

Business Plan



swipeD

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Executive Summary

Parents send their children off to school every day with money to buy items such as lunches and sports tickets, and trust them to use their money wisely. They hope that their children possess the conscientiousness to keep track of this money and buy only what they need. We have created a product that will ultimately take away the uneasiness of having students bring money to school, and will give parents a say in the everyday financial aspect of their children's lives.

Our product, "swlpeD", is a smart card system that will be integrated into high schools around Virginia. This small, plastic, and school-customizable card will double as both an identification card and a student debit card containing funds that parents can advise and control through our website. This will give parents control over how much money their children spend per week, and will also teach students important money management skills that are vital to life outside of high school.

Our target market is the high school level, and we are selling to all high schools in Fairfax County, Virginia. We intend to sell to most of Fairfax high schools within the first two years and then reach out to other counties in Virginia, such as Newport News, Roanoke, and Richmond in the next few years. Each student and faculty member in the schools will be given a "swlpeD" smart card. This card will enable them to buy all items for sale inside the schools including lunches and tickets for athletic events. It will also allow them to check out library books, and will be used as identification with all of the card holder's medical and school information embedded in it.

We are outsourcing the cards and bases for our service from two separate suppliers that run out of Irvine, California and Ontario, Canada. Our company will keep a small inventory of cards and readers in our office in Fairfax for the purpose of emergency fixes and replacements. Our product will be sold on both a per student basis and on a monthly school fee. This will ensure a constant flow of income even if there is a slow point in sales.

"swlpeD" is a unique business, and there are very few other businesses that offer similar services. We have two main competitors: one that sells primarily to universities, and another, lesser-known business that sells similar cards to all grade levels. Our product, however, provides many more features and conveniences than either one of our competitors which makes us a one of a kind business.

From the venture capitalists, we are asking for \$300,000 and are offering a 30% share of ownership. This money is necessary for our business to get running and have a steady amount of supplies to sell to schools. This money will also help us get a name in the market and get our product known and wanted throughout schools systems in Virginia.

General Company Description

Our business, "swlpeD", is a one-of-a-kind smart card system targeted towards high schools throughout Virginia. We will be installing smart card readers inside the schools so students and faculty can swipe their cards to buy and check out certain school items. With the right exposure, we believe that this business can revolutionize the way money is handled by students in school systems everywhere.

Mission Statement: swlpeD's mission is to provide a convenient and secure way for high school students to manage and spend money in a school environment. We also hope to increase the efficiency of money transactions within the school.

Company Goals and Objectives: Our goal is to be a large provider of smart card systems in high schools across the nation. We will have reliable troubleshooting services and excellent customer relations. We hope to continually expand our business through annual sales and by updating our cutting edge technology.

Business Philosophy: swlpeD will market our product to public high schools starting in Fairfax County and then expanding throughout the state. We will plan to update our systems as technology grows and changes. Our company will hire only certified technicians who are highly skilled to manage and maintain our systems.

Our industry has a need for a product like our smart card system. In schools today kids can lose money or spend too much. swlpeD helps solve both of those problems by adding secure accounts that can be monitored online with our smart card system. Our company is the only one of its kind and therefore we have a large growth potential in our industry.

In a business like swlpeD we will be constantly adapting our business to accommodate changing technology and expansion. We plan on doing this efficiently by making enough profit to hire any additional staff members we may need and to replace any outdated technology our system may have.

swlpeD will have a major competitive advantage in the sense that we are a one-of-a-kind business. No other company offers a smart card system to high schools that can act as a debit card for students. Our customers will appreciate the efficiency this card brings to school transactions.

Products and Services

“swlpeD” will be a smart card system consisting of smart cards and bases, or readers, for these cards. The cards will be the size of any normal debit card or ID card. A series of bases will be installed throughout the school in places such as the library, cafeteria, and the school store. Students and faculty will each be issued a card that can be monitored through our website with an online account. The account information can be updated and funds added at any time, so students can have the necessary amount of money for their convenience.

These cards will also possess the ability to hold information about the student or faculty member such as medical and attendance records. This information will be easily accessible whenever a particular person’s card is swiped.

We plan to offer outstanding customer support using highly skilled technicians for troubleshooting purposes and for installation. We will be able to control these operations from our office using our advanced technology. Each of the components of our system will be durable and reliable.

We will be able to produce our system for an average school size at about \$9,403. We will sell our product for a \$20 per student cost and a monthly \$500 fee for every school.

Marketing Plan

Economics

- There are 21 public high schools teaching grades 9-12 in our targeted area, Fairfax County.
- There are 44,300 total high school students enrolled in grades 9-12 in Fairfax County.
- There is a total of 2,186 schools in Virginia with over one million students enrolled.
- “swlpeD” has high potential growth due to the fact that no school in Fairfax County currently possesses a smart card system that offers all of the features that swlpeD offers.
- As barriers to entry we face shipping costs, high pricing, and potentially low school budgets.
- We plan to overcome these by including shipping costs in the fee we charge schools, by pricing our product on a significantly low per student basis, and recognizing the high demand for security in schools.
- “swlpeD” can easily be updated as technology changes by replacing readers or smart cards as necessary and can also be tailored to each school’s individual needs.

Product

Our product, “swlpeD”, is a smart card system that will be installed in high schools providing them with a financially secure environment and convenience when dealing with money. The school will purchase a series of bases and enough smart cards to supply each student and faculty member in the school with a personal smart card.

This card will also be pre-paid by parents at the beginning of each quarter, providing students with an easy way to purchase food and other items. Readers will be placed in various locations in the school such as the library, cafeteria, school store, and other frequently used locations. Students may use their smart cards to check out books, purchase food, buy tickets to school sporting events, etc. Parents can access their child’s account and monitor spending through our secure website. This encourages students to gain experience with managing and budgeting money. “swlpeD” will help secure student finances and provide them with an easy way to keep track of money.

Our product has many features and benefits.

- The small smart card is easy to carry and store
- The large amount of kilobytes on the smart card allow a great amount of information to be stored

- Numerous bases allow students to use smart cards for varied purposes with a pin protection.

Customers

Our target market will be high school systems in Northern Virginia, starting with Fairfax County. We believe that our targeted customers have both the essential need and want for our product due to the convenience and money management purposes it provides for students, parents, and faculty. Schools will benefit from having our product in numerous ways, including seeing a substantial decrease in money theft in the classrooms and eliminating long lines in the cafeteria and other places where monetary transactions take place.

Competition

There are several companies that offer Smart Card services to colleges and universities throughout Virginia, such as TX Systems, and ActivIdentity. However, swlpeD Smart Card Systems is one of the very few companies on the market that provides all of the smart card features at the high school level.

<u>Factor</u>	<u>Us</u>	<u>Strength</u>	<u>Weakness</u>	<u>Tx Systems</u>	<u>Active Identity</u>	<u>Importance to Customer</u>
<u>Products</u>	Smart Card System	☆		Smart Cards & Bases	Smart Cards & Bases	1
<u>Price</u>	Medium		☆	Low	Low	2
<u>Quality</u>	High	☆☆		High	High	2
<u>Reliability</u>	High	☆☆		Low	Low	1
<u>Stability</u>	Stable	☆☆		Stable	Stable	2
<u>Company Reputation</u>	None		☆	Reliable	Reliable	3
<u>Location</u>	Fairfax	☆		California	Worldwide	3
<u>Appearance</u>	Uniforms, Company Vehicles, On-line and Local Presence.	☆		Based online	Based online	3
<u>Sales Method</u>	Internet, One-on-one Sales and Customer Management	☆		Internet	Internet	4
<u>Advertising</u>	Flyers, Internet Ads, Newspapers	☆		Internet Ads	Internet Ads	3
<u>Image</u>	Professional	☆☆		Average	Good	3

Our main competitive advantage is our service. There are very few other businesses that provide what we are providing on a high school level. We offer many additional benefits such as installation, maintenance and troubleshooting with our product, and we are centrally located for quick customer response. Our main disadvantage is pricing, especially for a school budget which is why we plan to develop pricing plans to meet their needs.

Niche

We plan to decrease school transaction processing costs, increase student/parent financial awareness and increase the security of schools around the state. By installing these systems we will be able to help protect faculty and students from theft and also give them an easy way to track and manage their spending.

Promotion

Our company will thrive through our advertisements, promotion and one-on-one sales and customer support. Sales will begin with a visit from our CEO and technical staff to each school in order to promote swlpeD's products and services. Our website will be designed to appeal to members of school boards and will be interactive and easy to use with a design that will keep costs low while maximizing its interactivity advantage. It is important so that our customers will know that we are interested in the well being of their schools.

Once a system is installed in the school building, they will immediately recognize our logo and be able to identify the company itself as our logo will be displayed on all of our equipment. In order to stay in contact with our customers we will have a technician on call to work on any issues that may arise in our systems. With infallible customer service and this much exposure of our company, word will get around and we will be able to sell to increasingly more schools around the county and, eventually, throughout Virginia.

Promotional Budget

We will allot \$700 on promotion and advertisement. Our web page will be hosted for under \$250 and will be maintained by one of our team members. We will then have the rest of the money spent on print advertisement, which will be used to make brochures and other handouts that can be mailed or given to schools throughout our targeted area.

Pricing

We face an entry barrier of high pricing and low school budgets. We plan to solve this problem using three strategies. First, pricing will be flexible depending on the school that is purchasing “swlpeD.” Schools may buy a different number of readers and services depending on their budget and needs. Second, we will include in our pricing list a suggestion for the school on a flat fee to charge all students. This means the school will not have to draw money from their budget, and will be an excellent investment. By charging students a flat fee of \$20, the monthly fee charged to the schools can be low and affordable.

Also, to help support both the school and the community financially, we will offer advertising on our cards from local businesses. This sponsorship and additional advertising will increase the businesses’ sales. We predict that local businesses will be willing to give a \$2000 fund, respectively, to the schools which will ultimately help a great deal with schools’ affordability for our product. The sponsorships from such businesses as McDonalds, Ruby Tuesday, and Staples, in addition to the \$20 per student fee, will give the school a \$3000 profit. The school could then use this profit to help the students who cannot afford the \$20 pay for their cards, or could help pay the monthly fees.

We believe that the combination of our customizable systems, low per student and monthly fees, and sponsorships will make our product very attractive to school systems because of its affordability. The schools and communities will benefit greatly from buying our product, and it will be low and inexpensive as well.

Proposed Location



Fair Oaks Center

11350 Random Hills Road, Fairfax, VA 22030

Our site is a small office which will be used by our staff where they will manage purchases and troubleshooting. We will lease this office space annually to cut down on costs. We will also keep a small inventory in the office in the event a school needs an immediate replacement. This office is fully furnished, comes with utilities, has plenty of parking outside the building, and is conveniently located in the middle of our targeted area. This location is ideal because it provides us with a central location close to our proposed customers.

Operational Plan

“swlpeD” will be a 9-5 business with after hours on-call support based in Fairfax County. We will operate out of a small office with 4-5 staff members. Daily tasks for these employees will include developing new marketing promotions, managing or scheduling installations, handling finances, and offering technical installations or troubleshooting.

Management and Organization

We will have a CEO, a software technician, a network technician and office assistant. All employees have extensive experience in their field of work, and have obtained degrees, training, and certification in their related fields.

Personnel

There will, initially, be three employees working on a full-time basis for “swlpeD”. We will employ a CEO, Software Technician, Network Technician and an Office Assistant. With the low amount of start-up salaries, the initial cost will be lower.

Our CEO will be skilled in business operations and possess marketing and management skills. This CEO will also be highly skilled in selling and promoting our product and getting customers to realize the importance of our system for their schools. Our software technician will be an individual who is responsible for keeping users' information secure and up-to-date, and will also keep the website updated. Our network technician will be skilled in the set up of networks within the school system and will possess knowledge of updating, installing, and troubleshooting the networks. Our office assistant will be skilled in secretarial work, computer information systems, customer service, and completing orders for customers.

Furthermore, all employees of “swlpeD” should have certification and/or degrees in their respective fields.

CEO:	\$85,000/ yr.
Software Technician:	\$75,000/yr.
Network Technician	\$60,000/yr
Office Manager:	\$40,000/ yr.

Location

Due to our small inventory, “swlpeD” will be able to run our business out of a relatively small office space located in Fairfax. Our office will be conveniently placed in Fair Oaks Center with the address 11350 Random Hills Road, Fairfax Virginia 22030. We will lease one 2,500 ft² office space annually. This office building provides janitorial staff, security, furniture, and fixtures, which are included in our payment of \$42,500/ yr. Our location will make delivering to schools easy.

Legal Environment

“swlpeD” will have insurance for natural disasters, theft, and personal liabilities. This will protect our business from damages and keep it running smoothly.

Suppliers

“swlpeD” will be ordering our product from two suppliers; one being Almex Ltd. located in Ontario, Canada, and the other being CardLogix which is located in Irvine, California. Having two suppliers offers our business the redundancy of suppliers necessary to ensure swlpeD's ability to meet customer demands. We will order the necessary products from these sites as soon as a school places an order with our

office. The products will reach our business within 3 to 6 business days*, depending on which source we order from. swlpeD will then install these in the schools promptly.

*If ordering from Almex Ltd. the products will arrive in 4 to 6 business days. If ordering from CardLogix products will arrive in 3 to 4 business days.

Inventory

We will not need to keep a large inventory seeing as we will implement a JIT inventory system. However, a small number of both bases and cards will be kept as inventory in case there is a need for emergency replacements. “swlpeD” may experience a seasonal buildup in August due to the opening of schools.

Production

“swlpeD” is a smart card installation system for high schools in Northern Virginia. We will be shipping our cards and bases from two separate smart card businesses located in Ontario, Canada and Irvine, California. This will ensure that if one goes out of business or no longer can supply the products we need, we will have a backup manufacturer.

Our product will be safely and efficiently shipped from Canada and California by FedEx and will reach our company within 3-6 business days, depending on the business from which we order. We will only need a low number of our product in stock, which will make inventory control easy for “swlpeD”.

Exhibits



Standard Smart Card

Basic Attendance Reader



Standard Point of Sale

Standard Contactless Smart Card Reader

Startup Expenses

swlpeD		
Line	<i>If you plan to rent or lease an existing facility</i>	Note
1	Deposit & rent expense prior to operation	\$7,083
2	Remodeling expenses	
3	Enter item	
4	Enter item	
5	Other	
<i>If you plan to buy an existing facility</i>		
6	Purchase cost	
7	Remodeling expenses	
8	Enter item	
9	Enter item	
10	Other	
<i>If you plan to buy land and build a facility</i>		
11	Purchase cost of the land	
12	Construction cost including parking, etc.	
13	Architectural & engineering fees	
14	Enter item	
15	Enter item	
16	Other	
Total Facility		\$7,083
Capital Equipment List		
17	Furniture & fixtures	
18	Office Equipment	\$2,600
19	Production Equipment	
20	Other	
Total Capital Equipment		\$2,600
Pre-opening Administrative Expenses		
21	Utility deposits	\$115
22	Legal and accounting fees	\$600
23	Prepaid insurance	\$400
24	Pre-opening salaries	\$33,750
25	Other	
Total Preopening Administrative Expenses		\$34,865
Opening Inventory		
26	6600 cards	\$1,650
27	45 bases	\$2,557
28	Enter item	
29	Enter item	
30	Enter item	
Total Opening Inventory		\$4,207
Pre-opening Advertising and Promotional Expenses		
31	Advertising	\$200
32	Signage	
33	Printing	\$500
34	Travel	\$25,000
35	Other	
Total Advertising/Promotional Expenses		\$25,700
Other Expenses		
36	Enter item	
37	Enter item	
Total Other Expenses		
38	Reserve for Contingencies	\$100,000
TOTAL STARTUP EXPENSES		<u>\$174,455</u>

Financial Plan

Five-Year Projected Profit and Loss (P&L)

swlpeD

Note	First Year		2013	%	2014	%	2015	%	2016	%
	2012	%								
Sales in <i>units</i>		12	15		18		23		27	
Selling price <i>per unit</i>		\$51,000.00	\$51,000.00		\$51,000.00		\$51,000.00		\$51,000.00	
Sales		\$612,000	\$765,000	100.0%	\$918,000	100.0%	\$1,173,000	100.0%	\$1,377,000	100.0%
Direct cost per unit										
Material cost <i>per unit</i>		\$9,403.00	\$9,403.00		\$9,403.00		\$9,403.00		\$9,403.00	
Direct labor cost <i>per unit</i>		\$5,084.00	\$5,084.00		\$5,084.00		\$5,084.00		\$5,084.00	
Other direct costs <i>per unit</i>		\$2,000.00	\$2,000.00		\$2,000.00		\$2,000.00		\$2,000.00	
Total unit cost		\$16,487.00	\$16,487.00		\$16,487.00		\$16,487.00		\$16,487.00	
Total Cost of Sales		\$197,844	\$247,305	32.3%	\$296,766	32.3%	\$379,201	32.3%	\$445,149	32.3%
Gross Profit		\$414,156	\$517,695	67.7%	\$621,234	67.7%	\$793,799	67.7%	\$931,851	67.7%
Expenses										
Salaries & wages		\$260,000	\$260,000	42.5%	\$395,000	43.0%	\$435,000	37.1%	\$485,000	35.2%
Payroll expenses		\$52,000	\$52,000	8.5%	\$79,000	8.6%	\$87,000	7.4%	\$97,000	7.0%
Supplies (office & operating)		\$2,400	\$150	0.4%	\$150	0.0%	\$150	0.0%	\$150	0.0%
Repairs and maintenance		\$500	\$550	0.1%	\$600	0.1%	\$650	0.1%	\$700	0.1%
Marketing / Advertising		\$700	\$800	0.1%	\$1,000	0.1%	\$1,200	0.1%	\$1,500	0.1%
Accounting and legal		\$600	\$600	0.1%	\$600	0.1%	\$600	0.1%	\$600	0.0%
Technology		\$550	\$600	0.1%	\$650	0.1%	\$700	0.1%	\$750	0.1%
Telephone		\$1,000	\$1,000	0.2%	\$1,100	0.1%	\$1,100	0.1%	\$1,200	0.1%
Utilities and vehicle fuel		\$1,200	\$1,200	0.2%	\$1,200	0.1%	\$1,200	0.1%	\$1,200	0.1%
Insurance (property & liability)		\$700	\$700	0.1%	\$700	0.1%	\$700	0.1%	\$700	0.1%
Rent		\$42,500	\$42,500	6.9%	\$42,500	4.6%	\$42,500	3.6%	\$42,500	3.1%
Miscellaneous										
Total Expenses		\$362,150	\$360,100	59.2%	\$522,500	56.9%	\$570,800	48.7%	\$631,300	45.8%
Net Profit		\$52,006	\$157,595	8.5%	\$98,734	10.8%	\$222,999	19.0%	\$300,551	21.8%

Five-Year Projected Cash Flow	swlpeD				
	2012	2013	2014	2015	2016
CASH ON HAND - Beginning of year		\$177,551	\$335,146	\$433,880	\$656,879
Cash from venture capitalists	\$300,000				
Less startup expenses	\$174,455				
Cash on hand after startup expenses	\$125,545				
CASH RECEIPTS					
Sales revenue	\$612,000	\$765,000	\$918,000	\$1,173,000	\$1,377,000
Total Cash Available	\$737,545	\$942,551	\$1,253,146	\$1,606,880	\$2,033,879
CASH PAID OUT					
Direct costs (Material, Labor, & Other)	\$197,844	\$247,305	\$296,766	\$379,201	\$445,149
Salaries & wages	\$260,000	\$260,000	\$395,000	\$435,000	\$485,000
Payroll expenses	\$52,000	\$52,000	\$79,000	\$87,000	\$97,000
Supplies (office & operating)	\$2,400	\$150	\$150	\$150	\$150
Repairs and maintenance	\$500	\$550	\$600	\$650	\$700
Marketing / Advertising	\$700	\$800	\$1,000	\$1,200	\$1,500
Accounting and legal	\$600	\$600	\$600	\$600	\$600
Technology	\$550	\$600	\$650	\$700	\$750
Telephone	\$1,000	\$1,000	\$1,100	\$1,100	\$1,200
Utilities and vehicle fuel	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200
Insurance (property & liability)	\$700	\$700	\$700	\$700	\$700
Rent	\$42,500	\$42,500	\$42,500	\$42,500	\$42,500
Miscellaneous					
Total cash paid out	\$559,994	\$607,405	\$819,266	\$950,001	\$1,076,449
Cash remaining at end of year	\$177,551	\$335,146	\$433,880	\$656,879	\$957,430

Projected Return on Investment (ROI)

swlpeD

Year:	2012	2013	2014	2015	2016
Net Profit from 5-Year P&L	\$52,006	\$157,595	\$98,734	\$222,999	\$300,551
Venture Capital Investment	\$300,000				
Return on Investment (ROI)	17.3%	52.5%	32.9%	74.3%	100.2%

<u>Breakeven Analysis</u>	
swlpeD	
Selling price per unit	\$51,000.00
Variable costs per unit	
Materials	\$9,403.00
Labor	\$5,084.00
Other	\$2,000.00
Total Variable Costs	\$16,487.00
Gross Margin per unit	<u>\$34,513.00</u>
Total annual fixed costs	\$362,150
Annual breakeven in units	10
Annual breakeven in dollars	\$535,151