1	EUR 3.60
<b>IKEA</b>	Glass for pens	3	401.909.32	2units	1	EUR 3.00
	Bin	3.99	801.532.54		1	EUR 3.99
	Paper2	1.5	792064		1	EUR 1.50
	Board	15	500.892.31	48*71	1	EUR 15.00
	Paint for the office	150				
<b>TOTAL INVESTMENT</b>			<b>945.74 €</b>			

Mensual Costs		Unit costs		Total Costs
Estimate	Water	50 €	1	50.00 €
Estimate	Electricity	50 €	1	50.00 €
ZON -Micro Enterprise	Internet + phone+ TV	50 €	1	50.00 €
RENT	Free of charge	0	1	EUR 0

Total Costs(for the year)	
Variable Costs	1,800 €
Fixed Costs	236 €
<b>Total Year Costs</b>	<b>2,036.44 €</b>

Depreciation Rate 25% Year (Year Costs)			
1	2	3	4
236.44 €	236.44 €	236.44 €	236.44 €

<b>STORAGE AND FACILITIES</b>							
Item	Location	Rent( Mensal)	Area	Furniture/Develop.	Ensurance/water/electricity and Other costs	Total Investment	Total Operative Costs Year
<b>Sales Point</b>	Lisbon	4,000 €	50 m <sup>2</sup>	7,500 €	1,000 €	7,500 €	60,000 €
<b>Virtual Store</b>	Online	0 €	0	10,000 €	500 €	10,000 €	6,000 €
<b>Storage Units</b>	Vila Moreira (Alcanena)	0 €	150m <sup>2</sup>	0	0	0	0

	Online Store Depreciation			
Year	1	2	3	4
Virtual Store Cost Year	2,500 €	2,500 €	2,500 €	2,500 €
Sales Point	1875	1875	1875	1875
<b>Total Depreciation for the year</b>	<b>4,375 €</b>	<b>4,375 €</b>	<b>4,375 €</b>	<b>4,375 €</b>

**First Cut Evaluation Total Fixed Costs (YEAR) 149,687.78 €**

**Total Investment Required 80,625.74 €**

## 6. Marketing Plan

### 6.1. Segments and Targets

In order to understand the segments where “Alfaiate dos Pés” can have a competitive value proposition, a Two Stages Heuristic Approach was used.

The **Two Stages Approach** is a Heuristic Method based on the marketer experience (in this case **Experts experience were used** – Mainly Shoemakers, Leather industry clusters entrepreneurs and shoe sales personal); In particular this method generates an Hierarchy that has its branch Levels separated: a 1º level differentiation ,that regards demographic and operational variables, and a 2º Level differentiation regarding behavioral variables;

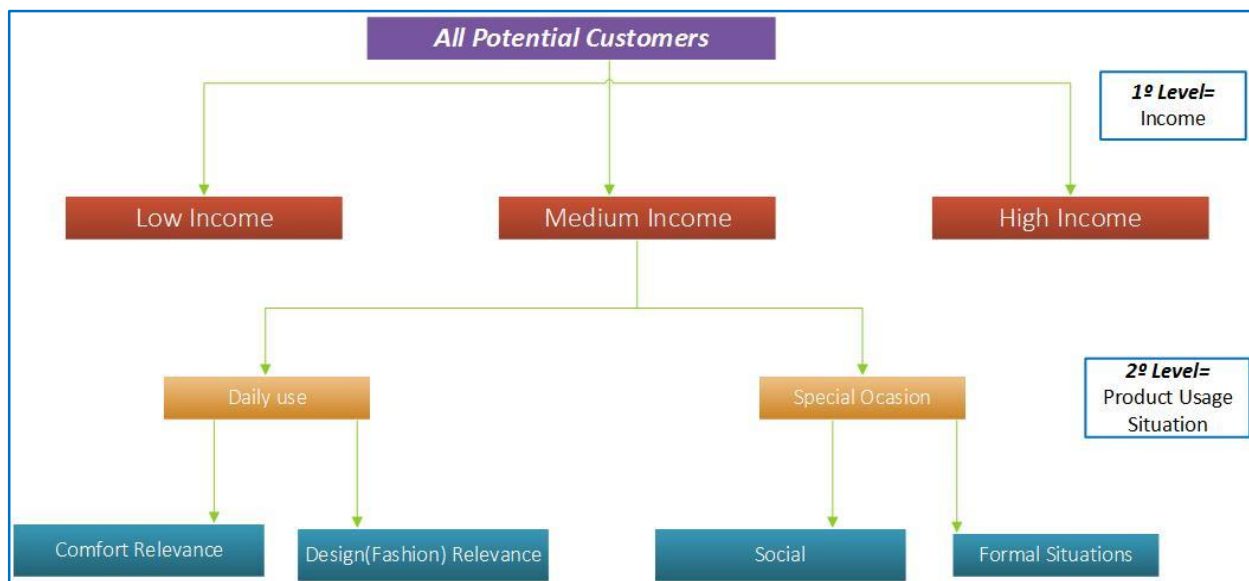


Figure 22 – Primary Market Segmentation.

#### 6.1.1. 1º Level Rational

The rational used in order to perform the 1º level differentiation was the income. The income is one of the main sources of differentiation between products, mainly in the shoe market, it creates a separation between the Product Manufactured Quality, Design and appearance, Comfort- Fitness to use and brand. Due to this facts a Medium Income was selected.

- The medium Level income allows “Alfaiate dos Pés” to explore a wider demand while having the possibility to deliver its values proposal through its products. As a consequence of medium income, we can expect a certain social level and customer type of occupation, that create a more propitious conditions for a success implementation regarding the company concept- For instance not only this

segment of customers is able to afford our products, as well as it has the culture and education required to try our products and successfully understand the concept.

### 6.1.2. 2<sup>a</sup>Level Rational

For the 2<sup>o</sup>Level differentiation the used rational was the Product Usage Situation, witch branched into 2 main segments:

- **Daily Use:** This segment regards the type of customer that is looking for a shoes that intends to have a daily purpose, for instance for working. For this customer there is two main micro-segments, either he seeks for a highly comfortable shoe or he is aiming for a Fashion designed driven one;
- **Special Occasion:** A segment that regards special situations, for instance a dinner, a party or a formal situation such as a wedding or a business dinner. It was possible to find two main micro-segments, a micro segment where a higher relevance is given to social events (such as a party or a dinner) and another micro segment where a specific formal situation would be the main purpose (for instance a wedding or a specific business meeting).

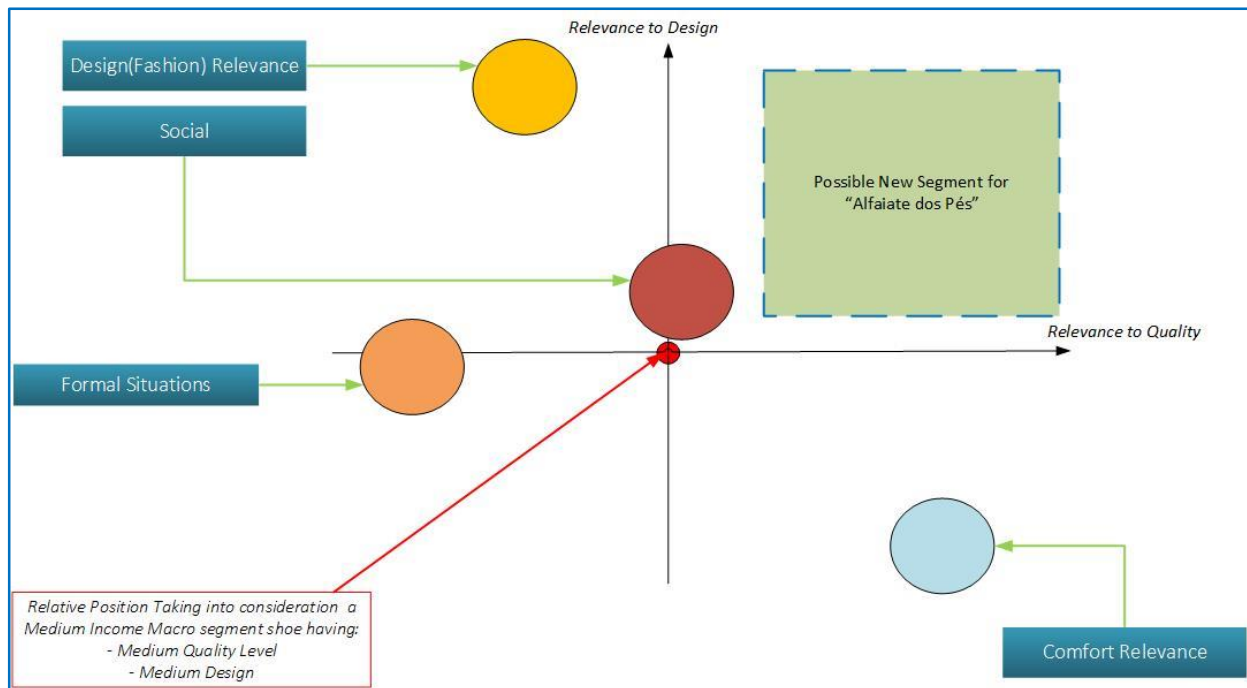


Figure 23. Relative Perception Map

The perception Graphic was created bearing in mind a neutral position, this neutral position would represent a product having a **medium Quality**- meaning both fitness to use, Manufacturing standards of quality; and a **Medium Design**- meaning effort on following latest fashion trends.

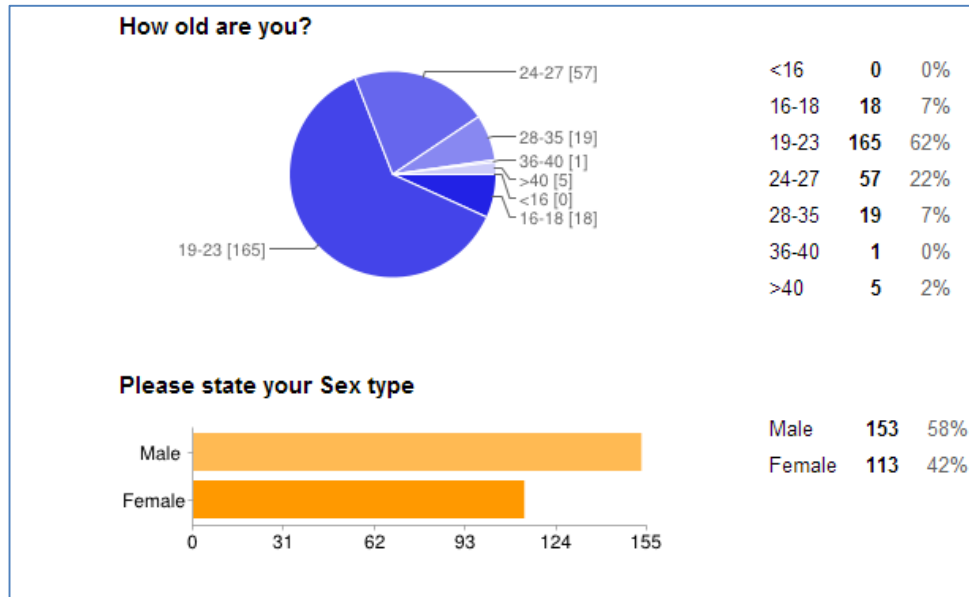


In order to analyze the main market segments and consumer behaviors a survey was conducted. This survey intended to understand the buying and consumption behaviors within the Portuguese shoe market, AdP main target.

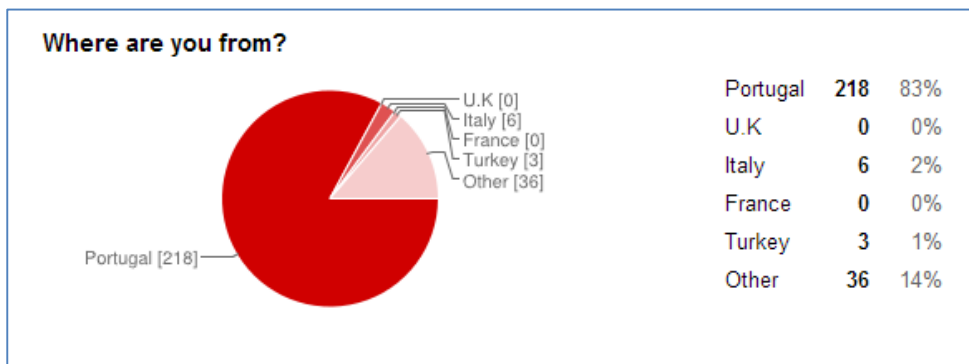
The Survey was divided in 4 main areas: Personal Details, Consumer Behaviors part1, Buying online experience, Consumer Behaviors part2; The main data gatherer was the following;

- **Personal Details [Data Resume]:**

**Graphic 2 – Survey Data Analysis, Age and Sex.**



**Graphic 3- Survey Data Analysis, Location.**



From the graphics above two main conclusions can be drawn. The first one regards the age- 91% of the answers were collected among people within 19-35 years old. This fact increased the survey relevance, since AdP is proposing a product that due to its concept, its more likely to be widely accepted within this age audience. The second conclusion regards the market- 218 answers were collected within the

Portuguese geographical area, corresponding to 83% of all answers given; This creates the possibility to have a broader glance at the shoemarket that AdP is aiming to be established.

Bearing this facts in mind, a filter was created in order to have a better understanding of the most relevant market – the Portuguese one. The most Strategic relevant questions were selected and analyzed in order to develop some key figures such as “Market Size”, Avg price, Avg nº of purchases year.

**Table 9- Average Price Spent on Shoes.**

How much money do you usually have to spend on each pair of shoes?	COUNT	%	Considered Range prices [Underestimated]	Weighted Prices
>20	15	0.07	20	1.40
20-30€	36	0.17	25	4.19
30-40€	39	0.18	30	5.44
40-50€	34	0.16	40	6.33
50-70€	45	0.21	50	10.47
70-100€	33	0.15	70	10.74
100-120€	7	0.03	100	3.26
120-150€	3	0.01	120	1.67
150-200€	0	0.00	150	0.00
200 €	3	0.01	200	2.79

<b>AVG Pair of Shoe Price (underestimated)</b>				
<b>EUR 46.28</b>				

**Table 10 – Average Number of Pairs of shoes bought per Year.**

How often do you buy Shoes?	COUNT	Nº of Equivalent Pairs of shoes/ Year	Relative Weights	% x NºPairs
Once a week	0	0	0.000	0
Once every two weeks	1	15	0.005	0.070093
Once a Month	15	12	0.070	0.841121
Once each Season	154	2	0.720	1.439252
Twice each Season	44	4	0.206	0.82243

<b>AVG Nº Purchased Shoes Year [Based on the survey] = 3.2</b>				
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**Table 11- Population distribution regarding overall market and Segments.**

Market SIZE	Nº Males	NºFemales	TOTAL Market
Potential Market - All Portuguese Population	4,995,697	5,491,592	10,487,289
Segment Market- Portuguese population within 16-40 years old	1,527,462	1,561,385	3,088,847

**Table 12- Total Segment Market Value.**

	<b>TOTAL MARKET SIZE = AVG PURCHASE YEAR x MARKET SIZE x AVG PRICE</b>			
	MARKET SIZE [Pop]	AVG PURCHASE YEAR	AVG PRICE	TOTAL
Potential	10,487,289	3.2	46.28 €	1,553,125,552 €
Total Segment	3,088,847	3.2	46.28 €	457,445,885 €

From the previous table analysis we can understand that the Overall Market segment, that might fit within AdP Business idea, is worth around 457.455.885 €/year.

**The market value analysis did not contemplate the Online sales.** This is due to the fact that, in order to be able to deliver the entire AdP concept – based on customized and personalized shoes; It requires that the customer visits our physical store so he can provide us his feet's measurements.

**Graphic 4 –Survey Data Analysis, Online VS Onstore purchase.**



**As a consequence it is very unlikely that within the first year, the online sales market becomes a strong revenue stream.** For this reason, and in order to compute all the costs and possible revenues, I decided to not include the Online Sales. **Eventually the online sales, meaning sales Extra-Portugal, will become a relevant revenue stream for AdP, but for the first year revenues and forecasts it is wiser to consider only National Sales.** However, for the remaining years considered in the Financial statement analysis Online purchases will be considered – mainly in order to smooth the forecasts, i.e: ]

assumed that a decreasing national demand would be balanced by an increase of exportation, this way maintaining the overall monthly sales constant.

Taking into consideration that all the production will be outsourced, even if there is a higher online output, the supply chain will be able to accommodate extra capacity required (a fact that was ensured by the main key suppliers).

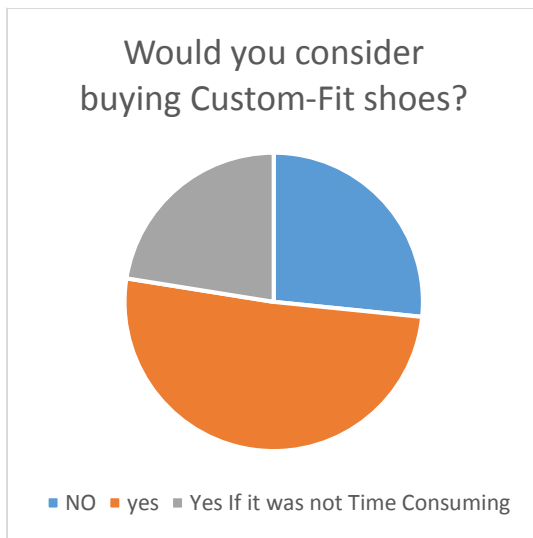
An online sales platform will be considered within the operational plan. This online platform will allow economies of scale even in case of an online urge for AdP products.

## 6.2. Revenues Forecast

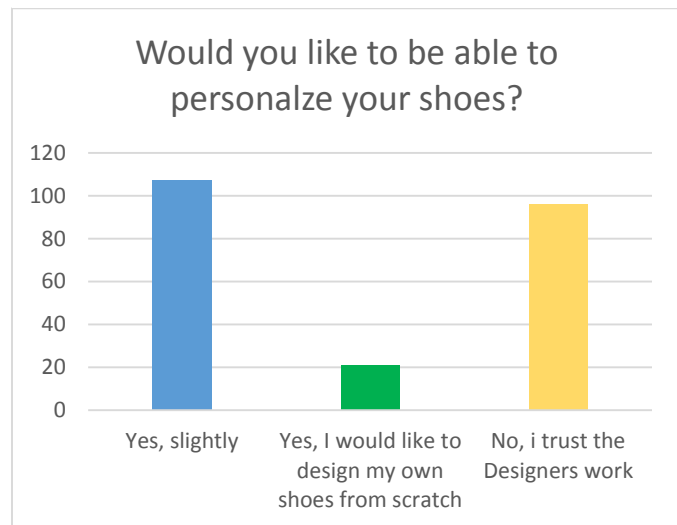
### Assumptions

In order to forecast the revenues, a product mix regarding revenues was created. This product mix changes along the year – since it is expected that the AdP concept spreads (Roger’s Curve) and more customers want to experience the not so traditional families of products - Customized and the Personalized;

**Graphic 6 -Survey Data Analysis, Customization.**



**Graphic 5- Survey Data Analysis, Personalization.**



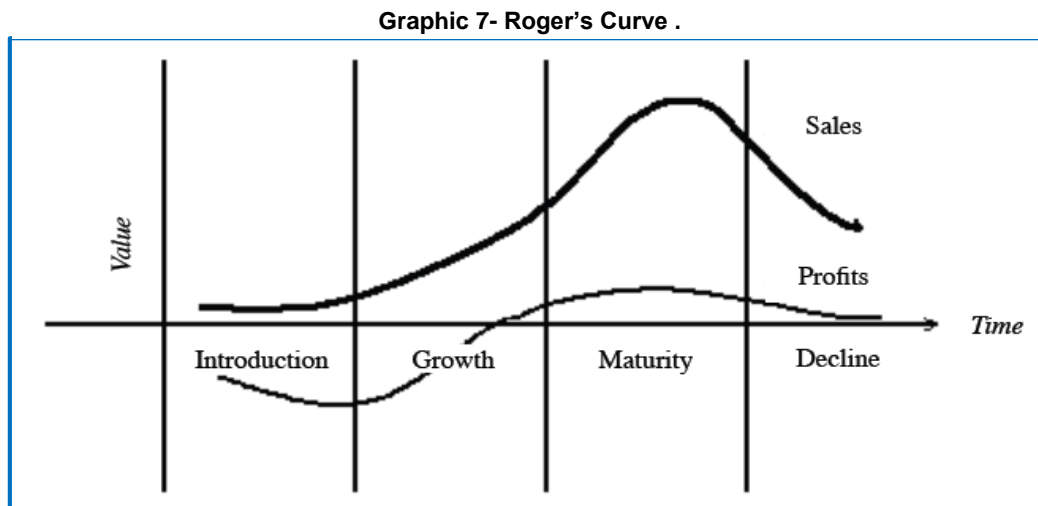
It is also assumed that since there are 3 different families of products, each one with a different product life cycle curve, an equivalent Product, composed by the mix of both 3 families, could be considered for numerical assessments.

In order to analyze both , the behavior of Roger’s Curve influence, as well as, the changes in the relative sales weights regarding each family of products, 4 Equivalent Product Mix were created.

For instance, in the first Mix, the Standard Family of Products will have a higher relative weight regarding total sales –since it doesn't provide a new concept or a new market approach it seems more likely to have an higher total demand then a concept product;

For the second, third and fourth mix we will see the relative weights of “customized” and “personalizable” families of products growing- as it is expected in their Product Life Cycle.

Overall, and considering the product lifecycle of the “Mix”, we can expected a behavior such as this:



### 6.2.1. Revenues Estimation Rational

Assuming that the store is positioned in a Premium location where It is very likely to have an higher customer rotation, as well as, considering the Product MIX Life Cycle; We expect an increase in sales along the time.

**Table 13 – Mix of Relative Weights used for Equivalent Product Analysis.**

Families of products as of the overall mix	1 <sup>o</sup> Mix	2 <sup>o</sup> Mix	3 <sup>o</sup> Mix	4 <sup>o</sup> Mix
Standard	0.70	0.60	0.40	0.30
Customized	0.25	0.30	0.45	0.50
Personalizable	0.05	0.10	0.15	0.20
Expected Sales/hour	.5	.7	1.3	1.5

This sales increase will be stimulated by to main factors. Firstly the increase of absolute number of pairs of shoes sold, secondly the increase of the Average Price Mix – as a consequence of the change provided by each family relative weights regarding the overall mix;

The prices will not include VAT.

### 6.3. The price of the shoe [Markup price]

In order to understand the range of prices that should be used for each family of products, a Markup Price technique was used. This traditional, cost based, method was selected due to 2 main aspects:

- It provides an estimation of a possible range of values, without considering demand elasticity and Product Life cycle implications;
- Since the Production costs were overestimated following experts opinions- meaning no prototype or precise analysis were performed. It doesn't seem wise the use a more accurate model when the cost structure values were overestimated and the profit margin underestimated.

#### Standard Family

$$\left(45 \frac{\text{€ production cost}}{\text{pair}} + 25 \frac{\text{€ cost for extra expenses}}{\text{pair}}\right) * 1.30 \text{Profit Margin} = 96\text{€}$$

#### Customize Family

$$\left(50 \frac{\text{€ production cost}}{\text{pair}} + 42 \frac{\text{€ cost for extra expenses}}{\text{pair}}\right) * 1.30 \text{Profit Margin} = 120\text{€}$$

#### Personalizable Family

$$\left(55 \frac{\text{€ production cost}}{\text{pair}} + 68 \frac{\text{€ cost for extra expenses}}{\text{pair}}\right) * 1.30 \text{Profit Margin} = 160\text{€}$$

#### 6.3.1. Cost of extra expenses

This particular line of costs include all the necessary activities or cost that the product must embed, for instance Marketing efforts, Promotion activities and extra expenses such as transportation, packaging, reverse logistics, part of the operations and so on and so forward.

Since an absolute value for Extra Expenses is considered, it might be argued that after a certain number of sales marketing efforts and promotional activities will have a Net Present Value= 0; This is a true fact. Nevertheless it must be considered that discount prices and sales can be promoted at the end of each season, meaning that after NPV of marketing Efforts and promotional activities being 0, its value can be used as a discount fee in order to stimulate extra revenues.

Regarding the difference between each product family, AdP foresees that the marketing investment required, in terms of advertisement and promotion, will be higher for the "Concept" families, in particular it is believed that the most critical Family of Products will be the Personalizable one.

The absolute value was maximized in order to accommodate extra expenses incurred during the operational phases as well as unforeseen expenses that might be necessary to cover.

By setting the profit margin a percentage of the overall costs, the company accepts to split its profits if any discount activities are promoted to stimulate demand.

**Table 14 –Average Price of the Equivalent Product.**

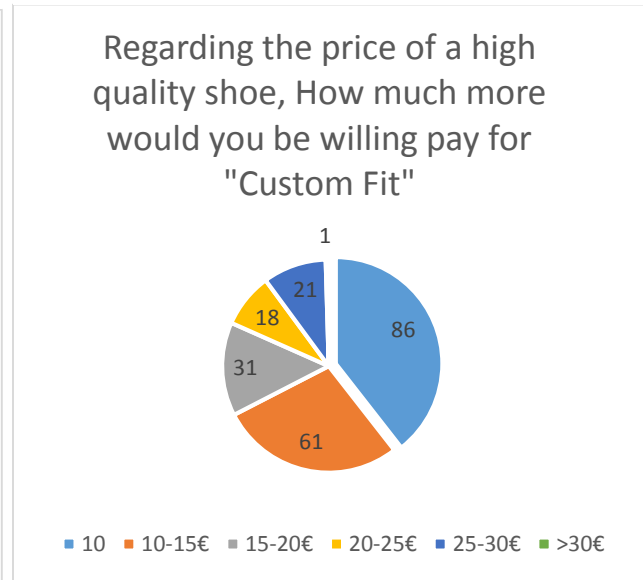
Families of products as of the overall mix	1º Mix	2º Mix	3ºMix	4ºMix
Standard	.70	.60	.40	.30
Customized	.25	.30	.45	.50
Personalizable	.5	.10	.15	.20
<b>AVG PRICE OF THE MIX €</b>	95,55	97,5	100,75	102,7

In order to have a sense of the market, it would be wise to compare the realized prices with the willingness to pay of the customers. In order to perform such comparison, survey was conducted in order to ,not only, understand if the customer was willing to pay an extra fee for a Customized and Personalized Product, but also to understand how much they would be will be able to give for such product.

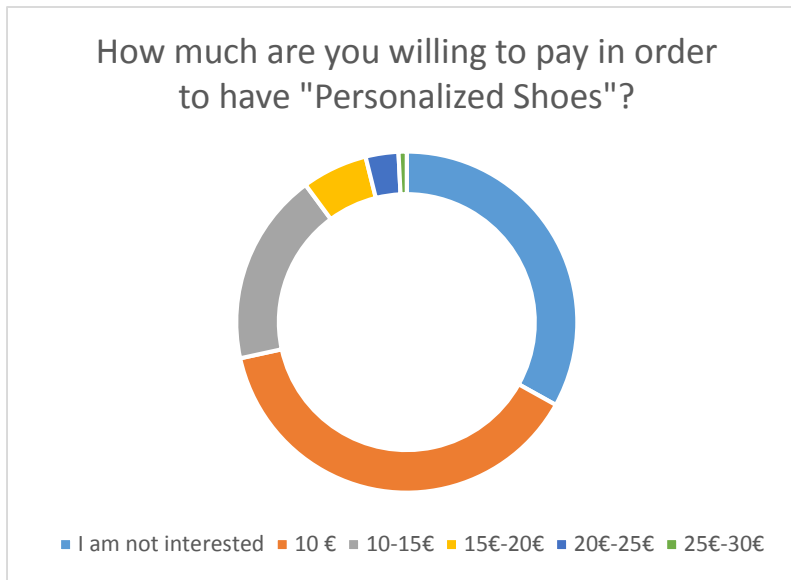
**Graphic 9 Survey Data Analysis, Willingness to pay.**



**Graphic 8 Survey Data Analysis, Willingness to pay for Customization.**



**Graphic 10 – Willingness to pay for Personalization.**



From the above graphics, and comparing with the realized Prices, we can understand that AdP Price estimation is not so different from the one proposed by interviewed Portuguese population. It is also worth of mentioning that the Sales mix assumptions seems reasonable – it is likely that the most sold product would be “Customized”, bearing an higher relative weight regarding total sales.

From the survey analysis we could also understand that, on average, the customer is willing to pay more 11,5€ for customization and an extra 9.60€ in order to reach Personalization.

It is also important to notice that 40% of the interviewed people spend more are willing to spend =>70€, making them potential consumers.

Based on the Roger’s Curve, and the Survey data, it was assumed that a shift in the Sales Mix would be performed, **every 3 months on average**.

**Year Revenues within Portuguese Market (considering National Online and On store sales):**

**Table 15- Forecasted Revenues 1º Year.**

	January	Feb.	March	April	May	June	July	Aug.	Sept.	Octo.	Novem.	Decemb.
Mix price	105.2	105.2	105.2	109.6	109.6	109.6	116.4	116.4	116.4	120.8	120.8	120.8
Quantity	150	150	150	210	210	210	360	360	360	450	450	450
Revenues	15,780 €	15,780 €	15,780 €	23,016 €	23,016 €	23,016 €	41,904 €	41,904 €	41,904 €	54,360 €	54,360 €	54,360 €

Total Year Revenues: 405,180.00 € €, representing less than 0.1% of the Segment market value.



## 6.4. Place



<http://www.Colombo.pt>

The physical point of sale will be situated at Colombo Shopping Mall-Lisbon. The biggest shopping Mall in Portugal. Its major customers are medium-high class providing 23 million of visits yearly, being one of the most visited shopping's in Portugal. This facts create the necessary conditions to reach the absolute sales numbers used for the revenues estimation.

Within the mall a premium location, that bears higher visit ratios as well as High value brands such as Tommy Hilfiger, Gant or Paul&Shark, costs, per m<sup>2</sup>, around 1050€/year. Meaning a store with 40m<sup>2</sup> would cost around 42000€/year- 3500€/month.

### Colombo Shopping Mall Figures:

Overall Data	Main Awards
<b>Location:</b> Lisbon	2003 - ICSC Solal Marketing Awards - Merit
<b>GLA:</b> 111.521 m <sup>2</sup>	2004 - ICSC Solal Marketing Awards - Merit
<b>Open Date:</b> September 1997	2005 - ICSC Solal Marketing Awards - Merit
<b>Total Shops:</b> 364	2006 - ICSC Solal Marketing Awards
<b>Parking Spaces:</b> 6326	2010 - ICSC Solal Marketing Awards
<b>Owners:</b> Sierra Fund (50%) / CBRE Global Investors (50%)	2010,2011 2012 - Best Shopping Centre
<b>Developers:</b> Sonae Sierra	2013 - ICSC Solal Marketing Awards - Gold

### 6.4.1. Commercial Channels

Graphic 11–Survey Data Analysis, Online VS Onstore purchase..



From the data provided during the survey, we can understand that it is required the existence of a physical store, mainly for two reasons: The customer prefers to buy On Store, and due to the 3D technical requirements he/she most visit the store in order to have his feet's measured

AdP will perform Direct Selling through the main options:

- Short description regarding AdP Purposed **Physical Store**:

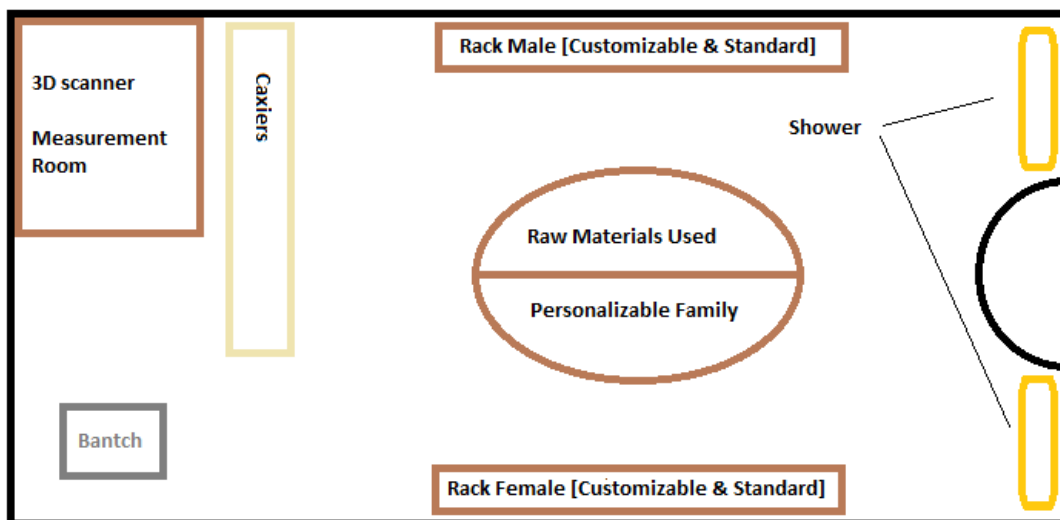


Figure 24 – Physical Store Layout.

The **store layout** was thought in order to make the customer circulate around the all store. By having an oval table in the center, the customer will be forced to go around the store, this increases the possibility that the customer realizes all the range of products available in the store.

For instance, a customer that is seeking Male shoes, will feel tempted to go around the table in order to get in touch with the raw materials used, on the other hand it is likely that he notices the female products as well.

The furniture used in the store will be composed of wood. Wood creates an emotional feeling, appealing the customer to stay longer – which is deem necessary if the customer as to go under a 3D measurement process. It is also necessary to tackle that wood furniture is highly connected with the idea of craftsmanship and heritage, being correlated with the feelings proposal by AdP logo.

The Measurement Room was design behind the Caixiers Desk. This regards the need for privacy that such procedure should have, customer that only intend to purchase the “Standard Families” can be satisfied within the initial part of the store.

#### **6.4.2. Online Channel**

The customer will be able to purchase the products online. Due to a profile creation, he/she will be able to select the type of product he wishes the most, configure the product, pay and collect the foreseen data regarding the shipment (expected date and address);

However, in order to have access to the Customizable and Personalizable families of products, the customer must be subjected, at first, to a 3D measurement process. This means that during the customer journey, he or she, must visit the physical store –either for information or for the measurement process itself. Although at first this stage of the customer journey might seem unwise, for a value proposal such as AdP’s, it is very likely that the first purchase is done On Store – where the customer will have a closer look on the product and the feeling of operational control a feeling required for a “Custom Made Service” (this assumption can be proved by analyzing the

Outsourced logistics providers will be used in order to deliver the products, the customer will be charged for the freight separately.

### **6.4.3. Size of the Network**

The network will face a **single physical point of sale in the startup phase as well as an Online store**. If necessary during the Growth Product lifecycle's phase a temporary store might be open in Porto – Gaia Shopping (The biggest shopping in the North part of Portugal), so that customer might become more aware of the brand and concept. Nevertheless, such store won't be considered for financial computations. All points of sale, CRM, Marketing and other sales related aspects, will be dealt directly by AdP.

## 6.5. Promotion

As explained before, the main segment of “Alfaiate dos Pés” will be medium-high income customers aged between 16-45 years old. From this segment, two main target markets were considered:

Each of these main targets require different Promotional Efforts.

	<i>AdP Concept- Daily Use</i>	<i>AdP Concept- Special Occasion</i>
<b>Who they are</b>	Man & Woman between 16-45 years old; Medium Income families where the consumer is already working or studying; Expected to be more educated and willing to invest in a lasting product; They seek comfortable footwear design is optional.	Man & Woman, between 20-35 years old; Medium- high income and likely working; expected to be educated and fashion followers, are inspired with the idea of customer as co-creator, they roughly see the company providing a service and less a product.
<b>How to Promote:</b> <b>-Objectives;</b>	The main objective is to attract the consumers that are looking for a Manufactured based quality perspective as well as fitness to use; Design aspects regarding the shoe will be a plus, however the primordial factor (considering a neutral Design regarding the competitors) will be the quality and comfort. -Introduce AdP as a high quality medium price range brand; High Value Vs Price ratio; -Create brand loyalty	The main objective is to attract the customer that seeks to express themselves through the products that they wear. This will be possible due to the customer as co-creator;  -Increase the sense of belonging; Increase brand awareness and trendiness;  -Increase changing costs;
<b>How to Promote:</b> <b>-Promotional Channels</b>	Internet, through social network and direct email; Word of Mouth; Provide user’s feedback regarding the comfortability of the product;	Internet – through email and social networks such as Facebook or twitter. Possibly Instagram as well; Events, such as parties, that will allow exclusive access to AdP Personalized shoes; Fashion Blogs – Using influencers that have a higher fashion sense and followers in order to promote the brand
<b>How to Promote:</b> <b>-Promotional Strategies</b>	Advertisement focused on the shoe comfort and “customization”, Evidences related with the low time used for feet measurement and Lead Time, through internet social networks and direct email; Promote Word Of Mouth;  -Creation of a Fidelity Card that provide discounts or points that can be changed for merchandising (for instance T-Shirts) or even Shoes; -15% Discount if the customer brings new customer to perform a “feet measurement”	Advertisement focused on the “customer as co-creator”, Evidences of personalization and easiness to purchase. Advertisement through Blogs, exclusive parties, internet Social Networks and magazines;  -Creation of a Fidelity Card, Invitations for AdP Events; in case of a specific design purchased by more than 30 People, the possibility to “Sign” the Shoe; -15% Discount if the customer brings a new customer to perform a “feet measurement”

## 7. Financial Plan

### Hypotheses and Assumptions:

Within the financial plan an analysis will be performed regarding NPV –Net Present Value, Financial statements and Working Capital Needs. In order to be able to provide conclusions, prices, costs and revenues were estimated.

It is necessary to alert that the following analysis will be performed following a Yearly Base approach, for this reason a positive cash flow doesn't necessarily means that the company will not have a short term financial need. Bearing this in mind, a 100,000€ Escrow account was simulated – The value was based on the experts advices.

AdP will be founded with 100,000€, splinted evenly between Equity and Long term Debt (4years+a 1 year of grace year);

For the Financial analysis, the company will be solly owned by 1 stakeholder – No join ventures of business partnerships, for instance with a shoe manufacturer were thought despite of Strategic Analysis considerations achieved in the previous sections.

It is deem necessary to take into consideration that **all the costs were overestimated and prices underestimated**. As a consequence , and considering that NPV will reflect a “floor” for the company real potential, a negative score will imply that the AdP concept, strategy, cost structure and prices are unlikely to be feasible. A positive NPV will be expected to underestimate the real value of the company.

Regarding the Forecasted absolute values of Pairs of shoes sold, such values were confirmed to be feasible and likely by the experts used to oversee the Business Plan idea.

Some other main considerations must be drawn regarding the time line and Management Theory followed during the Financial Analysis:

1-Since AdP is going to be a startup company, it is expected to face product demand and revenues variability during the first periods. Due to this facts a 5 years period will be analyzed, since after such time horizon the variability and uncertainty increases drastically in a way that doesn't allow to take sustainable conclusion.

2-I shall also pointed that, for the first year some costs will not be taken into account, for instance no Storage Unit or Headquarters Rent shall be charged; Such assumption is provided due to the collaboration that some Key suppliers are willing to promote – for *instance A. Vizinho Lopes* is able to provide 150m<sup>2</sup> of floor space free of charge for the startup year.

3-Although AdP aims to use an online channel as a revenue stream, a group market experts- composed by Shoemakers and active members of the supply chain, advice to not consider the online sales Extra-

Portugal. It was stated that if the main market is the Portuguese one, this market should be able to support all the initial cost structure for two main reasons:

-First because the AdP concept requires that an initial measurement of the feet is provided, and although some foreign customers might be subjected to such measurement, in the initial phase they represent a neglected percentage of the total customers;

-Secondly (and explained before in the Marketing Plan), taking into consideration that Supply Chain is able to couple with a considerable increase of product demand, it would be wiser to restrict the revenues for the Portuguese Market, this way if all the assumptions prove to be profitable an extra income and profits might appear from Extra-Portugal sales.

-Thirdly, due to the fact that if a sales increase is expected it should consider both online and On store channels.

### **Regarding Management Style:**

-The only main variable considered for analysis were Debts and Depreciation & Amortization;

An increases in the Human Resources costs is expected after the first year, mainly due to government Incentives that are provided for the startup year but are withdraw for the next years.

**It was also considered that the goal of AdP would be to pay its debts and not Promote investment.** Due to this fact the Long-Term Liabilities will be relatively small within the 5 year. This approach intended to understand if the forecasted revenues were able to pay interests and debts, generate Return on Equity and Sustainable profits – this was an expert’s suggestion regarding the feasibility of the Business Plan.

Although no investment is performed, some costs consideration were given regarding the **preparation of 10 different Seasons collection** necessary to promote innovation on AdP Products;

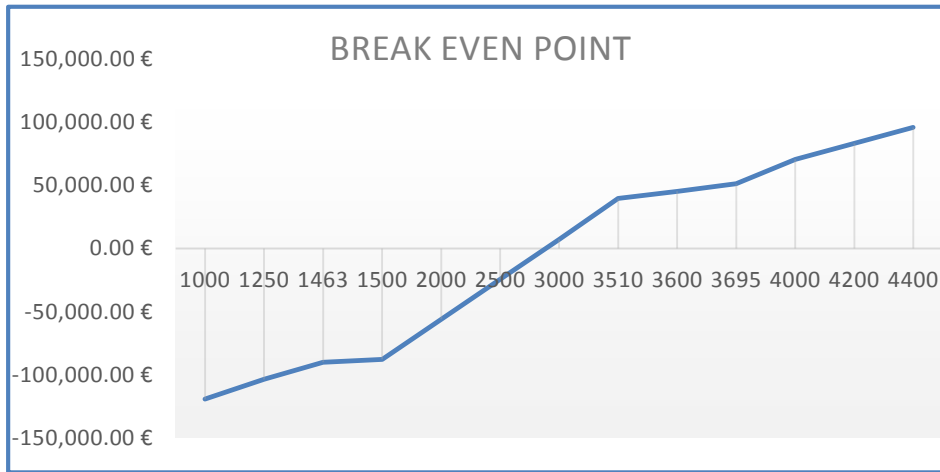
**As mentioned before, if AdP shows a positive NPV under such conditions, it is very likely that the all concept might be feasible and profitable.**

## Projected Financial Statements:

		YEAR 1												TOTALS FOR THE YEAR
		January	February	March	April	May	June	July	August	September	October	November	December	
<b>Expected Mix Sales (nº of</b>		150	150	150	210	210	210	360	360	360	450	450	450	3510
<b>Price of the Mix</b>		105.2	105.2	105.2	109.60 €	109.60 €	109.60 €	116.40 €	116.40 €	116.40 €	120.80 €	120.80 €	120.80 €	
<b>REVENUES</b>		<b>15,780.00 €</b>	<b>15,780.00 €</b>	<b>15,780.00 €</b>	<b>23,016.00 €</b>	<b>23,016.00 €</b>	<b>23,016.00 €</b>	<b>41,904.00 €</b>	<b>41,904.00 €</b>	<b>41,904.00 €</b>	<b>54,360.00 €</b>	<b>54,360.00 €</b>	<b>54,360.00 €</b>	<b>405,180.00 €</b>
Variable Costs	Outsourced Cost	46.75 €	46.75 €	46.75 €	47.50 €	47.50 €	47.50 €	48.75 €	48.75 €	48.75 €	49.50 €	49.50 €	49.50 €	
	Transportation	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	
	Designers Comission	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	
<b>TOTAL VARIABLE COST</b>		<b>7,237.50 €</b>	<b>7,237.50 €</b>	<b>7,237.50 €</b>	<b>10,290.00 €</b>	<b>10,290.00 €</b>	<b>10,290.00 €</b>	<b>18,090.00 €</b>	<b>18,090.00 €</b>	<b>18,090.00 €</b>	<b>22,950.00 €</b>	<b>22,950.00 €</b>	<b>22,950.00 €</b>	<b>175,702.50 €</b>
<b>Revenues - V.Cost</b>		<b>8,542.50 €</b>	<b>8,542.50 €</b>	<b>8,542.50 €</b>	<b>12,726.00 €</b>	<b>12,726.00 €</b>	<b>12,726.00 €</b>	<b>23,814.00 €</b>	<b>23,814.00 €</b>	<b>23,814.00 €</b>	<b>31,410.00 €</b>	<b>31,410.00 €</b>	<b>31,410.00 €</b>	<b>229,477.50 €</b>
FIXED COSTS	HQ Variable Expenses	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	
	Human Resources	3,553.15 €	3,553.15 €	3,553.15 €	3,553.15 €	3,553.15 €	3,553.15 €	3,553.15 €	3,553.15 €	3,553.15 €	3,553.15 €	3,553.15 €	3,553.15 €	42,637.78 €
	Physical Store Expenses (Rent+oth	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	12,000.00 €
	Online Store Expenses	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	6,000.00 €
	Storage Facilities Expenses	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €	0.00 €
<b>Overall Designing Costs</b>		<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>5,550.83 €</b>	<b>66,610.00 €</b>
<b>TOTAL FIXED COSTS</b>		<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>14,753.98 €</b>	<b>177,047.78 €</b>
<b>Revenus - (Fixed+Variable Costs)</b>		<b>-6,211.48 €</b>	<b>-6,211.48 €</b>	<b>-6,211.48 €</b>	<b>-2,027.98 €</b>	<b>-2,027.98 €</b>	<b>-2,027.98 €</b>	<b>9,060.02 €</b>	<b>9,060.02 €</b>	<b>9,060.02 €</b>	<b>16,656.02 €</b>	<b>16,656.02 €</b>	<b>16,656.02 €</b>	<b>52,429.72 €</b>
Depreciations & Amortizations	Delcam software and hardware	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	12,500.00 €
	HQ Furniture	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	236.44 €
	Online Store Investment	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	2,500.00 €
	Lasts	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	3,045.00 €
	Physical Store Furniture	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	1,875.00 €
<b>TOTAL A&amp;D</b>		<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>1,425.95 €</b>	<b>20,156.44 €</b>
<b>OPERATIONAL INCOME</b>		<b>-7,637.43 €</b>	<b>-7,637.43 €</b>	<b>-7,637.43 €</b>	<b>-3,453.93 €</b>	<b>-3,453.93 €</b>	<b>-3,453.93 €</b>	<b>7,634.07 €</b>	<b>7,634.07 €</b>	<b>7,634.07 €</b>	<b>15,230.07 €</b>	<b>15,230.07 €</b>	<b>15,230.07 €</b>	<b>35,318.29 €</b>
<b>Financial Income or Costs</b>	Debt + Loan	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	6,000.00 €
	Escrow Account	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	7,000.00 €
<b>Earnings Before Taxes</b>		<b>-8,720.77 €</b>	<b>-8,720.77 €</b>	<b>-8,720.77 €</b>	<b>-4,537.27 €</b>	<b>-4,537.27 €</b>	<b>-4,537.27 €</b>	<b>6,550.73 €</b>	<b>6,550.73 €</b>	<b>6,550.73 €</b>	<b>14,146.73 €</b>	<b>14,146.73 €</b>	<b>14,146.73 €</b>	<b>22,318.29 €</b>
<b>Taxes</b>								26.5%						5,914.35 €
<b>Net Income of the Year</b>														<b>16,403.94 €</b>



### Break Even Point:



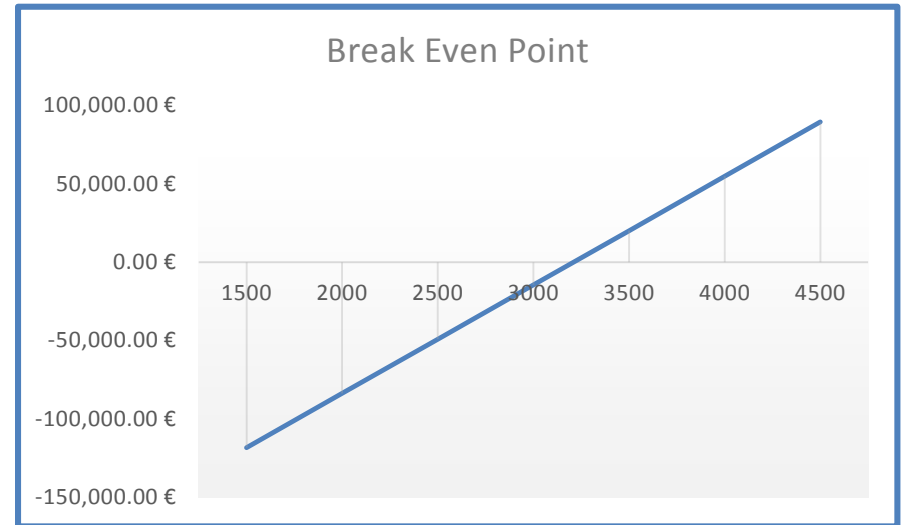
Quantity	Price-Variable	Fixed Costs	EBT
1000	63.38 €	177,047.78 €	-113,672.78 €
1250	63.38 €	177,047.78 €	-97,829.03 €
1463	63.38 €	177,047.78 €	-84,330.15 €
1500	63.38 €	177,047.78 €	-81,985.28 €
2000	63.38 €	177,047.78 €	-50,297.78 €
2500	63.38 €	177,047.78 €	-18,610.28 €
3000	63.38 €	177,047.78 €	13,077.22 €
3510	63.38 €	177,047.78 €	45,398.47 €
3600	63.38 €	177,047.78 €	51,102.22 €
3695	63.38 €	177,047.78 €	57,122.85 €
4000	63.38 €	177,047.78 €	76,452.22 €
4200	63.38 €	177,047.78 €	89,127.22 €
4400	63.38 €	177,047.78 €	101,802.22 €

For AdP cost structure and prices, the Break Even Quantity is **3316 Pairs of shoes** for the first year, considering the overall relative weights of the families provided in the Mix.

		YEAR 2,3,4,5												TOTALS FOR THE YEAR
		January	February	March	April	May	June	July	August	September	October	November	December	
<i>Expected Mix Sales (nº of pairs)</i>		360	360	360	360	360	360	360	360	360	360	360	360	4,320
<i>Price of the Mix</i>		120.80 €	120.80 €	120.80 €	120.80 €	120.80 €	120.80 €	120.80 €	120.80 €	120.80 €	120.80 €	120.80 €	120.80 €	
<b>REVENUES</b>		<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>43,488.00 €</b>	<b>521,856.00 €</b>
Variable Costs	Outsourced Cost	50.00 €	50.00 €	50.00 €	50.00 €	50.00 €	50.00 €	50.00 €	50.00 €	50.00 €	50.00 €	50.00 €	50.00 €	
	Transportation	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	0.50 €	
	Designers Comission	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	1.00 €	
	<b>TOTAL VARIABLE COST</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>18,540.00 €</b>	<b>222,480.00 €</b>
	<b>Revenues - V.Cost</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>24,948.00 €</b>	<b>299,376.00 €</b>
FIXED COSTS	HQ Variable Expenses	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	150.00 €	1,800.00 €
	Human Resources	6,833.57 €	6,833.57 €	6,833.57 €	6,833.57 €	6,833.57 €	6,833.57 €	6,833.57 €	6,833.57 €	6,833.57 €	6,833.57 €	6,833.57 €	6,833.57 €	82,002.86 €
	Physical Store Variable Expenses	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	5,000.00 €	60,000.00 €
	Online Store Expenses	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	6,000.00 €
	Storage Facilities Expenses	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	0.00 €
	Overall Designing Costs	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €	5,550.83 €
	<b>TOTAL FIXED COSTS</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>18,534.41 €</b>	<b>222,412.86 €</b>
	Revenus - (Fixed+Variable Costs)	6,413.60 €	6,413.60 €	6,413.60 €	6,413.60 €	6,413.60 €	6,413.60 €	6,413.60 €	6,413.60 €	6,413.60 €	6,413.60 €	6,413.60 €	6,413.60 €	76,963.14 €
Depreciations & Amortizations	Delcam software and hardware	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	1,041.67 €	12,500.00 €
	HQ Furniture	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	19.70 €	236.44 €
	Online Store Investment	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	208.33 €	2,500.00 €
	Lasts	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	253.75 €	3,045.00 €
	Physical Store Furniture	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	156.25 €	1,875.00 €
	<b>TOTAL A&amp;D</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>1,679.70 €</b>	<b>20,156.44 €</b>
<b>OPERATIONAL INCOME</b>		<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>4,733.89 €</b>	<b>56,806.71 €</b>
<b>Financial Income or Costs</b>	Debt	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	500.00 €	6,000.00 €
	Escrow Account	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	583.33 €	7,000.00 €
<b>Earnings Before Taxes</b>		<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>3,650.56 €</b>	<b>43,806.71 €</b>
<b>Taxes</b>		26.5%												11,608.78 €
<b>Net Income of the Year</b>														<b>32,197.93 €</b>

## Break Even Quantity for 2,3,4,5 Year

Quantity	(AVGPrice- AVGVariable Cost)	Fixed Costs	EBT
1500	69.3	222,412.86 €	-118,462.86 €
2000	69.3	222,412.86 €	-83,812.86 €
2500	69.3	222,412.86 €	-49,162.86 €
3000	69.3	222,412.86 €	-14,512.86 €
3500	69.3	222,412.86 €	20,137.14 €
4000	69.3	222,412.86 €	54,787.14 €
4500	69.3	222,412.86 €	89,437.14 €



Assuming that the overall costs structure remains almost unchanged for the remaining 5 years, which although it is unlikely is something feasible, in order to reach the BEP, 3385 pairs of shoes must be sold. It is also important to state two assumptions: the product mix relative weights remain unchanged for the 4 years, and, storage for final products were considered to have a 500€/month costs as well as Headquarters Human Resources were fully hired – bearing an extra costs since the Government subsidy only lasts for 1 year;

**Alfaiate Dos  
Pés**
**Balance  
Sheet**

<b>Assets</b>					
Current assets:	Year1	Year2	Year3	Year4	Year5
Cash	169,015.64	194,407.94 €	221,309.55	248,211.16	275,112.75
Investments	-	-	-	-	-
Inventories	10,000.00	10,000.00	10,000.00 €	10,000.00	10,000.00 €
Accounts receivable	-	-	-	-	-
Pre-paid expenses	-	-	-	-	-
Other	-	-	-	-	-
<b>Total current assets</b>	<b>179,015.64</b>	<b>204,407.94</b>	<b>231,309.55</b>	<b>258,211.16</b>	<b>285,112.75</b>
<b>Fixed assets:</b>					
	2007	2008	2007	2008	2007
Property and equipment	80,625.74 €	60,469.30 €	40,312.86	20,156.42	-
Leasehold improvements	-	-	-	-	-
Equity and other investments	-	-	-	-	-
<b>Total fixed assets</b>	<b>80,625.74</b>	<b>60,469.30</b>	<b>40,312.86</b>	<b>20,156.42</b>	<b>-</b>
<b>Other assets:</b>					
	2007	2008	2007	2008	2007
Goodwill	-	-	-	-	-
<b>Total other assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>259,641.38</b>	<b>264,877.24</b>	<b>271,622.41</b>	<b>278,367.58</b>	<b>285,112.75</b>

**Liabilities and owner's equity**

Current liabilities:	Year1	Year2	Year3	Year4	Year5
Accounts payable	66,825.00	60,000.00	60,000.00	60,000.00	60,000.00
Accrued wages	-	-	-	-	-
Accrued compensation	-	-	-	-	-
Income taxes payable	10,142.63 €	10,614.76 €	10,614.76	10,614.76	10,614.76
Unearned revenue	-	-	-	-	-
Other	-	-	-	-	-
<b>Total current liabilities</b>	<b>76,967.63</b>	<b>70,614.76</b>	<b>70,614.76</b>	<b>70,614.76</b>	<b>70,614.76</b>
Long-term liabilities:	2007	2008	2007	2008	2007
Mortgage payable	100,000.00	75,000.00	50,000.00	25,000.00	-
<b>Total long-term liabilities</b>	<b>100,000.00</b>	<b>75,000.00</b>	<b>50,000.00</b>	<b>25,000.00</b>	<b>-</b>
Owner's equity:	2007	2008	2007	2008	2007
Investment capital	50,000.00	50,000.00	50,000.00	50,000.00	50,000.00
Accumulated retained earnings	32,673.75 €	69,262.48 €	101,007.65	132,752.82 €	164,497.99
<b>Total owner's equity</b>	<b>82,673.75</b>	<b>119,262.48</b>	<b>151,007.65</b>	<b>182,752.82</b>	<b>214,497.99</b>

**Total liabilities and owner's**

<b>equity</b>	<b>259,641.38</b>	<b>264,877.24</b>	<b>271,622.41</b>	<b>278,367.58</b>	<b>285,112.75</b>
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## Considerations to the Balance Sheet:

In order to understand the feasibility of the project, the group of experts used for all the Operational part, Cost and Price estimation, advised to perform all the computation bearing in mind that *within 5 years no debts should exist* – In other words, to design the company with the sole purpose to last 5 years, this way **I would be able to understand if my concept could last some economic cycles disregarding possible product or market driven investments as well as analyze the concept profitability.**

Having this in mind, the balance sheet was created without facing strategic investments, but only the payment of debts performed and foreseeable returns for stakeholders.

Due to this facts I assumed that the company would be working within the same resources and concepts confined for the Startup year – *Same store, same Headquarters and number of workers, 2 seasons collections a year and its development costs.*

As a conclusion, from the Balance Sheet analysis, we can understand that the company *Overall Assets* of will increase year by year, while the *Long Term Debts* decrease. It is also worth mentioning that the company doesn't held high *Working Capital Needs*, since the difference between the Average Payables and Receivables provides a surplus of *Working Capital*.

## Projected Cash Flows

	Year 1	Year 2	Year 3	Year 4	Year5
<b>Operating activities</b>					
Profit for the year after tax	16,403.94 €	52,307.53 €	52,307.53 €	52,307.53 €	52,307.53 €
Amortisation, depreciation, impairment	20,156.44 €	20,156.44 €	20,156.44 €	20,156.44 €	
Dividends received					
Changes in working capital					
Other items					
<b>CASH FLOWS FROM OPERATING ACTIVITIES **</b>	<b>36,560.38 €</b>	<b>72,463.96 €</b>	<b>72,463.96 €</b>	<b>72,463.96 €</b>	<b>52,307.53 €</b>
<b>Investing activities</b>					
Acquisition of tangible and intangible assets	80,625.74 €	0	0	0	0
Acquisition of financial fixed assets					
Disposal of tangible and intangible assets					
Disposal of financial fixed assets					
Proceeds and repayment of loans	0.00 €	12500	12500	12500	12500
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>80,625.74 €</b>	<b>12500</b>	<b>12500</b>	<b>12500</b>	<b>12500</b>
<b>Financing activities</b>					
Other net contributions to shareholders' equity					
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>0</b>				
<b>CASH AND CASH EQUIV AT THE BEG OF THE YEAR</b>	<b>100,000 €</b>	<b>55,934.64 €</b>	<b>115,898.60 €</b>	<b>175,862.56 €</b>	<b>235,826.53 €</b>
<b>CASH AND CASH EQUIV AT THE END OF THE YEAR</b>	<b>55,934.64 €</b>	<b>115,898.60 €</b>	<b>175,862.56 €</b>	<b>235,826.53 €</b>	<b>275,634.05 €</b>

From the previous financial figures, and considering the analysis performed using the assumptions explained in the beginning of this section, **it might appear that AdP overestimated the capital**

requirements; ***This fact is not true since we are only analyzing the overall year Cash Flow Map.***

During the initial phases and products development the company will have capital needs. Due to this fact, and as explained before, an Escrow Account, holding 100,000€, was created aiming to face short term financial needs (the costs of the account were considered in the Financial Statement).

<b>WACC</b>	<b>0.100725</b>
Equity Value=50000€	Debt Value=50000€
Return on equity=.15	Return on debt=.07
Weighted Equity=50%	Weighted Debt=50%
Taxes=26.5%	

$$WACC = \frac{E}{V} * Re + \frac{D}{V} * Rd * (1 - Tc)$$

The ***Weighted Average Cost of Capital***, combines the return rates regarding the sources interest as well as a Tax Shield factor (1-Tx); It will be the rate with which AdP will discount forecasted Cash Flows in order to access the Net Present Value of the Business Plan

### Net Present Value Computation:

TIME	Free Cash Flow	Investment	wacc	Terminal Values	Discounted Factor	Present Value
0	55,934.64 €	100000	0.100725	0	1	<b>44,065.36 €</b>
1	115,898.60 €	0	0.100725	0	0.90849213	105,292.97 €
2	175,862.56 €	0	0.100725	0	0.825357951	145,149.56 €
3	235,826.53 €	0	0.100725	0	0.749831203	176,830.09 €
4	275,634.05 €	0	0.100725	0	0.681215747	187,766.26 €

<b>Net Present Value</b>
<b>570,973.51 €</b>

The Net Present Value access the impact that an investment will have in future years; Based on all considerations and assumptions, a positive NPV foresees a profitable investment;

In case of AdP, the tradeoff between investments and Cash-Flows is highly positive, bearing a ***Payback Time inferior to of 1.5 operational years with – in fact after 1.5 operational years NPV=8 5881;***

At the end of the ***2 operational year, AdP and its shareholders could expect a NPV= 61 227.60;***

Taking into consideration that, for computational purposes, we assumed 4 years with exactly the same revenues streams (even if some negative revenue variability –sourced in the Portuguese market; could have been compensated with an increase of exportation due to the online sales), having a positive NPV within the first two operational years, allow to be more independent on future years revenues forecast in order to understand the business plan feasibility.

Based on the financial analysis, and revenues forecasts, *AdP Business Concept* seems feasible, yielding a positive NPV.

## Conclusions

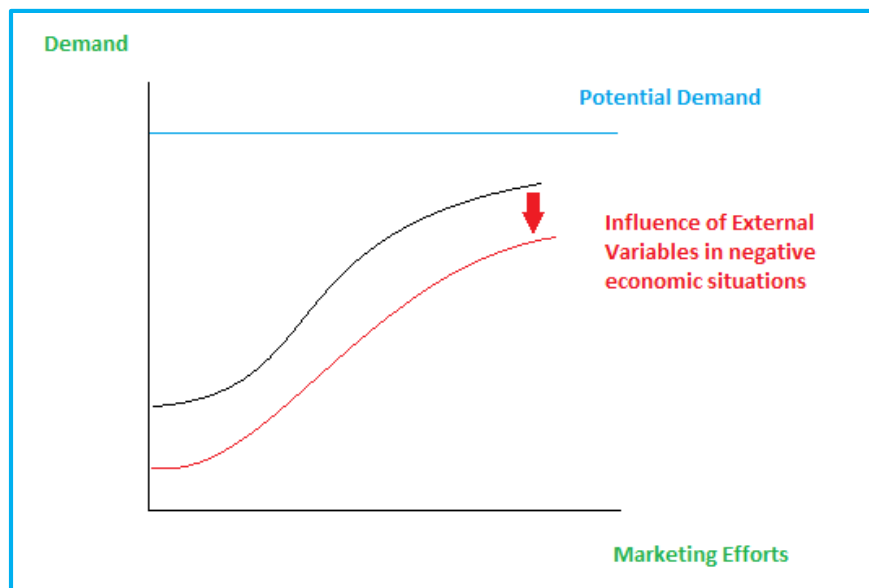
“Alfaite dos Pés” concept and Business Plan seems feasible. In fact, the time to Payback the required investment would be less than 1,5 year; Although the overall financial conclusion shows a feasible and prosperous business, it is worth mentioning three main factors:

### Break Even Points:

The Break Even Point would be 3316 pairs of shoes for the first year, and 3385 pairs of shoes for the second and remaining years under analysis (based on the assumed Product Families prices and sold product mix).

Even if such quantities are coherent for the shoe retailing industry, due to the high number of assumptions regarding prices and estimated costs, in reality a slightly smaller Break Even Quantity should be expected.

However, If we consider that the main AdP market, the Portuguese, is facing a severe economic measures due to a world economic crisis, it seems clear that such exogenous variables as unemployment, reduced income, higher taxes, and so on, would have a negative impact in the overall demand – specially for Medium Price segments.



As a consequence, it is likely that in order to reach the BEQ a higher Marketing Effort would have to be promoted – increasing the costs and risks.

On the other hand all the financial computations were developed considering sales of a Specific Product Mix- a product mix that is composed by the relative weights of the three Families of Products (Standard, Customizable, Personalizable); Although such mix simplified the computations and conclusions, it yields a certain risk, for instance if the relative weights are not respected the overall Mix Price and variable costs will change, creating a chain event that will modify overall profits, cash flows and balance sheet.



## **Costs Estimation and Partnerships**

All the costs were overestimated. Since the aim of this business plan was to understand if the concept and idea would be feasible. For the same reason, revenues were underestimated. As a main consequence the BEQ will exceed its real values – as it was explained before.

It is also worth mentioning that all the considered costs were computed facing a normal supplier-client relationship, meaning that there is no joint venture between the two parts.

If, however, **a Business Partnership were pursued between AdP and the Shoemaking company**, AdP **would yield higher profitability** – due to smaller production costs, smaller capital investment; This synergy would also minimize market threats and weakness, allowing the company to use its resources in order to take advantage of Strengths and Opportunities.

## **Forecasted revenues**

For the revenue forecasts, regarding the quantity and relative weights of the families of products within the overall sales mix, experts' opinions were used as well as data collected from the performed survey.

The used experts are active members within the Portuguese leather and shoemaking clusters, and assured that the obtained sales figures do not seem to be incoherent with the reality; The used survey provided the necessary variability used as input in order to change the Relative Weights used by the sales mix.

## **Bottom Line,**

**AdP seems to be a highly feasible business.** Despite operational difficulties and the use of 3D hardware and Software, the idea seems to appraise the surveyed audience. In fact people are willing to pay more for a product that is perceived as having higher manufacturing quality, as well as, providing an extra fee for both a customization and personalization efforts.

Economically speaking, AdP will bear a positive NPV and a constant growth in terms of Financial Statements and Figures.

“Alfaiate dos Pés”, seems to be a wise investment, although, and taking into consideration that this project only provides the “Big Picture” required to understand feasibility and unfeasibility, it is advised a more in depth study in all the main plans elaborated for this project. This way a cost and revenues estimation could be performed in a more precise manner, as well as scenario analysis were a business partnership would be considered with a Shoe Manufacturer – Yielding all the potential of the business concept idea and decreasing economical risks and assumptions.

## Annex's

### Survey Form:

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# Shoes Consumption Habits

---

This survey aims to understand consumption behaviors related with the Shoe Market. The Form will take a couple of minutes and it will go through: personal data, buying behavior and online experience.

The survey is anonymous and it will be used as a Data Source for my Master Thesis;

Thank you for your time

\*Obrigatório

---

*How old are you? \**

- <16
- 16-18
- 19-23
- 24-27
- 28-35
- 36-40
- >40

---

*Please state your Sex type \**

- Male
  - Female
-

---

*Please state your profession*

---

*Where are you from?*

Please state the country. If it is not in the above list, choose OTHER

---

Continuar »

---

### **Consumption Habits**

With this short part we will try to go deeper on your consumer habits in order to understand what you buy, how you buy and why you buy....

---

*How many pairs of shoes do you have? \**

---

*How much money do you usually have to spend on each pair of shoes? \**

---

*How often do you buy Shoes? \**

Please consider a season to last 5 months

---

*Have you ever bought shoes online? \**

« Anterior Continuar »

## Consumer Behavior Part 2

---

*Would you consider to buy a tailored shoe, meaning a "perfect" fit? \**

Please consider the prices to be between the Range you specified before.

---

*If a company would be able to guarantee a perfect fitting, would you buy those shoes online?*

---

*What do you consider to be "High Quality" when purchasing the Shoe?*

Please consider that a regular shoe have "Average Quality", state the points that make you sense a higher sensation of Quality

- High Manufacturing Standards, (High Quality Material and Production)
  - High Comfort
  - Outstanding Looks and fashion
  - Lower Price then the "Average Quality Shoes", having the same "Average Quality"
  - Superior Brand
- 

*Considering a Shoe that would be developed having " Higher Manufacturing Standard" and "Higher Comfort", how much would you pay for it?*

---

---

*Would you like to be able to personalize your daily shoes? \**

---

*Imagine that you would be able to personalize your Shoes, for instance change some particular color, how much more would you be able to pay for such option?*

---

*How much time are you able to wait in order to have a Made-To-Order product? (for instance Shoe)*

---

*How much would you be able to give in order to have a perfect Fitting?*

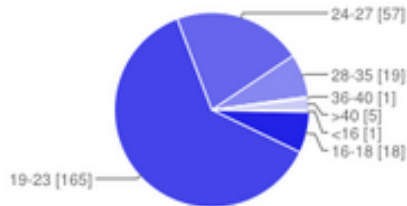
## Overall Response Data analysis Performed:

# 266 respostas

[Ver todas as respostas](#) [Publicar estatísticas](#)

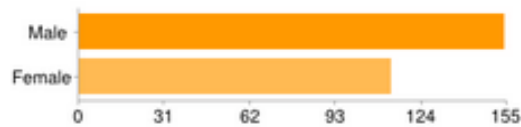
## Resumo

How old are you?



Age Group	Count	Percentage
<16	1	0%
16-18	18	7%
19-23	165	62%
24-27	57	21%
28-35	19	7%
36-40	1	0%
>40	5	2%

Please state your Sex type



Sex	Count	Percentage
Male	154	58%
Female	113	42%

Please state your profession

Auditor Fiel de armazem manager studen Unemployed estudante Production Planner science student eng° civil reformada tecnico e curtumes Dentist studant Analyst Adv educadora social Software Developer and Student Engineer STUDENT Landscape Archite intern College Student Student CS Student

Where are you from?

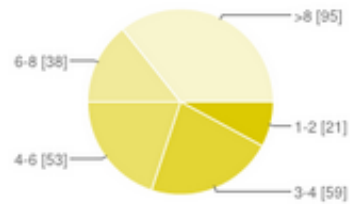


Country	Count	Percentage
Portugal	218	83%
U.K	0	0%
Italy	6	2%
France	0	0%
Turkey	3	1%
Other	36	14%

Mexico Colombia Why isn't the sex type question mono-answer? Argentina Poland Rus

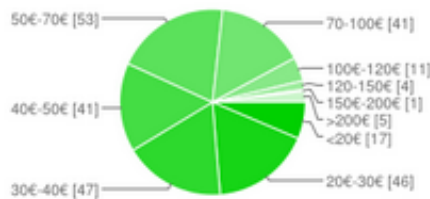
## Consumption Habits

How many pairs of shoes do you have?



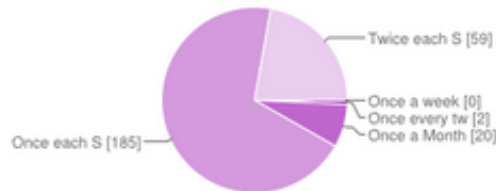
1-2	21	8%
3-4	59	22%
4-6	53	20%
6-8	38	14%
>8	95	36%

How much money do you usually have to spend on each pair of shoes?



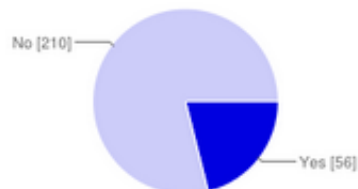
<20€	17	8%
20€-30€	46	17%
30€-40€	47	18%
40€-50€	41	15%
50€-70€	53	20%
70-100€	41	15%
100€-120€	11	4%
120-150€	4	2%
150€-200€	1	0%
>200€	5	2%

How often do you buy Shoes?



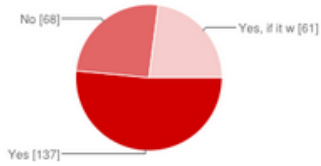
Once a week	0	0%
Once every two weeks	2	1%
Once a Month	20	8%
Once each Season	185	70%
Twice each Season	59	22%

Have you ever bought shoes online?



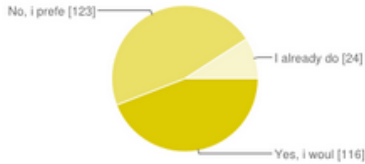
Yes	56	21%
No	210	79%

**Would you consider to buy a tailored shoe, meaning a "perfect" fit?**



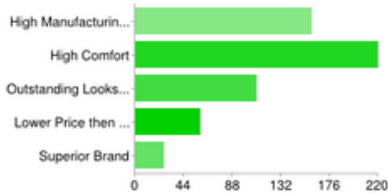
Yes	137	52%
No	68	26%
Yes, if it was not time consuming	61	23%

**If a company would be able to guarantee a perfect fitting, would you buy those shoes online?**



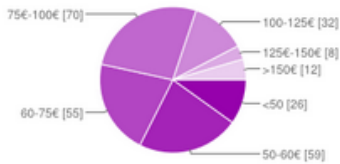
Yes, i would start buying online	116	44%
No, i prefer going to a store	123	47%
I already do it, but a perfect fit guarantee would be a Plus	24	9%

**What do you consider to be "High Quality" when purchasing the Shoe?**



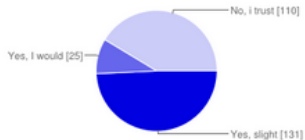
High Manufacturing Standards, (High Quality Material and Production)	160	28%
High Comfort	220	38%
Outstanding Looks and fashion	110	19%
Lower Price then "Average Quality Shoes", having the same "Average Quality"	59	10%
Superior Brand	26	5%

**Considering a Shoe that would be developed having "Higher Manufacturing Standard" and "Higher Comfort", how much would you pay for it?**



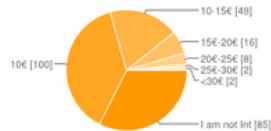
<50	26	10%
50-80€	59	23%
80-75€	55	21%
75€-100€	70	27%
100-125€	32	12%
125€-150€	8	3%
>150€	12	5%

**Would you like to be able to personalize your daily shoes?**



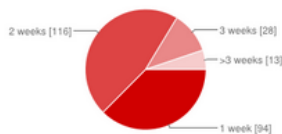
Yes, slightly	131	49%
Yes, I would like to design my own shoes from scratch	25	9%
No, i trust the Designers work	110	41%

**Imagine that you would be able to personalize your Shoes, for instance change some particular color, how much more would you be able to pay for such option?**



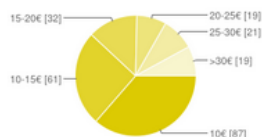
I am not interested	85	32%
10€	100	38%
10-15€	49	19%
15€-20€	16	6%
20€-25€	8	3%
25€-30€	2	1%
<30€	2	1%

**How much time are you able to wait in order to have a Made-To-Order product? (for instance Shoe)**



1 week	94	37%
2 weeks	116	40%
3 weeks	28	11%
>3 weeks	13	5%

**How much would you be able to give in order to have a perfect Fitting?**



10€	87	36%
10-15€	61	26%
15-20€	32	13%
20-25€	19	8%
25-30€	21	9%
>30€	19	8%



## Data Filter By Portuguese Market used for the Graphics Creation:

How Much Would you be able to wait for a customized/Personalized shoe	
1 week	94
2 weeks	115
3 weeks	26

Regarding the price of a high quality shoe, How much more would you be willing pay for "Custom Fit"	
10 €	86
10-15€	61
15-20€	31
20-25€	18
25-30€	21
>30€	1
>30€	1

Would you like to be able to personalize your shoes?	
Yes, slightly	107
Yes, I would like to design my own shoes from	21
No, i trust the Designers work	96

Would you consider buying Custom-Fit shoes?	
NO	58
yes	111
Yes If it was not Time Consuming	49

If a company would be able to guarantee a perfect fitting, would you buy those shoes online?	
I already do it, but a perfect fit guarantee would be a Plus	17
No, i prefer going to a store	111
Yes, i would start buying online	96

**Example of the Proposed Shoe Concept:**

**MAN COLLECTION:**



design: Raquel Marto

**FEMALE COLLECTION**



design: Raquel Marto