

# Revolutionize

*You imagine. We create.*

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## Executive Summary

Our IDEA is to revolutionize the Mobile phone industry. We want to do to mobile phones what happened to Personal Computers when Intel entered the market. We would like to open the architecture of mobile phones to the public.

Before Intel entered the market, the PC industry was relatively tiny. All we had were Apples, Atari, etc. All PCs had a close architecture, so users were required to use a particular Operating System, could not attach peripherals and could not possibly customize or assemble their PCs. But the Intel changed that all. Now users can customize their PCs to the fullest. They have an option to run either Windows or Linux, add a web cam or graphics card and basically anything imaginable is possible. Nowadays PCs can be made to order. They can be assembled according to the wishes of customers. What we want is to replicate this in mobile phones.

### **Prime Objective**

The situation in the mobile handset industry presently is pretty similar to the days of Macintoshes or Atari. The users cannot customize their handsets at all except for some outer decorations. This is quite frustrating for the users. They have to succumb to what market players offer. Many a times it happens that the customers want a specific feature in their mobiles, and also find that there is some feature in their mobile which is absolutely useless. This is waste of time and money. Instead of forcing them to choose one model or another, **WHY NOT LET THE CUSTOMER MAKE HIS OWN MODEL? This is what we are aiming to provide to users.** Letting them make their own mobile handsets completely from the outer body to the software running on it.

As an example, suppose a user wants to have camera and FM facility in his handset but finds the Java functionality absolutely useless. He does not want to spend money on what he doesn't like but he will have to because no company currently offers handsets with camera and a FM but without Java technology. Once our company is launched, then all he has to do is to go to a website or an order center, specify what he wants: outer shape, software, functionality, colour, etc. And before you know it he will have a brand new handset designed and manufactured completely according to his wishes. That's it. Simple. This would be similar to the service BuildUrOwnPC; the only difference being BuildUrOwnMobile.

And for the open architecture, the details of the chip, which would be running the software, will be made available to public. Any company/individual could write software for it. Users could add custom peripherals, modify existing software, upgrade his mobile when it gets outdated and much more.

## Market Analysis

The following are world wide statistics of Mobile phone usage as on 31-12-2004

Global Mobile Users	<b><u>1.52 billion</u></b>
Analogue Users	<b><u>34m</u></b>
US Mobile users	<b><u>140m</u></b>
Global GSM users	<b><u>1.25 billion</u></b>
Global CDMA Users	<b><u>202m</u></b>
Global TDMA users	<b><u>120m</u></b>
Total European users	342.43
Total African users	<b><u>53m</u></b>
Total 3G users	<b><u>130m</u></b>
Total South African users	<b><u>19m</u></b>
#1 Mobile Country	<b><u>China (300m)</u></b>
#1 GSM Country	<b><u>China (282m)</u></b>
#1 in Handsets 2Q04	<b><u>Nokia(35.5%)</u></b>
#1 Network In Africa	<b><u>Vodacom(11m)</u></b>
#1 Network In Asia	<b><u>Unicom (153m)</u></b>
#1 Network In Japan	<b><u>DoCoMo</u></b>
#1 Network In Europe	<b><u>T-Mobil (28m)</u></b>
#1 In Infrastructure	<b><u>Ericsson</u></b>
Global monthly SMS	<b><u>36/user</u></b>
SMS Sent Global 1Q04	<b><u>135 billion</u></b>
SMS sent in UK 3/2004	<b><u>2.1 billion</u></b>

As we can see, Mobiles are greatly in demand all across the world. **This year end, mobile users are going to surpass landline users. In the coming years these figures are bound to rise exponentially.** The market is wide and ever-increasing and it is indeed a fact that **89% of mobile phone users across the world are not satisfied with the features their mobile has to offer.** They always want something more, something new and something different. Our idea will be met by an overwhelming response and we are bound to succeed.

**Our top aimed customers would be youngsters, rural and power users.** According to a research done by the Market Analysis and Consumer Research Organisation: In the youth sector (ages 15-29 according to this study) 33% of cell phone owners are aged between 15-19. 39% are aged between 20-24 and 28% are between 25-29. These are the people we wish to target. Also according to a recent survey, **89 per cent of teenagers aged between 13 and 19 in the metropolitans in India have mobile phones.** As the mobiles invade rural areas the market gets increased exponentially. The rural users want value for money. They do not want all the features, just talk. So why should they pay for the features they do not want? Thus it is self-evident how huge and lucrative the market is.

## **Existing competition**

Also since we will be the first company to float such an idea and work on it, **there is no competition in our area of focus. We shall be the pioneers of this revolution. That is our niche, and it is a pretty big niche.**

But we can face competition from conventional handset manufacturers such as Samsung, Sony Ericsson, or even from Nokia. But as we are going to create a new market altogether, our focus will be mainly on users requiring customization in their handsets. Therefore, apart from the newly created market, we would be tapping into existing markets also.

## **Strategy and Implementation**

### **Business Model**

We, at first, would be collaborating with Nokia. Nokia will basically provide us a space in their manufacturing plant and would be funding our initial R&D and marketing. We would also be using a part of their handset manufacturing plant for our own purposes. Nokia would be benefiting from us as much as we would benefit from them. We will be sharing the 45% of our profit with Nokia.

It would be a loose collaboration working for mutual benefits. It shall not be confused that we would be working under Nokia. Instead, it may be called as, we, Nokia and us, will work together to *revolutionize* the mobile handset industry.

Benefits for Nokia:

- It will help them become a part of this innovative technology
- The market scope will be considerably increased
- As a direct consequence of the point above, their market share will also increase
- It can directly or indirectly benefit from our R&D

Our benefits:

- Use their plant
- Funding for R&D
- Use their brand name to make visibility
- Will benefit from market experience of the company

Our business would be based on the business model of Google. We are highly motivated by their simplicity and competitiveness. It is surprising to realize that a good idea, no matter when and how it is implemented, is bound to be profitable.

Just like Google, **our organization will be much decentralized** and power of organization will be distributed to each and every employee instead of handing it to any of the MDs, CEOs, President, etc. Apart from his normal work, **every employee would be encouraged to use 25% of his time to do things which may benefit the organization directly or indirectly.**

And for the customers, they would be able to make their own mobiles via two methods:

- Online shop
- Offline centers

**Online shops:** At online shops they would just choose the configuration and user would get the cost of his set instantaneously. That is each feature or accessory will cost a particular amount and the total cost would be sum of all the features he has chosen. He may then pay via credit-card medium or some other reliable payment method. We would then deliver the mobile in maximum 7 days.

**Offline shops:** And for offline shops, we would just distribute printed forms to all the mobile sellers. Customers would just have to go to any of the mobile seller (an agent), fill out the form indicating the type of phone he wants. Then he would be required to pay half the money in advance. The mobile seller would then hand us the forms he has received along with the payment cutting a 20% of the net profit as his commission. After assembling the handset, we would hand it to the seller and will take the whole payment from him. The seller then gives it to the customer.

### **Pricing strategy**

Our target market consists of youth and rural areas. In general, these two cannot afford costly handsets. We cannot afford to charge them money much higher than cost of manufacturing. Therefore, we plan to make only 15% off the selling price of the manufactured handsets and out of that, 20% will be given to agents in case of offline shops.

But it should be noted that we would be charging extra for handling and delivery services.

### **Warranty of the Product**

Currently, we plan to provide one year onsite warranty plus the manufacturer's warranty. This warranty only consists of repairing/replacement of the damaged part and not the whole handset.

### **Product Promotion and Marketing Strategy**

Before introducing the product into the mainstream we would like to build our brand image. We like to build our image as a brand not just a product. This is because; we as a brand can offer any number of products. But if, a company establishes itself over a product it cannot diversify its operations.

But we will not be neglecting the main area of our focus: product. We plan to start promoting our product by placing advertisements on strategic websites such as Indiatimes, Rediff, etc. We also plan to use more of the print media at the start and later on concentrating on the electronic media more.

## **R&D**

Our focus in R&D would be

- Producing new hardware parts for mobile phones at cheaper rates
- Producing new software with more portability across different platforms
- Investigating new methods of handset customization
- Setting up our own plant for manufacturing handsets

## **Strategic Business Alliances**

As we plan to start the company in partnership with Nokia, it will obviously be our chief alliance. Also we will align ourselves with software development companies such as Sun Microsystems, BREW, Microsoft, etc. so as to keep abreast with the latest technological developments.

## **Management**

As stated earlier, our organization will be decentralized and autonomy/power will be distributed all over the company. We will encourage our employees to innovate, to think laterally. First and foremost, a brainstorming team will be formed. This will consist of 4-5 think tanks hired exclusively for thinking and coming up with ideas which may help the organization.

Apart from this, the people will be hired for their out-of-the box thinking. **People will be hired on the basis of a test designed to test their clever thinking and departmental skills.**

## **Human Resource Policy**

As stated earlier, we shall have a decentralized management, which will ensure no amassing of decision making power in the hands of a few individuals. All employees with the required credentials will be involved in decision making. This will serve the dual purpose of getting thorough analysis of the idea and will also make the employees feel worthy which will directly increase their output and reduce frustration, as is usually the case in many companies.

All employees above a certain designation will be allowed an all expenses paid trip to some choice destinations around the world.

Annually, top three employees will be given productivity linked promotions.

## **Values**

Complete decentralization would ensure that the power is not trapped in an individual's hand and no discrimination would be made. Every customer would be served at the highest standards of decency. Treat every customer as if he is the owner of the company.

## **Motto**

We give complete freedom to the user to customize his handset and to let his creativity be unleashed. Taking this into consideration our motto is appropriately phrased as: ‘**You Imagine. We create.**’

## **Financial Plan**

### **Projected Cash Flow**

Funds flowing to us: Nokia would be a prime source of funds. As we are using the already established plant of Nokia, we would not need any funding for the plant. The funding would only be needed for R&D and for development of an online shop. The revenues generated would be shared on the 55:45 basis with 55% on our side.

### **Example of cash flow**

**Offline shop:** An average handset costs Rs. 5000. So taking it as an example, the cash flow is shown below:

1. Handset cost: Rs. 5000
2. Initial profit: 15% of handset cost i.e. Rs. 750
3. Profit shared with the agent: 20% of the net profit i.e. Rs. 150
4. Net Profit: Initial Profit-Profit shared with agent i.e. Rs. 600
5. Profit shared with Nokia: 45% of Net profit i.e. Rs. 270
6. Final profit with us: Net profit-Profit shared with Nokia i.e. **Rs. 330**

**Online shop:** An average handset costs Rs. 5000. So taking it as an example, the cash flow is shown below:

1. Handset cost: Rs. 5000
2. Net profit: 15% of handset cost i.e. Rs. 750
3. Profit shared with Nokia: 45% of Net profit i.e. Rs. 337.5
4. Final profit with us: Net profit-Profit shared with Nokia i.e. **Rs. 412.5**

From above we can conclude that we make, per rupee worth of product purchased, final profit of

- Rs. 0.066 in case of offline shops
- Rs. 0.0825 in case of online shops

As it can be clearly seen we make more money when handsets are ordered via the online route therefore our main aim, initially, would be to popularize the online shop.

### **Projected Profit expenditure**

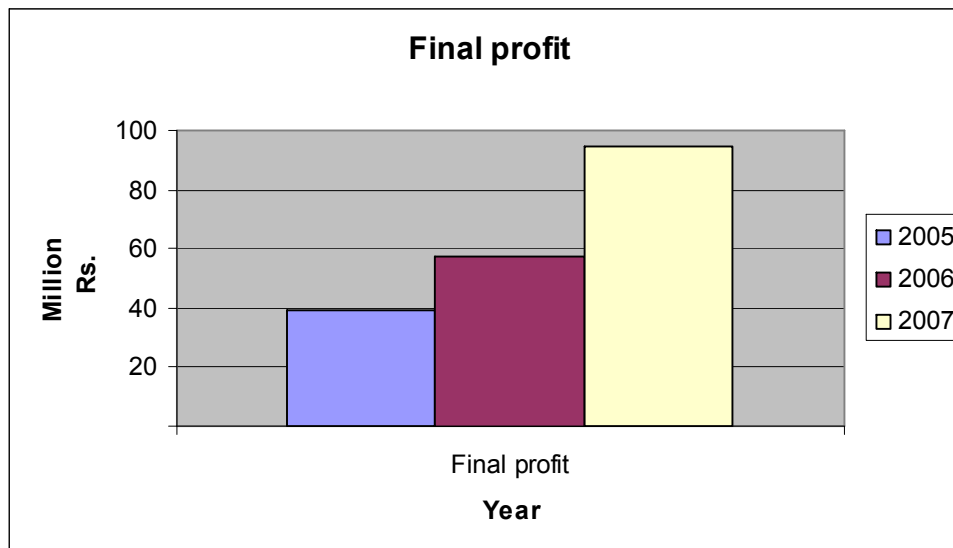
We plan to spend 30% of our profit on the R&D to search for alternate low cost assembly of phones. We plan to spend 25% on marketing and brand building. We will be saving other 45% to pursue our future goals such as establishment of our own plant.

## Projected Balance sheet

Year	2005	2006	2007
No of Handsets sold (Projected)	100000	150000	250000
Average price of a handset (Rs)	5000	5000	5000
Initial Profit	75000000	112500000	187500000
% of business from offline shops	25	35	40
Profit shared with agents	3750000	7875000	15000000
Net profit	71250000	104625000	172500000
Profit shared with Nokia	32062500	47081250	77625000
Our profit	39187500	57543750	94875000

*Note:* All the figures except year are in Rs.

Chart showing our projected final profits without taking out all the company's expenses such as operational costs, salary distribution, etc.



As it can be seen from the projected balance sheet we aim to make 100 million Rs. of profit within first three years of our operations.

## Break Even analysis

The amount of handsets manufactured will depend on the number of orders received. But, the minimum number of units needed by Nokia in order to make production successful is estimated to be at least 5000 units each costing an average of Rs. 5000.

This way Nokia can have a minimum profit of Rs. 1012500 per month which, we think, is appropriate as its operational costs for our handsets would be less. It should be noted here that we, and not Nokia, are employing the employees involved in the part of plant where our handsets are manufactured.

## **SWOT Analysis**

### **Strengths**

- Our idea is new and original. It caters to the needs of the market and no company has as yet undertaken any such venture.
- We have no competition. No company has even indicated that they might be considering such an idea.
- Our thought process is based on market needs and consumer statistics and hence we are bound to succeed.

### **Weaknesses**

- For making our idea practical, tremendous collaboration and understanding between different companies in the mobile handset industry. They probably won't be willing to open their architecture and their parts. It would be hard to convince them initially. But, finally the market would force them to do the same.
- There might be some issues on importing parts from some other country. The Govt. might put the restrictions on the quantity of parts imported.
- As a matter of fact, people are always afraid of change. Convincing them to accept this change as a breakthrough will be difficult.
- The different component parts might not be compatible with each other. So we will have to make sure that a standard for compatibility is developed as soon as possible.

### **Opportunities**

- To become a market leader in a huge and completely new market.
- To tap a currently untouched market i.e. rural market.
- To associate our brand with the term 'pioneers' thus making it stronger in the future.
- To serve big enterprises providing them bulk customized handsets.

### **Threats**

- Changes in the mobile communications industry require us to develop complex, evolving technologies to use in our various businesses, some of which are new to us. If we fail to develop these technologies or successfully commercialize them as new advanced products and solutions that meet the demands of the market, or fail to do so on a timely basis, or if the evolution of our operating environment is slower than anticipated leading to delays in the deployment and acceptance of new services, it may have a material adverse impact on our business, our ability to meet our targets, and our results of operations.
- The development of the mobility industry is significantly altering the competitive landscape and increasing competition. We are entering businesses where the competitive landscape is new to us or still in the early stages of development. Our failure to respond successfully to this development may have a material adverse impact on our business, our ability to meet our targets, and our results of operations.

- Reaching our targets depends on numerous factors, such as our ability to offer products and solutions that meet the demands of the market and to manage the prices and costs of our products and solutions, our operational efficiency, the pace of development and acceptance of new technologies, our entry into new business areas, and general economic conditions. Depending on those factors, some of which we may influence and others of which are beyond our control, we may fail to reach our targets and we may fail to provide accurate forecasts of our sales and results of operations.
- Our sales and results of operations could be adversely affected if we fail to efficiently manage our manufacturing and logistics, or fail to ensure that our products and solutions meet our and our customers' quality, safety and other corresponding requirements and are delivered in time.

## **Contingency Plan**

We have provided certain solutions in case of certain expected or unexpected eventualities. They are listed below.

- A Research and Development team will always work on creating new technology and also to quickly adopt any sudden and immense development in technology, so as to always keep in sync with market demands.
- The online ordering will be done via two websites so that even in case of certain technical problems with one of them, business is not stopped.
- We will be stocking component parts of a handset in advance to prevent short of supply in case of any disaster. It means we will stock the handset parts well in advance which can make up for the supply if the supplying company is unable to supply the required component.
- A dedicated e-security team will always monitor the websites to prevent any hacking.
- We will register our website with VeriSign so as to prevent any credit card scams.

## **Future Avenues And Goals**

We plan to setup our own handset manufacturing plant in the future from the profit we make in our years of partnership with Nokia. For this we give ourselves 8 years. However, there will be always in a kind of loose kind of understanding between our company and Nokia. It would allow sharing of technology and ideas among the two companies.

We would ensure that we remain fully informed about market needs and demands, so we may be able to provide service of the highest quality and at the best possible price. We would also like to diversify ourselves and branch out into other areas such as mobile software development, GPS communication and other innovative technologies emerging out of our constant R&D.