

Door Hanger Advertisement GmbH

Business Plan



DHA

Door Hanger Advertisement

Silvan Duss

Luca Vesco

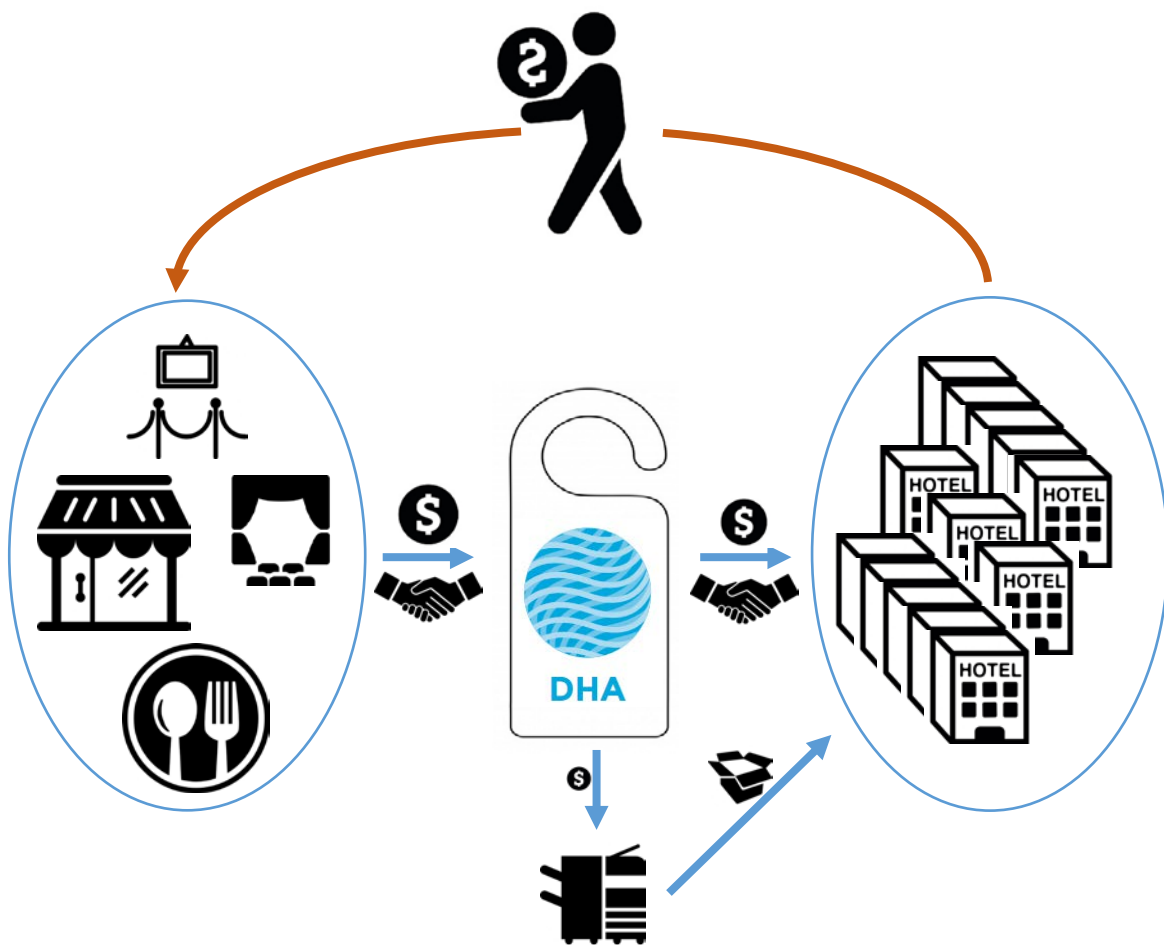
Fabio Vesco

Basel, Switzerland

Executive Summary

Door Hanger Advertisement (DHA) is an innovative and attractive new opportunity to promote local products or services to hotel guests. It is a win-win-win business model because all involved parties benefit from our advertisement!

Luca, a frequent traveler and creative worker, had the initial idea to place advertisement on the unused but highly visible door hangers in hotels. He began to discuss the potential business idea with his brother, Fabio. Eventually, Silvan and Fabio met during their master studies and recognized the high potential of the door hanger advertisement business. Therefore, Silvan and Fabio wrote together this business plan as part of the entrepreneurship module whereas Luca was and will be predominantly involved in strategic decision making as well as networking with potential business partners. The advantage of the diverse co-founders is that the managers have complementary strengths and personal networks in different cities and industries.



The picture above explains DHA's business model in a nutshell. Door Hanger Advertisement GmbH has preliminary the role of an intermediary. On the one side, we will have a pool of participating hotels. These hotels receive a financial reward in return for using the door hangers we provide them (CHF 3 per door hanger per month). On the other side, DHA acquired numerous local businesses, which aim to promote their offers to the hotel guests because they are potentially profitable customers. The local businesses pay a monthly fee of CHF 5 per customized and highly visible door hanger to DHA. However, the ultimate goal of our business model is that the hotel guests benefit from useful information and offerings during their stay in an unfamiliar city.

Example 7: Door Hanger Advertisement GmbH

The market size is simply huge. Already in the canton of Basel-Stadt, DHA's hometown, are 61 hotels offering 4000 rooms, which is literally equal to the initial market size of our business. Since a moderate to rapid expansion within Switzerland is planned, the following numbers are important too. In the whole country are more than 140'000 rooms available in 4370 hotels¹. At the beginning, we focus on low-budget and midrange hotels because we believe that the additional income through door hanger advertisements are appreciated the most at these hotels. Furthermore, decision makers are still accessible. A high number of advertisers are available in cities and touristic areas, where DHA will be active.

A crucial step for our market entry will be the pilot study in August 2016. With the help of five hotels and advertisers, DHA's business model will be proven in practice. The evaluated conversion rate and customer feedbacks are of key importance for the further development of the business idea.

Human resources are the most important resource we need in order to develop this business idea. However, since two of the three founders will be working (part-time) on this project, we do not need to hire and pay additional employees in the short-run. Moreover, no external investors are needed because the founding capital for the limited liability company (GmbH) of CHF 20'000 is sufficient for running the business and will be financed by the three founders equally in cash. Because the fix costs are rather low and the business model is scalable, DHA starts to generate revenues in the sixth month. The profit is increasing with the number of participating hotels and advertisers. However, break-even will be reached eventually in the third year, as a result of the planned countrywide expansion in the second year.

Of course, we are aware of the potential risks and pitfalls of this project. But, we are convinced that we have the right strategy in order to successfully develop the company. We identified three main risks so far. First of all, it is essential for the success of DHA to acquire and to steadily increase a network of participating hotels. The risk can be minimized with our proactive approach towards hotels and the financial reward for participating that we can offer. Secondly, the advertisers might be very price sensitive. Thanks to the excellent conversion rate and customer feedback of our pilot test, the prices are justified and accepted by the advertisers. Thirdly, DHA faces indirect competition. A challenge will be to compete against established advertising companies as well as local tourism agencies. However, we strongly believe that our business model is unique and offers significant benefits compared to the indirect competitors.

Our vision is to expand the DHA business worldwide and to be recognized as a reliable and essential partner to promote local products and services to foreign hotel guests!



¹ Swiss Federal Statistical Office & Swiss Hotel Association <http://www.bfs.admin.ch/bfs/portal/de/index/themen/10/03/blank/key/01/03.html>
https://www.hotelleriesuisse.ch/files/pdf9/Jahrbuch_der_Schweizer_Hotellerie_2015.pdf

Table of Content

- Executive Summary 1
- Products..... 4
- Market Size, Customers & End Consumers 5
- Competition and our Advantage 7
- Market Entry..... 9
- Operations..... 10
- Management Team 12
- Action Plan..... 13
- Risk Analysis 15
- Financial Planning..... 16
- Further Development..... 19
- Appendices 20
 - Appendix A – Financial Assumptions..... 20
 - Appendix B – Sample Door Hangers..... 22

Products

Door hangers can be found in almost all hotels in the world. However, they are unused in most hotels and only imprinted with the hotel sign or the sign of the hotel chain and some advice “not to disturb” or to “clean the room”. Door hangers are very visible to the guest as they hang on hotel room doors or lie on hotel room tables.

Out of the above facts, we found that door hangers are an unused advertisement space and felt that this is a perfect market niche. In our opinion, door hangers are the best way to reach the hotel guests with a short message, such as an invitation to a restaurant, bar, event or sport club around the corner. Since hotel guests are often not familiar with the city they stay in, they are an interesting target group for local businesses. Therefore, door hanger advertisement (DHA) is an innovative and attractive opportunity for marketing activities. Conversely, door hangers are the best way for local providers to reach new hotel guests in their private space.

DHA’s business model is a win-win-win situation:

- **Advertisers** can use innovative and effective door hanger advertisements to promote their business to hotel guests.
- **Participating hotels** receive additional income in form of a reward for using our door hangers.
- **Hotel guests** benefit from the displayed information about interesting local business and may receive special offers.

The advertiser can determine the design of the door hanger. DHA will offer a standard format of door hangers that will be customizable. Moreover, advertisers have the opportunity to develop an own design (shape, material, colors etc.) for an additional fee that is depending on the resulting increase of production costs. In general, the door hangers can be used for traditional advertisements. However, in order to promote their business even more, coupons with special offers can be placed on our door hangers.

Below are two simple samples of door hanger advertisements in order to visualize our idea. Real-size door hanger advertisement samples are available in the appendix of this business plan.



Market Size, Customers & End Consumers

Door Hanger Advertisement GmbH has preliminary the role of an intermediary. Basically, we have to emphasis on the following two key customer segments as well as the end-consumers in this chapter:

- a) Hotels, where the door hangers will be displayed
- b) Advertisers (Restaurant, Bars, Clubs, Shops, Sports etc.), who promote their businesses
- c) Hotel guests, respectively the end consumers

Let us focus first on the hotel segment:

The home market (Basel-Stadt) has already a reasonable size. However, the potential of nationwide or even global growth is enormous. According to the Swiss Federal Statistical Office, in the canton of Basel-Stadt 61 hotels are offering over 7000 beds to their guests with an occupancy rate of around 40%². Since the average room has about 1.76 beds, we have almost 4000 rooms in Basel-Stadt only where our door hanger advertisement could be placed³.

Another important point to mention in this section is that the Swiss tourism industry passes through a challenging economic time. Since the Swiss currency is that strong, it is difficult to compete on prices in the international tourism environment. Therefore, potential additional income such as from door hanger advertisements is truly appreciated in general.

Since our goal is a moderate to rapid expansion within the Swiss market, the market size of the whole country is relevant too in this early stage. The numbers speak for themselves: In whole Switzerland are almost 250'000 beds in 4370 hotels available with an occupancy rate of as well around 40%¹. Once again, divided through the average room size of 1.75 beds per room, there are nationwide more than 140'000 door handles, where our advertisers could promote their businesses!

According to our own telephone research with several mid-class hotels in Basel and other cities in Switzerland, door hanger advertisement is viewed as an interesting business opportunity. The potential additional income was appreciated from hostels as well as low budget and mid-class hotels. However, we also learned that it is hard to get in touch with the decision makers since they are very busy. In order to get access as well as to sell our products to the hotels, we need to have a successful pilot study. Once we can quantify the reward for participating hotels, the accessibility will be easier.

Moreover, we also got in touch with the Swiss Hotel Association. However, since they requested a written statement with detailed information of the business idea, we decided that the risk of misuse of our idea is too high at this early stage. Once we have a successful pilot test of our door hangers, a request for a strategic partnership might be sent to the association.

At the beginning, we plan to start with low budget to mid-range hotels. These are most likely two to three star rated hotels but as well selected hotels with four stars. We believe that high-end hotels in the luxury segment are first of all not particularly eager to publish advertisement within their well-designed buildings. Secondly, the additional income through door hanger advertisement is quite little compared to other income streams in this segment.

Another challenge is to get access to hotels that are part of hotel chains. Quite often regulations and standard procedures exist in these hotels, therefore the hotel manager might not have the power to

² Swiss Federal Statistical Office <http://www.bfs.admin.ch/bfs/portal/de/index/themen/10/03/blank/key/01/03.html>

³ Swiss Hotel Association https://www.hotelleriesuisse.ch/files/pdf9/Jahrbuch_der_Schweizer_Hotellerie_2015.pdf

decide to work with us. However, there are various independent hotels and hotel chains that can be accessed through the headquarters in a second step, once DHA has proven its success.

To conclude, we have numerous potential hotels that are already interested in our service and the additional income through the door hangers. We expect many more hotels to follow, once they will hear about this market. Nevertheless, the necessary promotion activities have to be performed by DHA and are part of our marketing strategy.

How about the advertisers?

Just the situation of a hotel guest: You are in a foreign city staying for a few days on a business trip. You do have neither the time nor the inclination to inform yourself about delicious restaurants and bars nearby. There might be a super cool and comfortable restaurant, which serves exactly the local food you would be looking for. However, since you do not know it you end up spending the evening as usual within the hotel complex.

Likewise, the owner of the mentioned restaurant is asking himself how it is possible that so little guests from the nearby hotel are visiting his place. He even tried to promote his business in the guest information brochure, which is available in the hotel rooms and at the reception desk.

Stories like the above mentioned and the results of our pending pilot study indicate that many local business owners can be convinced to take the opportunity to promote their products or services through door hanger advertisements in order to gain new customers. We do not have nor want to provide you with the actual number of potential advertisers, since there are just plenty of them, especially in the city centers and other touristic hotspots. To give a short overview, the following segments will be potential customers of DHA:

- Restaurants
- Bars
- Clubs
- Theaters
- Casinos
- Movie theaters
- All kind of shops
- Gyms
- Travel agencies
- Museums
- Sport and leisure centers (swimming, badminton, bowling etc.)

This incomplete list shows the broad availability of potential advertisers. Hotel guests are a very specific target group for the advertisers. Furthermore, since they often have a high purchasing power, it is attractive and profitable to market the foreign guests. In addition, the door hangers are very visible which is an important advantage compared to tradition touristic marketing activities.

Last but not least: The hotel guests:

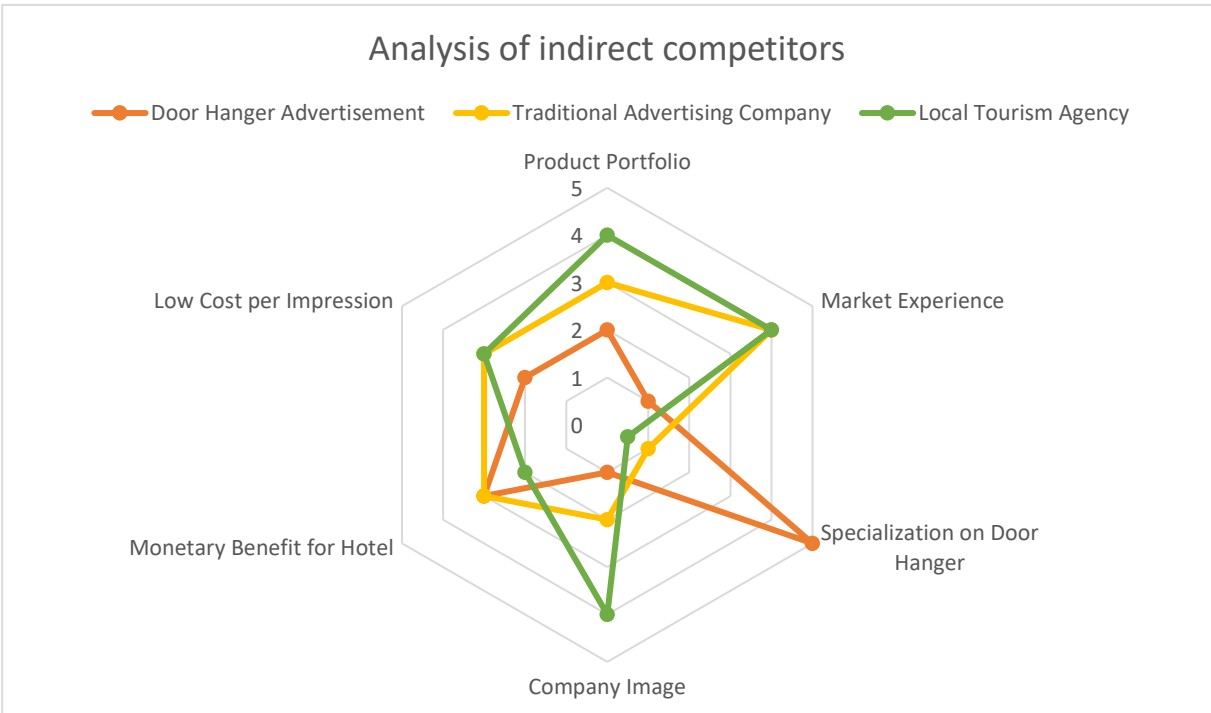
Door Hanger Advertisement creates a triple-win situation. Hotels benefit from the additional revenues. Advertisers have a new and attractive way to promote and increase their customer base. In the end, the consumer, more specific the hotel guest, has an advantage too. Thanks to the available information on DHA the guest gets aware of potential restaurants or shops he could visit in a city he does not know. Moreover, he might benefit from special offers that are placed on the door hangers.

Competition and our Advantage

Fortunately, the competition consists entirely of indirect competitors, which compete for similar customers. Since door hangers are simply a new idea, there is no direct competitor specialized in door hanger advertisement yet.

We have analyzed the indirect competition carefully. The results revealed two main competitors of the Door Hanger Advertisement GmbH. The serious competitors are traditional advertising companies and local tourism agencies.

The following radar chart displays the position of the three market player groups consisting of the Door Hanger Advertisement GmbH in orange, the traditional advertising companies in yellow and the local tourism agencies in green.



The competitors were mapped based on six criteria. The common advantage of the traditional advertising companies and the local tourism agencies is their existing market experience and network. However, the competitors of the Door Hanger Advertisement GmbH do not offer door hanger advertisement, they provide a wider product portfolio with replacing offerings such as brochures at the hotel reception desk. Moreover, it was found that the local tourism agencies have a strong company image and that the monetary benefit in cooperating with traditional advertising companies is high for the hotel.

Currently, companies can promote their business to tourists in other ways. Two examples are restaurant guides (CHF 4500 per year) or a very small advert on the broadly available city map (CHF 1200 per year). In comparison with the traditional advertisement prices, DHA is priced similar. A business has to pay CHF 4500 to promote its product or service an entire year in a hotel with 75 rooms. However, the comparison shows that DHA's price per unique impression is significant higher. Nevertheless, due to the prominent exposure of the door hangers, we are convinced that DHA is very attractive for advertisers.

Door Hanger Advertisement GmbH's competitive advantage:

The most important USP is the visibility of the door hangers. Unlike traditional marketing towards tourists, door hangers have an actual function within the hotels. Therefore, the likelihood that the guest notices the advertisement is higher. Furthermore, results from the pilot study (such as conversion rate) are crucial in order to attract advertiser's marketing budgets towards DHA. To summarize the USP, door hangers are a great opportunity to promote a business very visible to a predictable and highly specific target group of hotel guests within DHA's network of hotels.

Beside the innovative and highly visible offering and specialization on door hanger advertisements, DHA's comparative advantage is its customization ability. Door hangers can be provided and "hanged" (published) in a preferred interval and be updated with the latest offerings. Furthermore, the advertisers can take profit of various forms, colors and materials of door hangers.

The hotels on the other hand do also profit of the DHA's unique point of contact and do not have to care for purchasing of door hangers anymore. Moreover, they receive additional revenues for participating with DHA.



Market Entry

The initial market entry is mainly based on the networks of the three founders and the proactive approach towards hotels and potential advertisers. The network of participating hotels is of key importance for the start-up. Due to the fact that Luca and Fabio are born and raised in Basel, some advertisers and hotels can be approached through a personal relationship. The third founder, Silvan, has a strong network within the area of Zurich as well as in the famous tourist destination of Lucerne.

With the help of those networks, approximately five customers (hotels & advertiser) will be acquired in Basel for a pilot test of door hanger advertisement. In order to convince advertisers and hotels to participate in the pilot test and to be able to evaluate the effectiveness and worthiness of DHA, the very first month of advertisement will be free of charge. However, the hotels still receive their earnings from the beginning. This pilot test is crucial in regard of DHA's further development and we aim to attract additional hotels and advertisers with the success (conversion rate and hotel guest feedback) of this pilot test.

Of course, the goal is that the conversion rate of our door hanger advertisement is as good as the word of mouth spreads. However, we expect that the acquisition of new hotels and advertisers will be time intense. It is planned to approach potential hotels first per phone and afterwards with personal visits on site. Furthermore, strategic partnerships might be an opportunity to fasten the company's growth. To collaborate with advertisement agencies or the Swiss Hotel Association could be a possibility in a later stage. In contrast, the figures in this business plan are based on the assumption that no partnership will occur within the first three years.

As already mentioned, the market entry is strongly depending on the success of convincing hotels and advertisers about the advantages of the door hanger advertisement. Therefore, the main marketing activity will be cold calls and visits. Since most other traditional marketing activities are simply not affordable for DHA, the very limited marketing budget will be spent on digital advertisement. Besides the presence on different Social Media channels, DHA will have a corporate blog on its website with the aim to create new content regularly. Furthermore, the DHA website will be coded according to the latest SEO (search engine optimization) standards in order to receive high rankings on searching platforms, such as Google. A small PPC (pay per click) campaign will be started after three months to assist the company growth. In the second and third year, the expenses for (digital) marketing are planned to be significantly increased to CHF 10'000 respectively CHF 15'000 per year.

Our network with hotels is of key importance for the success of DHA's business. A great opportunity to enlarge our network and to spread the word offers the Igeho fair 2017. The international exhibition for hotels, catering and extra-domestic consumption (Igeho) takes place Basel every second year. All three founders will attend the exhibition in order to increase awareness within the industry and to get in touch with new potential hotels.

Operations

The operations of DHA are divided in the following divisions:

- Sales and Marketing
- Production and Logistics
- Finance and Administration

The sales and marketing division is the core of DHA's business model, it is located at the DHA headquarters in Basel. The continuing acquisition of new hotels as well as the generation of new accounts respectively advertisers are part of the sales operations. In the first two years, the two management partners Fabio and Silvan will run sales activities. Having the sales hat on, the managers will execute regular phone calls to potential hotels in order to convince them to join the hotel pool of DHA. Once a hotel shows interest, one of the managers holds a subsequent on site presentation. If convinced, the hotel signs an agreement to test door hangers during one month. If this test phase was positive for the hotel, the contract will be extended for half a year. In general, half-year and one-year contracts are provided. Regarding advertisers, the acquisition strategy is different. The managing partners regularly visit gastronomy, event and sport businesses in order to convince them to become new advertisers of DHA. The key sales argument in that process is the hotel pool as well as the profitability of the specific target group. For preparation purpose, the managing partners make sure to select hotels out of the pool, which host guests that fit the advertisers target group. The contractual handling will be similar to the hotels. After a test phase of one month, the advertiser can either sign a half-year or year contract with DHA.

Besides its sales activities, the Sales and Marketing division also handles the design of the door hangers. In their design activities, the managing partners Silvan and Fabio connect the advertiser's message with the door hanger. Beside the corporate logo of the advertisers, special offerings or slogans, provided by the advertisers, can be used for the design too. This process requires the Adobe Photoshop skills of the managing partners as well as a detailed specification that is developed together with the advertiser. DHA disposes of the necessary templates of door hangers, which are part of the acquisition visits that the managing partners execute. To make it simple and efficient, the door hangers will be specified as detailed as possible already in the phase of the sales and contracting together with the advertiser.

Once the advertiser agrees about the door hanger design and the hotels he wants his door hangers to be hanged out, the production and logistics division takes over. The production and logistics is completely outsourced to a French partner specialized in printing and located in St. Louis. The outsourcing of the production saves personnel cost and allows just in time production. Moreover, DHA can react on spontaneous customer requests such as change of door hanger designs or increase of production. Furthermore, a high quality of the printing can be guaranteed due to the expertise of our partner. The French printing partner receives the designed door hangers together with the requested number of pieces and the address of the hotel(s). In its logistics function the partner sends the produced door hangers in the specified number of pieces to the indicated hotels by Swiss post. French value added taxing is handled by the French partner and included in the monthly invoices for production and logistics that are addressed to DHA.

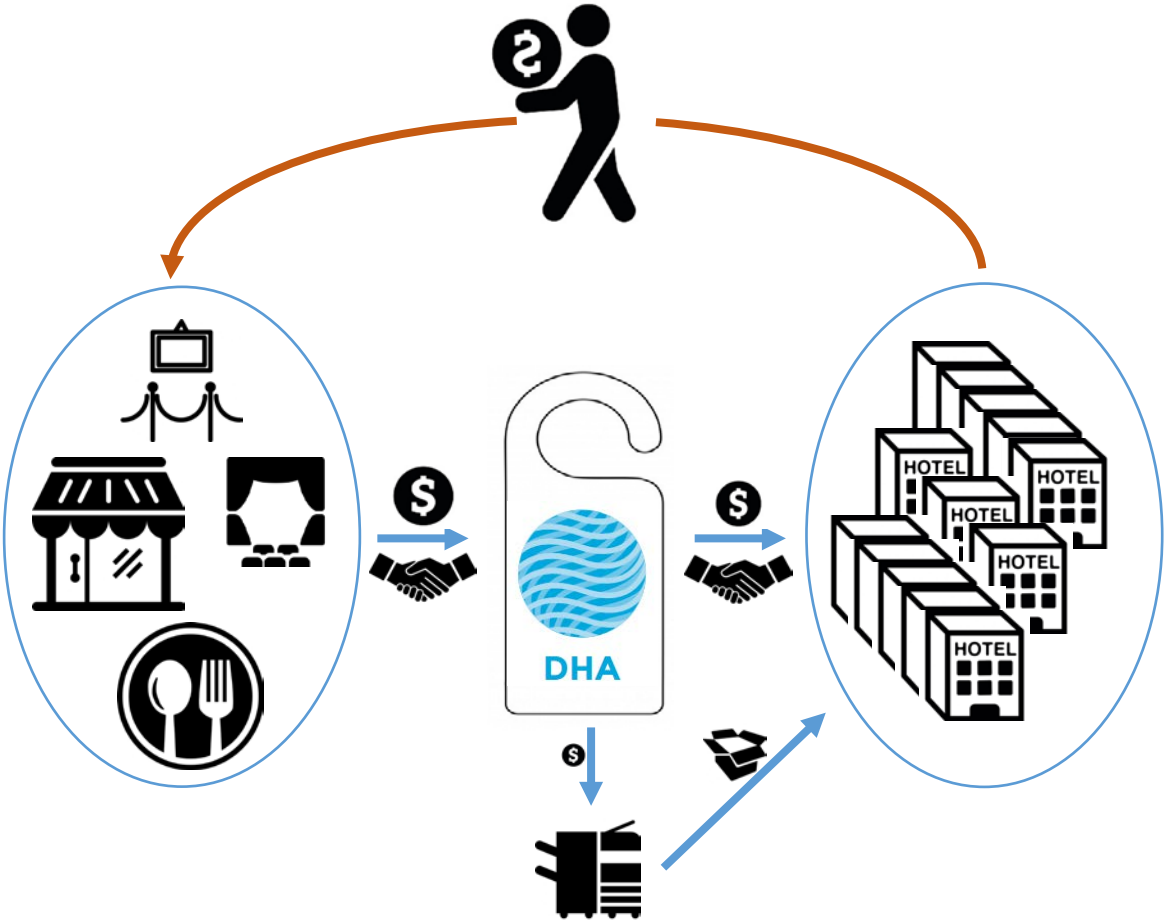
Our door hangers are designed and manufactured in the tri-national Region of Basel. Basel is a strategically located Swiss city that borders France and Germany. The Basel region offers low Swiss corporate taxation, excellent French service pricing and direct access to the strong German market place. Our customers benefit from these location advantages and from short ways between engineering, production and supply chain, which minimizes production costs and shortens time to market.

Example 7: Door Hanger Advertisement GmbH

The finance and administration division is also managed by the managing partners, it is located at the DHA headquarters in Basel. Silvan and Fabio will receive help in the operations of finance and legal comprise such as classical book keeping activities and taxation form an external accountant on an hourly base. Beside the partners Silvan and Fabio, the initiator Luca is part of F&A regarding strategy. Luca regularly consults Silvan and Fabio on the development of the door hangers. Together they developed their expansion strategy which plans to start the business in the first six months in the Basel area, then expand to Zurich and in a third step to be present all over the country within the first two to three years. In the fourth year, the vision is to go abroad.

As mentioned above, the managing partner Luca will not take an official operating role in the business. Luca will act in the background as a strategic consultant to the DHA business and assist with his personal network. Moreover, Luca will not receive a salary in the first two years. Silvan and Fabio will receive a salary starting in the second year. During the first two years, DHA does not have own office rooms. The whole operations are managed in both Fabio’s and Silvan’s apartment in order to minimize the fix costs. However, with the growth of the business and the available resources, DHA will move into an office in the third year with regard to the planned international expansion in the fourth year.

As shown in the finance chapter, DHA is independent of external investors. Because of the rather low fix costs, the company can be financed by the initial founding equity of CHF 20’000 provided by the three founders. Since we do not have external shareholders, DHA is not required to distribute any profit or achieve certain targets in order to satisfy an external party.



Management Team

The Door Hanger Advertisement GmbH will be founded by three managing partners with complementary strengths. Luca Vesco is the initiator of DHA, as a frequent traveler, events and gastronomy insider he had the dream of getting informed about the latest events and the fanciest local restaurants when entering a new city's hotel room. In 2010, he spoke about the DHA idea to IT and logistics expert and brother, Fabio Vesco. A few years later, when Fabio joined the Masters Course Entrepreneurship and Innovation at FHNW, Luca's idea came back into his mind. Silvan Duss, finance and marketing specialist and Zurich local, completed the team with his knowledge about the Zurich and Lucerne scene. The three partners combine their knowledge about the events and gastronomy business, the scene of Basel, Zurich, and Lucerne, local networks in Basel, Zurich and Lucerne as well as expert knowledge in the areas of marketing, logistics, IT and finance.

The three managing partners

Luca Vesco
27 years
Events and Gastronomy insider
Frequent traveler



Fabio Vesco
30 years
Economist
IT & Logistics Expert
Basel local

Silvan Duss
25 years
Economist
Marketing and Finance Specialist
Zurich / Lucerne local



Action Plan

1st year:

Goals / Milestones	Action	Responsibility	Deadline
Foundation of limited liability company	Registration at commercial register, 20'000 cash deposit	Fabio, Luca and Silvan	July 1 st , 2016
Creation of Postbank Account	Create company account at post with two credit cards	Fabio and Silvan	July 8 th , 2016
Migrate private car to company	Private car of Fabio becomes company car in Finance.	Fabio and Silvan	July 15 th , 2016
Acquisition activities for pilot test	Convince hotels and advertisers to participate in pilot test	Fabio and Silvan	Now – July 22 nd , 2016
Realize pilot test	Realize and evaluate pilot test	Fabio and Silvan	August 2016
Acquisition activities hotels	Create hotel pool	Fabio and Silvan	From August 2016
Acquisition activities advertisers	Acquire advertisers	Fabio and Silvan	From August 2016
Generate revenue streams in Basel	Make the business run in Basel, establish a local client base	Fabio and Silvan	September 2016
Expand the business to the Zurich area	Create hotel pool and acquire advertisers in the Zurich area	Fabio and Silvan	From January 2017
Make the business profitable	Generate a profit on a monthly base	Fabio and Silvan	January 2017
Expand the business to the other Swiss areas (tbd)	Create hotel pool and acquire advertisers in the other Swiss areas	Fabio and Silvan	From May 2017
Celebrate the first year of DHA	Review, outlook and celebration	Fabio, Luca and Silvan	July 31 st , 2017

Example 7: Door Hanger Advertisement GmbH

2nd year:

Goals / Milestones	Action	Responsibility	Deadline
Generate revenue streams in Zurich	Make the business profitable in Zurich	Fabio and Silvan	August 2017
First salaries for Silvan and Fabio	Pay first salaries of 2000 CHF / person to Silvan and Fabio	Fabio and Silvan	From August 2017
Attend igeo fair in Basel	Attend the international exhibition for hotels, catering and extra-domestic consumption to spread awareness	Fabio, Luca and Silvan	18 th November 2017
Be present in all major Cities in Switzerland	Create hotel pool and acquire advertisers all over Switzerland	Fabio, Luca and Silvan	July 2018

3rd year:

Goals / Milestones	Action	Responsibility	Deadline
Pay salaries to the three partners	Pay salaries of 4000 CHF / person to Fabio, Luca and Silvan	Fabio and Silvan	From August 2018
Move in DHA office	Move in office with forecasted rent of CHF 1000 and assets of 10000	Fabio, Luca and Silvan	August 2018
Plan international expansion	Strategic plan to expand internationally	Fabio, Luca and Silvan	January 2019

Risk Analysis

The risks for the Door Hanger Advertisement GmbH were identified, graded and mapped as shown in the following table. The actions to anticipate and deal with the risks are described in the table as well.

Risk name	Risk grade	Description	Actions to deal with risk
Existing Indirect Competition	High	Hotels might have existing advertising relationship to indirect competitors. Hotels might not be interested in DHA.	Differentiate from competition. Mention unique selling proposition and comparative advantages in acquisition and marketing.
Hotel rules	High	Hotel rules have corporate door hangers or do not allow door hanger advertisement	Can be seen as opportunity to enter hotel's corporate policy. Address the right/corporate person. Mention USP's. Focus on individual hotels.
Price sensitivity of advertiser	High	Advertiser might not be willing or able to pay the forecasted amount for the door hanger advertisements	Explain and prove the advantages and profitability of door hanger advertisements. During pilot test, hotels do not have to pay for the ads.
Customer acquisition time	Moderate	Time consuming customer acquisition	Efficient time planning required.
Initial Production Costs	Low	Initial costs to produce door hangers before break-even	Adequate financial planning required.

It was found that the existing indirect competition and hotel rules as well as the price sensitivity of advertiser might pose the most serious risks to the Door Hanger Advertisement business. Existing partnerships between hotels and indirect competitors such as traditional advertising companies or local tourist information agencies might be established. In order to overcome that risk, the differentiation from the competition will crucial. This can be achieved by mentioning the unique selling proposition and comparative advantages in an early acquisition stage and with the results of the pilot study. Moreover, corporate hotel rules might not allow door hanger advertisements. This risk considers mainly hotel chains. Instead of being a risk this could be seen as being an opportunity to enter hotel chains. To overcome this risk the right corporate person should be addressed within sales and the unique selling propositions of DHA should be mentioned in order to convince the counterpart. Once DHA is able to collaborate with a hotel chain, the number of participating hotels will increase rapidly. Furthermore, a focus on individual hotels at the beginning of the operations can limit and stall this risk.

A crucial point is that the prices are calculated adequately. Since we talked with different potential advertisers, we can assume that the price of CHF 5 per door hanger per month will be fair. However, this view is highly depending on the conversion rate of the upcoming pilot test. Anyhow, it is essential that the unique advantages of DHA can be explained to the advertisers within a short time and proven by facts.

As moderate risks the time effort for customer acquisition and the initial production costs of door hangers were identified. These risks are rather moderate because they can be minimized through efficient time planning, hardworking of the founders as well as with a good financial strategy.

Financial Planning

Thanks to the rather low initial and fix costs, DHA will be competitive within the first three years. According to estimates, the company will start to generate revenues in the sixth month and no external funding is needed. The profits are highly depending on the salary paid to the co-founders, which then again will be dependent on the growth rate of the business. Needless to say, the growth rate of DHA cannot be predicted exactly since only time will tell how many advertisers and hotels will be part of our network.

However, the most important key figures from DHA's financial forecast are the following:

- DHA reaches break even in the 3rd year.
- DHA starts to generate revenues in the 6th month.
- The business model is scalable. Therefore, the revenues increase significantly with the higher number of participating hotels.
- Gross margins are 15% respectively 21% and 23% in the 2nd and 3rd year.
- Fix costs are rather low.
- The founders finance the equity of CHF 20'000 by themselves – no external funding is needed.
- Advertisers are charged CHF 5.00 per door hanger / per month.
- Participating hotels receive a reward of CHF 3.00 per door hanger / per month.

Besides the above listed key figures, this chapter provides the detailed financial forecasts for the first three years. Several well-researched assumptions build the foundation of this financial planning. Please read the assumptions that are available in appendix A in order to fully understand the financial statements. This chapter includes the most important figures for the first three years. Moreover, some numbers are available on a monthly base for the first year:

- Balance Sheet year 1-3
- Income statements month 1-12 and year 1-3
- Cash flow statement month 1-12 and year 1-3

Please note that the income and cash flow statement are listed without currency specification due to the limited space. However, all figures in this business plan are in CHF.

Balance Sheet	2016/17	2017/18	2018/19
Current assets	CHF 9'192.97	CHF 10'990.77	CHF 15'060.12
Cash Post	CHF 9'192.97	CHF 10'990.77	CHF 15'060.12
Fixed assets	CHF 9'700.00	CHF 7'400.00	CHF 13'850.00
Furniture & fitout	CHF 0.00	CHF 0.00	CHF 4'750.00
Vehicles	CHF 9'700.00	CHF 7'400.00	CHF 5'100.00
Computer equipment	CHF 0.00	CHF 0.00	CHF 4'000.00
Total assets	CHF 18'892.97	CHF 18'390.77	CHF 28'910.12
Long-term liabilities	CHF 0.00	CHF 0.00	CHF 0.00
Loans	CHF 0.00	CHF 0.00	CHF 0.00
Equity	CHF 18'892.97	CHF 18'390.77	CHF 28'910.12
Paid-in Capital	CHF 20'000.00	CHF 20'000.00	CHF 20'000.00
Retained Profit/Loss		-CHF 1'107.03	-CHF 1'609.23
Profit/Loss	-CHF 1'107.03	-CHF 502.20	CHF 10'519.35
Total equity & liabilities	CHF 18'892.97	CHF 18'390.77	CHF 28'910.12

Example 7: Door Hanger Advertisement GmbH

Profit & Loss	Aug 16	Sep 16	Okt 16	Nov 16	Dez 16	Jan 17	Feb 17	Mär 17	Apr 17	Mai 17	Jun 17	Jul 17	16/17	17/18	18/19
Sales	0.00	1875.00	2625.00	3750.00	5625.00	7500.00	9375.00	11250.00	13125.00	15000.00	16875.00	18750.00	105750.00	450000.00	1125000.00
less hotel rewards	1125.00	1125.00	1575.00	2250.00	3375.00	4500.00	5625.00	6750.00	7875.00	9000.00	10125.00	11250.00	64575.00	270000.00	675000.00
less production cost	281.25	281.25	393.75	562.50	843.75	1125.00	1406.25	1687.50	1968.75	2250.00	2531.25	2812.50	16143.75	45000.00	84375.00
less delivery cost	0.00	0.00	0.00	0.00	0.00	0.00	35.00	70.00	105.00	140.00	175.00	210.00	735.00	6720.00	18480.00
less VAT	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	36000.00	90000.00
Gross profit/net sales	-1406.25	318.75	446.25	637.50	956.25	1275.00	1558.75	1842.50	2126.25	2410.00	2693.75	2977.50	15836.25	92280.00	257145.00
Expenses															
Wages	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	48000.00	144000.00
Office rent / furniture repair	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	0.00	13800.00
Accountant fee	1000.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	3750.00	6000.00	9000.00
IT	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00	240.00	1000.00	1000.00
Insurance	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	3000.00	4000.00	5000.00
Social Insurances (AHV, IV, EO, FAK, AL, PK)	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	9600.00	28800.00
Marketing	0.00	0.00	0.00	83.33	83.33	83.33	83.33	83.33	83.33	83.33	83.33	83.33	750.00	10000.00	15000.00
Travel expense	0.00	0.00	0.00	500.00	500.00	500.00	500.00	1000.00	1000.00	1000.00	1000.00	1000.00	7000.00	12000.00	24000.00
Bank fee	163.33	18.33	18.33	18.33	18.33	18.33	18.33	18.33	18.33	18.33	18.33	18.33	364.96	220.00	300.00
Total expenses	1433.33	538.33	538.33	1121.66	1121.66	1121.66	1121.66	1621.66	1621.66	1621.66	1621.66	1621.66	15104.96	90820.00	240900.00
NET PROFIT (EBITDA)	-2839.58	-219.58	-92.08	-484.16	-165.41	153.34	437.09	220.84	504.59	788.34	1072.09	1355.84	731.29	1460.00	16245.00
Tax	10.36	10.36	10.36	10.36	10.36	10.36	10.36	10.36	10.36	10.36	10.36	10.36	124.32	248.20	2761.65
Depreciation	142.83	142.83	142.83	142.83	142.83	142.83	142.83	142.83	142.83	142.83	142.83	142.83	1714.00	1714.00	2964.00
NET PROFIT (after tax)	-2992.77	-372.77	-245.27	-637.36	-318.61	0.14	283.89	67.64	351.39	635.14	918.89	1202.64	-1107.03	-502.20	10519.35

Example 7: Door Hanger Advertisement GmbH

Cash Flow	Aug 16	Sep 16	Okt 16	Nov 16	Dez 16	Jan 17	Feb 17	Mär 17	Apr 17	Mai 17	Jun 17	Jul 17	2016/17	2017/18	2018/19
OPENING BALANCE	20000.00	2208.75	2277.50	2473.75	2277.92	2400.83	2842.50	3567.92	4077.08	4870.00	5946.67	7307.08	7307.08	8731.25	8038.33
Cash incoming															
Sales	0.00	1875.00	2625.00	3750.00	5625.00	7500.00	9375.00	11250.00	13125.00	15000.00	16875.00	18750.00	105750.00	450000.00	1125000.00
Asset sales	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	0.00	0.00
Debtor receipts	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	0.00	0.00
Other income	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	0.00	0.00
Total incoming	0.00	1875.00	2625.00	3750.00	5625.00	7500.00	9375.00	11250.00	13125.00	15000.00	16875.00	18750.00	105750.00	450000.00	1125000.00
Cash outgoing															
Hotel rewards	1125.00	1125.00	1575.00	2250.00	3375.00	4500.00	5625.00	6750.00	7875.00	9000.00	10125.00	11250.00	64575.00	270000.00	675000.00
Production cost	281.25	281.25	393.75	562.50	843.75	1125.00	1406.25	1687.50	1968.75	2250.00	2531.25	2812.50	16143.75	45000.00	84375.00
less delivery cost	0.00	0.00	0.00	0.00	0.00	0.00	35.00	70.00	105.00	140.00	175.00	210.00	735.00	6720.00	18480.00
less VAT	0.00	150.00	210.00	300.00	450.00	600.00	750.00	900.00	1050.00	1200.00	1350.00	1500.00	8460.00	36000.00	90000.00
Wages	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	48000.00	144000.00
Office rent / furniture repair	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	0.00	13800.00
Accountant fee	1000.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	250.00	3750.00	6000.00	9000.00
IT	240.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	240.00	1000.00	1000.00
Insurance	3000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3000.00	4000.00	5000.00
Social insurances (AHV, IV, EO, FAK, AL, PK)	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	9600.00	28800.00
Marketing	0.00	0.00	0.00	83.33	83.33	83.33	83.33	83.33	83.33	83.33	83.33	83.33	750.00	10000.00	15000.00
Travel expense	0.00	0.00	0.00	500.00	500.00	500.00	500.00	1000.00	1000.00	1000.00	1000.00	1000.00	7000.00	12000.00	24000.00
Bank fee	145.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	220.00	365.00	220.00	300.00
Asset purchase	12000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10000.00
Total outgoing	17791.25	1806.25	2428.75	3945.83	5502.08	7058.33	8649.58	10740.83	12332.08	13923.33	15514.58	17325.83	105018.75	448540.00	1118755.00
Monthly cash balance	-17791.25	68.75	196.25	-195.83	122.92	441.67	725.42	509.17	792.92	1076.67	1360.42	1424.17	731.25	1460.00	6245.00
CLOSING BALANCE	2208.75	2277.50	2473.75	2277.92	2400.83	2842.50	3567.92	4077.08	4870.00	5946.67	7307.08	8731.25	8038.33	10191.25	14283.33

Further Development

The business plan focuses on the start of the business and its market, as well as on financial and operational planning for the first three years. In addition, we would like to indicate an interesting outlook and two possible expansion strategies within this chapter. These visions should underline that the DHA business idea has a great potential!

International expansion:

As already mentioned in the chapters above, DHA's business model is scalable. Because of this, the ultimate aim is to expand to foreign markets in order to operate globally. After starting the business in Basel, it is planned to expand to other areas of Switzerland after six months. Once the Swiss market is covered, the step to internationalize the business has to be planned extensively. Most likely, DHA will start its international expansion in the nearby countries of Germany and France. Since the business model can be applied in every city and touristic area, the expansions potential is nearly limitless. Countries such as Germany, Austria, Italy and France are potentially interesting and reachable markets at the beginning due to the geographic distance and the founders' language skills.

Expand array of products

Besides the expansion to new markets, the founders of DHA see also opportunities with new products. Generally, once the network of participating hotels and advertisers is established, these contacts can be used for similar activities. Hotels offer numerous opportunities for advertisements, in particular with the technological progress. A possibility we already discovered are the TV screens in the hotel rooms. Since many hotels use Smart TV devices in their rooms nowadays, these could be used for marketing reasons very easily. The opportunity to show an advertisement on the TV screen at the moment the hotel guest enters the room is very attractive since we believe that it strongly draws the guest's attention.

Appendices

Appendix A – Financial Assumptions

General assumptions (A) and research facts (F):

1. The number of participating hotels is increasing as shown in table 1 and 2. Furthermore, the average number of rooms per hotels is stable at 75 rooms per hotel (A).
2. **Advertisers are charged CHF 5.00 per door hanger / per month (A).**
3. **Participating hotels receive a reward of CHF 3.00 per door hanger / per month (A).**
4. Production costs are CHF 0.60 per door hanger in the first year (standard pricing). In the second and third year, the costs are decreasing to CHF 0.40 respectively CHF 0.30 due to contracts with the external printing partner and the increased volume as stated in the table 1 and 2. The hotels will always receive 25% additional door hangers in order to prevent shortages (F).
5. Within Basel, the door hangers are delivered by ourselves by car or bicycle. All Hotels outside of Basel receive the door hangers per post. The delivery costs are according to SwissPost CHF 7 per package (F).
6. DHA GmbH buys Fabio's private car for CHF 12'000 (F).
 - 6.1. Depreciation of the car in direct and straight line method for 7 years, CHF 1714 per year.
 - 6.2. Running DHA's business would also be possible without the car. However, since visiting potential and existing clients is a crucial aspect, it is useful to have a car.
7. Bank fees are CHF 60 per year and CHF 80 per credit card and year (1st and 2nd year two credit cards, 3rd three credit cards) (F).
8. Social insurance is 20% of the salaries (F).
9. Accounts payable and accounts receivable are purposely not listed in the financial forecast because DHA will usually receive and pay invoices within the month. Nevertheless, some accounts payable and receivable will occur (A).
10. Marketing costs evolve according to the tables 1 and 2 (A).
11. The first three month DHA has no paid marketing activities. The acquisition is based on personal and phone contacts through the co-founders.

Timely assumptions (A) and research facts (F):

1. 1st month: GmbH founding cost CHF 1'000 (accounting fee) + CHF 145 for the capital deposits account (bank fee) (F).
2. 1st month: advertiser do not have to pay. However, hotels will receive their reward (A).
3. 3th month: beginning of travel expenses due to planned expansion outside of Basel after 6 months. Travel expenses are increasing according to table 1 and 2 (A).
4. 6th month: first operations outside of Basel (number of Hotels outside of Basel according to table X and Y) (A).
5. 1st year: no VAT due to turnover less than CHF 100'000 (F).
6. 1st year: no salary for co-founders (A).
7. 2nd year: first two 20% salaries of CHF 2'000 for the two active co-founders (A).
8. 3rd year: three 40% salaries of 4'000 for all co-founders (A).
9. 3rd year: first office for CHF 1'000 per month and assets (CHF 5000 computers / CHF 5000 furniture) (A).
 - 9.1. Depreciation of the furniture in direct and straight line method for 20 years, CHF per year.
 - 9.2. Depreciation of the IT in direct and straight line method for 5 years, CHF 1000 per year.
10. IT expenses of CHF 240 in the 1st year and CHF 1000 for the following years (F/A).
11. Accountant fees are CHF 3000 in the 1st, 6000 in the 2nd and 9000 in the 3rd year (A).
12. Insurance fees are CHF 3000 in the 1st, 4000 in the 2nd and 5000 in the 3rd year (A).
13. The initial founding capital of CHF 20'000 is contributed in cash from the co-founders (F).

Example 7: Door Hanger Advertisement GmbH

Table 1: Forecast Months 1 to 12

	08.2016	09.2016	10.2016	11.2016	12.2016	01.2017	02.2017	03.2017	04.2017	05.2017	06.2017	07.2017
Hotels total	5	5	7	10	15	20	25	30	35	40	45	50
Hotels Basel	5	5	7	10	15	20	20	20	20	20	20	20
Hotels outside Basel	0	0	0	0	0	0	5	10	15	20	25	30
Production Costs / DH / CHF	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60	0.60
Travel costs CHF	0	0	0	500	500	500	500	1000	1000	1000	1000	1000
Marketing	0	0	0	83	83	83	83	83	83	83	83	83

Table 2: Forecast Year 1 - 3

	07.2017	07.2018	07.2019
Hotels	50	100	250
Hotels Basel	20	20	30
Hotels outside Basel	30	80	220
Production Costs / DH / CHF	0.60	0.40	0.30
Travel costs CHF	7'000	12'000	24'000
Marketing	750	10'000	15'000

Appendix B – Sample Door Hangers

do not disturb please

AMERICAN BREAKFAST
SA. 10.10.: 9:30 – 12:00
Üppiges Frühstück mit Bacon, kleinen Würstchen, Eierspeisen, Pancakes mit Ahornsirup, Frühstücksflocken, Toast, Butter und Marmelade.
Reservierungen unter Tel.: 04223 925 66 80
12,90 € p.P. Kinder bis 12 Jahre 9,90 €

Preis pro Person inklusive Bedienung und Mehrwertsteuer.

please clean my room

ITALIENISCHES BUFFET
SA. 24.10.: 18:00 – 23:00
Buffet mit typisch italienischen kalten und warmen Spezialitäten und Desserts.
Aperol Milano zum Empfang.
Reservierungen unter Tel.: 04223 925 66 80
17,90 € p.P. Kinder bis 12 Jahre 9,90 €

Preis pro Person inklusive Bedienung und Mehrwertsteuer.