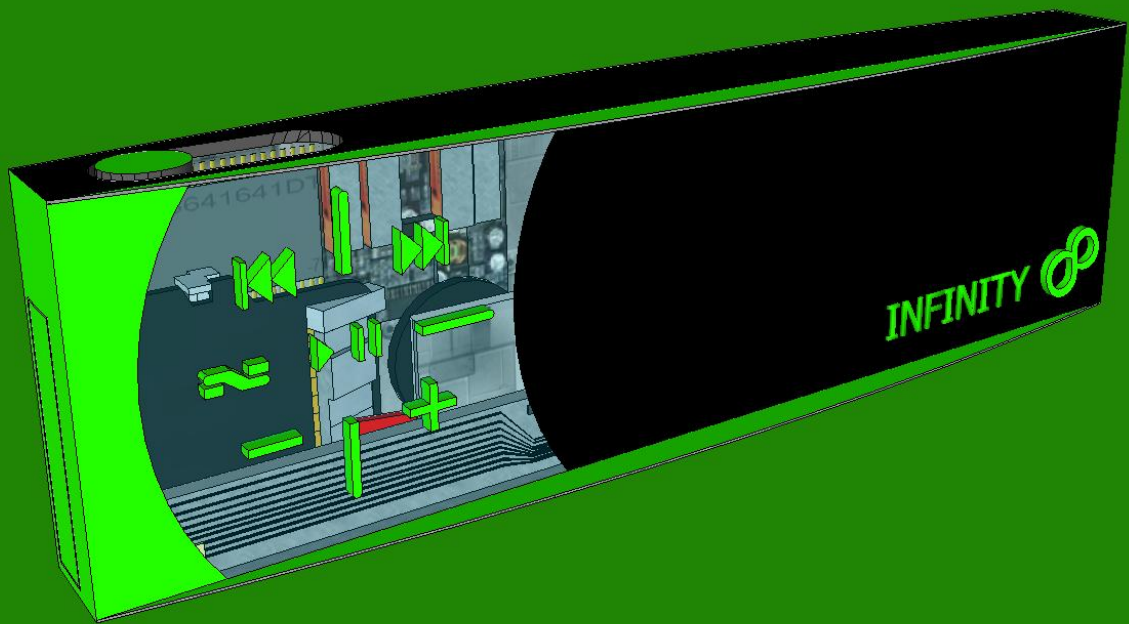


# INFINITY

An Innov8 Tech Business Initiative

*"The MP3 player that never stops"*

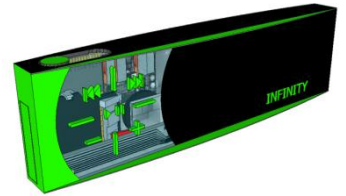


An Innov8 Tech Business Plan

Compiled by Bechar Hamdan, Haider Khan, Lachlan Martin and Ellen Parker

# INFINITY

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## EXECUTIVE SUMMARY

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INFINITY is a small lightweight MP3 player that uses kinetic energy as its power source and was created by Innov8 Tech. The use of kinetic energy makes INFINITY an environmentally friendly product. The value proposition for users stems from increased convenience and mobility that allows them to charge the player anywhere at any time. INFINITY will be targeted at young, technologically savvy, 'head of the pack' consumers who are also environmentally and socially conscious. Marketing efforts will reflect the innovation of INFINITY. Internationally recognised Australian brand ambassadors will promote INFINITY in the United States market and their efforts will be complimented by extensive social marketing streams including Facebook, Twitter and YouTube. INFINITY will be manufactured with a joint venture partner. The partner will be well established in the consumer electronics industry and better known for its technical competence than for design flair. The joint venture partner's aim will be to elevate its brand reputation through the association with the innovative features and smart young users of INFINITY. The joint venture partner will be responsible for manufacturing and distribution and Innov8 Tech will be in charge of R&D and introductory marketing. The use of kinetic energy differentiates INFINITY from all other portable music players on offer and provides an opportunity to establish a unique and lucrative market niche.

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# PRODUCT ANALYSIS

## OVERVIEW

INFINITY is a portable mp3 player that is powered through kinetic energy harnessed in everyday movements eliminating the need for conventional charging. The market for music players is large and fast moving, where consumers demand innovation. INFINITY steps up to these challenges by offering unprecedented convenience and mobility by escaping from traditional power constraints. INFINITY is a small lightweight portable music player that competes in the existing mp3 player market. It has an array of features as detailed below, the most unique being the kinetic power generator and upgradeable flash memory



## FEATURES

- **Technological Features**
  - ✓ **Kinetic Generator** - Harnessing the latent power of motion means never needing to charge conventionally again
  - ✓ **Micro SD Card with interchangeable memory** - A replaceable Flash memory system will allow users to seamlessly upgrade their INFINITY and change music.
  - ✓ **Lithium Ion Battery** - Light rechargeable batteries which store and use the power generated through the kinetic generator
- **Visual Features**
  - ✓ **Aesthetics and shape** - Tactile shape which inspires motion and movement
  - ✓ **Lime Green colour** - Reflects "greener" environmentally friendly image.
  - ✓ **Green Headphones** - Continues colour theme and creates an easily recognisable symbol
- **User Interface**
  - ✓ **Multifunction Keypad** - Dual purpose flat buttons to maximize space and useability.
  - ✓ **Backlight** - Provides an indication of battery life and useability in the dark
  - ✓ **USB 2.0 Port** - Allows music to be moved onto the INFINITY in an easy and efficient manner.
- **Environmental Imprint**
  - ✓ **No ongoing power usage**
  - ✓ **Recycled Packaging**
  - ✓ **Pollutant/toxin Free**
- **Aftermarket Accessories**
- **Product Components**

## KINETIC POWER

Kinetic energy is the power of motion and has been powering watches and other devices for over 35 years<sup>1</sup>. INFINITY uses this technology and harnesses everyday movements to charge its batteries. By producing energy in this fashion the Mp3 player does not need to be powered in the conventional way. Charging the INFINITY will not require any auxiliary equipment such as a wall mount and can be done at any time and any place allowing for greater convenience. As it needs no AC adapter it is exceptionally useful when travelling in areas that have a different power output, or where long periods of immobile charge time are impossible. Also the use of natural power is a greener alternative and whilst the electricity draw of an mp3 may be small it will help pioneer the use of kinetic technology into other fields and gives the INFINITY a more environmentally friendly image. The USB 2.0 chord which comes with the INFINITY not only serves to transfer music to the unit but can charge it conventionally as well.

## HOW KINETIC POWER WORKS



1. Moving the infinity mp3 causes a single oscillating weight to rotate.

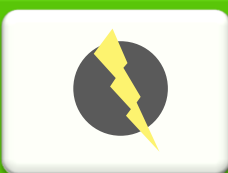
This is the largest part of the kinetic generator, and is simply an off balance weight. The larger the weight the more power can be generated.



2. A gear train amplifies the rotation of the weight. This means that one rotation of the heavier weight can lead to over one thousand rotations at the end of the gear train



3. Magnets placed at the end of the gear train spin at up to 100,000 rpm and generate a magnetic charge



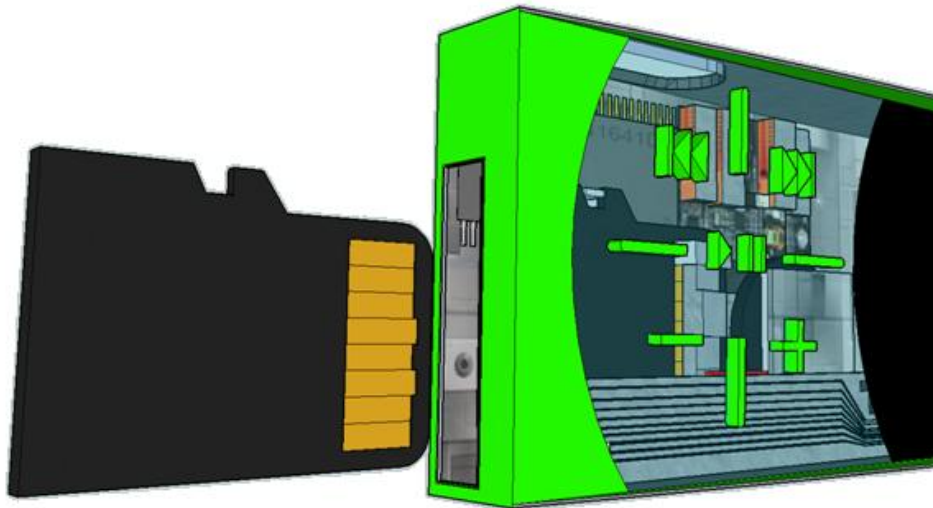
4. A high density coil transforms the magnetic charge into electricity. This electricity is fed through a circuit block and stored in the Lithium Ion Battery

## MICRO SD MEMORY CARD

Songs are stored on an interchangeable Micro SD memory card. These Flash cards store a large amount of data in a small space and have no moving parts providing easy an easy and flexible storage solution. Having a removable memory card will enable users to upgrade their players'

<sup>1</sup> <http://www.seiko.com.au/page/48/Kinetic>

memory simply by buying a new card rather than a whole new mp3 player. Micro SD memory cards are cheap and come in an array of sizes, commonly from 512MB to 8GB. Every 1GB of memory stores approximately 250 songs. The ability to swap memory cards will enable users to quickly change sets of music as well as giving them the option to expand the total storage at a later date. The access port for the micro SD cards is located on the left hand side of the unit and swapping cards can be done quickly and easily in much the same fashion as swapping sim cards in a phone. Upgradeable memory cards will not only reduce wastage but increase the usable lifespan of the product.



## LITHIUM ION BATTERY

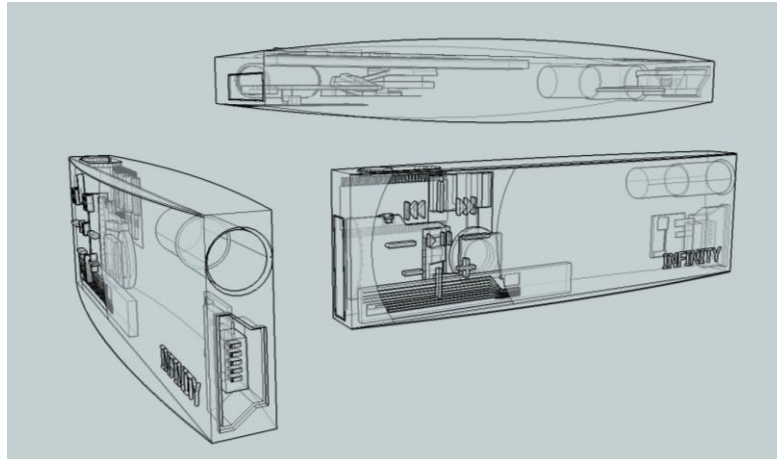
Power is stored in a Lithium Ion Polymer Battery that will provide (when fully charged) up to 5.5 hours of music playback. The battery is a single cell 3.7 volt battery that has a useful lifespan of 500 charges<sup>2</sup>. It is important to note that power is created with kinetic energy but stored conventionally in a lithium ion battery<sup>3</sup>. This means that whilst the mp3 must be in motion to charge it can be motionless whilst playing music and power stored does not need to be immediately used

## AESTHETICS AND SHAPE

INFINITY is a slim player with a curved face and back that create an aesthetically appealing design. The contours of the model draw attention to the keypad and buttons, whilst the convex shape promotes the idea of movement and energy. The mp3 player is 40mm X 14mm X 7mm (5mm at ends). The keypad is constructed from semi-transparent acrylics in order to create a more distinct product that is easier to recognize in the competitive mp3 market.

<sup>2</sup> <http://www.batteryspace.com/howtochoosebattery.aspx>

<sup>3</sup> [http://seiko-kinetic-watches.watch-universe.com/seiko\\_kinetic\\_watches\\_wk.htm](http://seiko-kinetic-watches.watch-universe.com/seiko_kinetic_watches_wk.htm)



### **LIME GREEN COLOUR**

Initially the INFINITY will only be available in one colour, green. This will ease initial distribution and manufacturing of the product. Retailers will not need to stock multiple colours and manage differing sales levels. Green has been chosen as the leading colour as it enables Innov8 Tech to market the renewable energy in an environmentally friendly "greener" marketing aspect, as well as to create a striking bold image. After the green INFINITY has entered the market and created product awareness it will be possible to expand the colour range and even move into textured mp3 players (some possible colours can be seen in the appendix).

### **GREEN HEADPHONES**

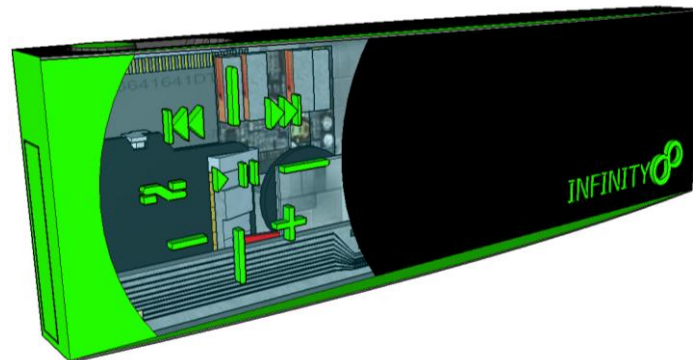
Standard 3.5 mm compatible headphones are included for sale with the INFINITY. These green headphones will continue the green colour theme associated with the product. The distinct headphones are easily recognisable and are associated with the INFINITY allowing the mp3 to be recognised even when placed inside a pocket.



### **MULTIFUNCTION KEYPAD**

Consumers control their mp3 players through the use of the main keypad which has six buttons, as well as a separate hold button located on the top of the unit. The main keypad is a flat screen and

the hold button is a raised switch that will stop unwanted button signals (for times such as when the INFINITY is placed in a pocket). It is important to note that due to power constraints the INFINITY does not have a screen. These are multifunction buttons that have different commands depending if the button is pressed, or held. The next song and previous song buttons double as fast-forward and rewind when held, and the play pause becomes the on/off switch.

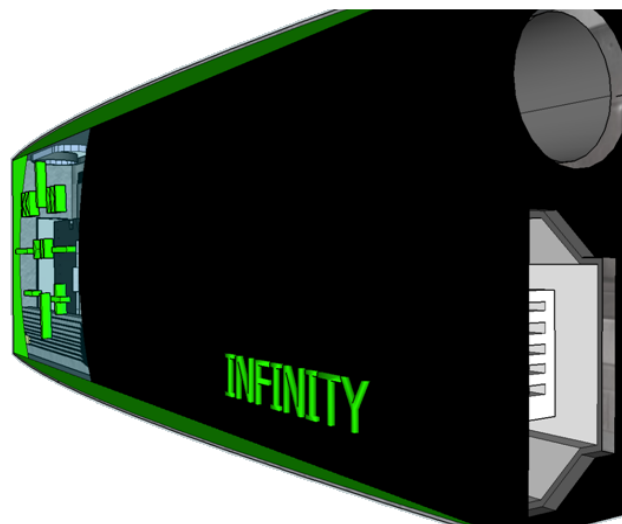


## BACKLIGHT

When a button is pressed the keypad will light up temporarily. The luminosity of the keypad will depend on how much battery life there is remaining, the more power left the brighter the glow. This will not only serve to help use in dark situations but provide an indication to remaining battery life, giving the INFINITY a competitive advantage over competitors such as the iPod shuffle which do not monitor power levels.

## USB MINI 2.0 PORT

The INFINITY connects to computers with a standard mini USB 2.0 port. This allows the consumer to use readily available cables to transfer music onto the mp3 player. This USB connection can also serve to charge the INFINITY conventionally if required.



## ENVIRONMENTAL IMPACT

Not only does the INFINITY cut down on power use through its core function of using latent energy but it is also constructed and packaged in an environmentally conscious manner. The materials



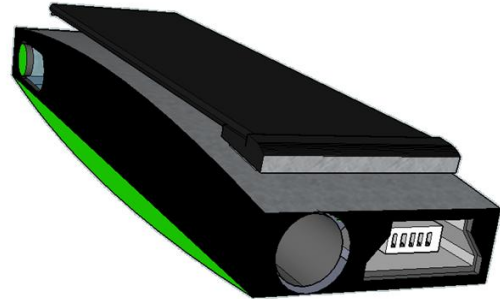
selected are free of harmful substances such as brominated flame retardants and phthalates as well as containing no polyvinyl chloride, which releases chlorine upon decomposition and processing<sup>4</sup>. Packaging is constructed out of recycled materials making INFINITY environmentally friendly image from start to finish. INFINITY prides itself on being an environmentally sustainable product from all angles and this is a key feature that will be embodied throughout the marketing process.

## AFTERMARKET ACCESORIES

### Clip

INFINITY has a focus on mobility and being 'on-the-go' as the MP3 player that never stops. Thus, to improve mobility for consumers when they are either travelling or exercising is Innov8 Tech will release a clip which can be attached to the back of INFINITY.

This will allow the consumer to attach INFINITY to any part of their clothing and take INFINITY with them.



### Arm-Band

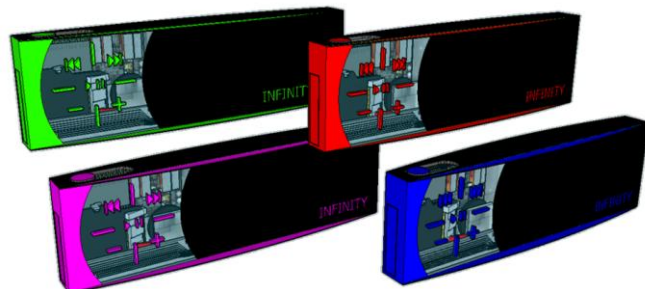
Similar to above notion of a clip, INFINITY will release an arm band which consumers can use to carry INFINITY whilst exercising or doing strenuous or hand's free activities. The arm band will wrap around the consumer's arm using Velcro and INFINITY will sit comfortably inside. The arm band will also serve as an additional tool for aiding the re-generation of kinetic energy to power INFINITY as users' arms swing freely.

### Case

As INFINITY is designed to be taken on the go by our consumers, Innov8 Tech has recognised the need for consumers to want a way to protect their INFINITY from the wear and tear of daily activities. Innov8 Tech will release a clear skin like case which will enclose INFINITY in a cushioned environment away from damage. The case will be designed in such a way that the unique curved shape will still be felt by the user.

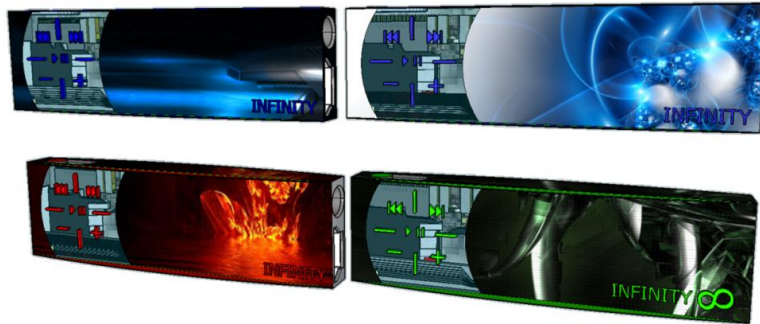
## SUBSEQUENT AND LIMITED EDITIONS OF INFINITY

Innov8 Tech recognises that if demand for INFINITY increases in the marketplace following the launch, mostly likely INFINITY will be demanded in a variety of colours. Innov8 Tech also sees this as an additional future revenue stream which will also enhance the brand and desirability of INFINITY. The four colours which will be made available are displayed below.



<sup>4</sup> <http://www.mindfully.org/Plastic/Polyvinylchloride/Air-Pollution-PVC9oct03.htm>

Similar to the above designs, Innov8 Tech has also designed four additional 'limited edition' INFINITY models. Innov8 Tech will use these designs for special promotions, publicity and marking purposes as needed, subsequent to the launch of INFINITY.



## Componentry Costing

- **Lithium Ion Battery** - A Polymer 1 cell 3.7 volt battery providing up to 5 1/2 hours playback time (\$1.20)<sup>5</sup>
- **Application Chip** - An ARM Core Processor manufactured by Samsung to operate and run INFINITY (\$3.90)<sup>6,7</sup>
- **Micro SD Card** - The replaceable flash memory where songs are stored, costs are for a 4gb (\$6)<sup>8</sup>
- **Kinetic Generator** - The oscillating device that generated the power (\$12)
- **Voltage Tap** - A device that measures the remaining power in the battery(\$1)
- **Case** - (\$0.44)<sup>5</sup>
- **General Assembly** (\$0.33)<sup>5</sup>
- **Earphones** (\$1.40)<sup>5</sup>
- **Rear Clip** (\$0.5)<sup>5</sup>
- **Circuit Block** - Regulates power flow from battery (\$0.33)
- **USB 2.0 Cable** (\$0.62)<sup>5</sup>

## Total Estimated Costs \$ 27.75

<sup>5</sup> <http://www.isuppli.com/teardowns-manufacturing-and-pricing/news/pages/samsung-dominates-third-generation-ipod-shuffle-design.aspx>

<sup>6</sup> [http://www.everymac.com/systems/apple/consumer\\_electronics/ipod\\_faq/ipod-processor-type-portal-player-samsung.html](http://www.everymac.com/systems/apple/consumer_electronics/ipod_faq/ipod-processor-type-portal-player-samsung.html)

<sup>7</sup> <http://en.wikipedia.org/wiki/PowerVR>

<sup>8</sup> <http://www.cheapchips.com.au/memory/sandisk-mobile-micro-sdhc-4gb-bulk-pack-oem-non-retail.html>

# MARKET ANALYSIS - MP3 PLAYERS

## GLOBAL MARKET OF MP3 PLAYERS

Worldwide estimated sales of MP3 Players in 2010 are approximately 69 million units<sup>9</sup>. Continued growth and change in this market has been driven by the decreasing costs of manufacturing, increasing availability of legal music downloads, increased flash memory capacity, significant increases in functionality and features and the greater mobility of consumers,.

MP3 player sales are relatively strong in the United States. This is due in part to high consumer disposable incomes and also to the interest in technology innovation and user friendly design among young opinion leaders; core users of MP3 devices.

In 2009 Apple's Ipods accounted for 73.8% of MP3 Player sales in the U.S.<sup>10</sup> with the NPD, leading market research company expecting that market share to remain above 70% for 2010<sup>11</sup>. The majority of those sales were from Apples Ipod Nano and Ipod Shuffle devices. Both the Nano and Shuffle are relatively low cost, compact and innovative devices and, in the view of Innov8 Tech, this is the sector of the MP3 market which offers the greatest opportunity for market penetration.

Innov8 Tech will initially launch INFINITY in the US market and our marketing will highlight the desirable value proposition of the device. Once INFINITY has established a reputation and presence in the US our plan is to immediately move into the key Asian markets including Japan, Hong Kong and China.

## COMPETITION

Product	Innov8 Tech <b>INFINITY</b>	Apple Inc. <b>iPod Shuffle</b>	Apple Inc. <b>iPod Nano</b>
			
Price	RRP \$79.95	RRP \$64-\$94 <i>(dependent on size)</i>	RRP \$120-\$190 <i>(dependent on size)</i>

The market for MP3 players is defined by its rapid growth and fierce competition with a wide variety of brands and devices available to consumers through traditional retail outlets and online sales.

<sup>9</sup> Apple Inc's total sales for the 2010 fiscal year were 50,350,000 units (Apple's Quarterly Results <<http://www.apple.com/pr/library/2010/10/18results.html>>). They represent approximately 73% of the market in 2010, therefore the size of the market is estimated at 69,000,000 units

<sup>10</sup> (2009) "iPod Market Share at 73.8%, 225 million iPods sold, more games for Touch than PSP & NDS: Apple", Delahunty, James. AfterDawn News, Accessed 8<sup>th</sup> September, 2010 <[http://www.afterdawn.com/news/article.cfm/2009/09/09/ipod\\_market\\_share\\_at\\_73\\_8\\_percent\\_225\\_million\\_ipods\\_sold\\_more\\_games\\_for\\_touch\\_than\\_psp\\_nds\\_apple](http://www.afterdawn.com/news/article.cfm/2009/09/09/ipod_market_share_at_73_8_percent_225_million_ipods_sold_more_games_for_touch_than_psp_nds_apple)>

<sup>11</sup> (2010) "Notes from Apple's Q2 2010 Earnings Conference Call", Starrett, Charles. iLounge, Accessed 9<sup>th</sup> of September, 2010 <<http://www.ilounge.com/index.php/news/comments/notes-from-apples-q2-2010-earnings-conference-call/>>

Apple is the clear market leader, demonstrating that any new MP3 players looking to enter the market must offer unique and appealing features. Innov8 Tech's marketing plan for INFINITY will emphasise the functionality and social benefit of the device, designed to not only enhance the user's lifestyle but improve the world around them

The direct competitors for INFINITY are the Apple Ipod Shuffle and Ipod Nano. Their attributes and limitations include:

### **iPOD SHUFFLE**

This is the most direct competitor of INFINITY. The iPod Shuffle offers a large range of features which we hope to emulate in our product. It is small and compact in size, has a large memory and can be clipped to clothing and taken anywhere. It also has the obvious added bonus of being a part of the globally dominant Apple brand.



### **iPOD NANO**

This new design from Apple is a fuller featured and more expensive device than INFINITY but still has enough features in common to be included as a direct competitor. As well as being compact, it is available in a variety of colours to suit individual tastes and, of course, carries the Apple brand.



Other less direct competitors of INFINITY include other Apple products such as the Classic and Touch brands, as well as other product offerings from large electronics companies such as the Zoon.

The INFINITY from Innov8 Tech will be introduced into the MP3 market as an entirely new product with the unique feature of being powered by kinetic energy.

## **CUSTOMER ANALYSIS OF MP3 PLAYER MARKET**

Customers in the MP3 player market are driven by innovative technology, benefits, cost and image. They are excited by the aesthetics, usability and features offered by successful new entrants into the MP3 market. They are savvy consumers who are well informed. They will know what they want and what they expect to pay for it. They expect a rapid pace of development and devices of increasing capabilities so they will likely purchase every 12 months.

Innov8 Tech expects the first users of INFINITY will be ‘the head of the pack’. They will be enticed by the practicality and convenience of INFINITY, as well as the opportunity to express their individuality and flair. They will be technologically savvy, well educated, dynamic and ‘connectors’ of information. Their discussion and promotion of the product will spread information to their peer groups and the greater marketplace. They will be the force which spreads knowledge and awareness of INFINITY throughout the market place.

Innov8 Tech’ expects INFINITY’s self generation of energy will capitalise on the trend towards ‘green’ and sustainable products. Innov8 Tech expects INFINITY customers will place a high value on being simultaneously green and being recognised by their peers.

## TARGET MARKET

“Innov8 Tech will target the OPINION LEADERS”



### Customer Profile

- ✓ Male & Female
- ✓ Age 18-35
- ✓ Young professionals and university students
- ✓ Bachelors education level or higher
- ✓ Live in a metropolis area
- ✓ Socially conscious and “green”

Vibrant

Fashion Forward

‘Green’ Conscious

Dynamic

Trendsetter

Cutting Edge

# MARKETING PLAN

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*“The INFINITY is a kinetically powered MP3 Player which aims to revolutionise the MP3 Player market with innovative marketing for an innovative product”.*

## MARKETING OVERVIEW

INFINITY will be manufactured and marketed through the joint venture described in the Management Plan. The joint venture partner sought by Innov8 Tech will have particular characteristics – they will be a large electronics manufacturer with a history as a quiet achiever with limited brand equity.

The UTS Enterprise business case to our partner will be for INFINITY to be branded with the name of the joint venture company, manufactured in their plants and distributed using their channels. The contribution of Innov8 Tech will be intellectual property and social marketing expertise. This social marketing campaign will speak directly to the “head of the pack” group as first users of INFINITY. The joint venture partner company will follow with more traditional marketing methods.

An ultimate goal of the joint venture is to build up or refresh the brand image of our partner. A measure of the success of the joint venture will be the degree to which they are able to apply the benefits of their strengthened brand image to all of their products.

## POSITIONING

Opinion Leaders will be central to the positioning and image of INFINITY in the marketplace. These Opinion Leaders will be Australian personalities recognisable in the US market, such as Miranda Kerr (Australian supermodel), Lauren Jackson & Andrew Bogut (NBL Players) and Hugh Jackman (Australian Actor). Refer to Marketing Plan for more information.

INFINITY will be positioned as a premium affordable product with appeal to young technological innovators. The unique point of difference is INFINITY’s kinetic generation of energy and it’s subsequent environmental friendliness. The marketing plan is to facilitate use by our selected Opinion Leaders in the knowledge that this will flow to the socially ‘head of the pack’ consumers who in turn will communicate their adoption of INFINITY to the greater marketplace.

The green colour of INFINITY is important to the success of our marketing efforts. The distinctive colour ensures that all INFINITYs being used or carried are immediately identifiable and therefore distinct from all other portable music players available. Green also embodies and promotes INFINITY as a sustainable product which is, in its small way, making the world a better place to live.

## PRICING STRATEGY

The consumers we are targeting will have a clear idea of what they expect to pay for an INFINITY MP3 player. Having identified our key product competitors as the iPod Nano and the less expensive iPod Shuffle, the INFINITY will be launched with a similar price.

The current recommended retail price for the iPod Shuffle US\$49 and for the iPod Nano, US\$149. INFINITY will be sold to retail outlets for US\$64.95, with the retailers able to resell INFINITY at \$79.95. This price reflects the base model of INFINITY with a micro-SD card memory capacity of 4GB. Innov8 Tech is confident that this premium pricing will be accepted by consumers as a fair reflection of the technology, quality design and innovation of INFINITY.



## DISTRIBUTION

Effective distribution to consumers is critical to the commercial success of INFINITY. This difficulty was identified as the single biggest impediment to success if Innov8 Tech were to attempt launching INFINITY without a partner. As described in the The Management Plan, distribution to the marketplace will be the responsibility of our joint venture partner and the existence of significant and effective distribution channels and expertise will be a prime criterion in UTS Enterprise's selection of that joint venture partner.

## MARKETING PLAN



As a startup company, funds will be limited in the initial years. In order to spread the message of INFINITY throughout the marketplace, Innov8 Tech must employ innovative and low cost marketing methods to achieve maximum exposure for the available funds. A detailed plan of these marketing methods is outlined below.

### PHASE ONE: THE OPINION LEADERS

Early use by highly visible opinion leaders is central to the Innov8 Tech marketing plan for the positioning and image of INFINITY. The Opinion Leaders we have selected are high achieving Australians who are prominent in the United States. All of our Opinion Leaders are notable for their continuing support of a green social and political agenda in Australia, and in some cases in the US as well. We have secured their support through Innov8 Tech arrangement with Wildlife Warriors, the non-profit organization established by the famous Australian environmentalist, Steve Irwin. Miranda Kerr is currently an ambassador for this cause. All the fees

due to our Opinion Leaders will be donated in their names to Wildlife Warriors<sup>12</sup>.

The Opinion Leaders will be Lauren Jackson (3 times MVP in the US Women's NBL, player with Seattle Storm), Andrew Bogut (a leading NBA player with the Milwaukee Bucks), Hugh Jackman (Wolverine in the X Men movies and a Tony Award winner for The Boy from Oz) and Miranda Kerr (supermodel and green activist). Through their promotional duties they will focus on the benefits and significant lifestyle improvements kinetic energy brings.

The Opinion Leaders will receive 1% of combined profits of both Innov8 Tech and the joint venture company. Additionally, Innov8 Tech will contribute another 1% meaning that a total of 5% of profits will be donated to Wildlife Warriors.

## **PHASE TWO: SOCIAL MEDIA MARKETING**

The social media marketing campaign will be a combination of YouTube videos and Facebook Advertising to increase and excite the online following of INFINITY.

Through an arrangement with Tropfest, Australia's internationally famous short film festival, Innov8 Tech will work with past winners to develop short humorous films featuring INFINITY. Competitors in this festival will be encouraged to create possible YouTube clips featuring the product. The winner will not only receive an initial \$15,000 cash prize but will be given the opportunity to work with Innov8 Tech to create a second advertisement which will feature the above mentioned Opinion Leaders. The winners will receive \$30,000 cash prize, the chance to work with high profile personalities and a \$35,000 three month contract.

Innov8 Tech will not only initiate the launch of dedicated Facebook, MySpace and online interaction pages but facilitate communications with other pages as well. Users will be able to 'like' updates displayed on friends pages and throughout Facebook and view information relating to the product, upcoming releases and feedback pages. The online community will vote on ideas, which Innov8 Tech can use for future innovations. These dedicated pages will also host our Videos and photos of the product in use. Involvement in non dedicated pages is also part of our social media plan. Announcements and updates from opinion leader pages will be complimented by exposure on online sites relating to technological innovation and environmental awareness

## **PHASE THREE: CONSUMERS MEET INFINITY**

Innov8 Tech firmly believes that a critical success factor of INFINITY is consumers interacting with the product and physically 'living' the kinetic rechargeable benefits. This will be done by INFINITY task forces, who will be deployed throughout the United States.

INFINITY task forces will be made up of technology enthusiasts who are excited by new technology and keen to promote INFINITY. They will travel around to universities such as UCLA, MIT, Harvard, Stanford, Yale, NYU, Princeton & Dartmouth and present INFINITY directly to college students at university trade fairs and gatherings.

## **PHASE FOUR: TRADITIONAL MARKETING BY THE JV COMPANY**

This phase of the Marketing Campaign will trail but overlap with phases one, two and three. The plan is to advertise through newspaper and magazine publications and radio stations catering to university students. Particular attention will be paid to those universities to be visited in Phase Three. Both the print and radio ads will aim to be humorous and will echo the most successful themes developed in the Phase Two social marketing campaign. The Australian Opinion Leaders will be used in some of the print and radio advertisements. Phase Four is funded by the Joint Venture partner (\$250,000 in year 1).

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<sup>12</sup> [http://www.wildlifewarriors.org.au/about\\_us/index.html](http://www.wildlifewarriors.org.au/about_us/index.html)



# THE MANAGEMENT PLAN

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## Ownership, Legal Structure & Business Model

The legal structure of the proposed business will be a joint venture between our company and an existing large electronics manufacturer. Through combining the manufacturing and distribution expertise of an existing large electronics manufacturer with the product innovation and intellectual property of Innov8 Tech, a mutually beneficial outcome can be achieved for both parties. Additionally, significant barriers to entry exist in the electronics manufacturing industry and other legal structures such as a private company necessitate substantial amounts of capital to be raised.

Innov8 Tech seeks to act as a think tank and drive product innovation and creative designs for new products and technologies. Our mandate is to develop ambitious yet technologically feasible concepts and work intensively to operationalise them through our expertise. We seek to survey the mass market and search for any niches which exist in the consumer electronics industry and consequently exploit these niches. Marketing will be another core competency of Innov8 Tech which will be invaluable in trying to capture a large market share in the tough consumer electronics market. Extensive R&D activities will be undertaken to test new technologies and develop new concepts and prototypes.

This business model is utilised by car manufacturers and specialist custom performance vehicle manufacturers has been in place since the 1960s and has been a successful culmination of expertise between two companies. Examples include:

- Mercedes and AMG which was formed in 1990<sup>13</sup> after Daimler-Benz AG and AMG signed a contract of cooperation, allowing AMG to leverage Daimler-Benz's extensive dealer network and this ultimately led to commonly developed high end Mercedes vehicles which are branded as Mercedes AMG vehicles.
- Mini and Cooper Car Company (creating the Mini Cooper)
- Shelby-American Company and Ford which led to the Shelby Mustang.

These examples demonstrate the significant benefits that exist for both parties and provide further justification as to why this legal structure was selected.

The proposed joint venture's main activities have been visually represented in the business model below. The darker shades of green (Research & Development and Marketing) will be the core competencies of Innov8 Tech. The lighter shades of green (Manufacturing and Distribution) will be the core competencies of the joint venture partner and as such, undertaken by the joint venture partner. The brown segment which represents the Joint venture Head Office and Management will comprise of two joint project CEOs (one from Innov8 Tech and one from the joint venture partner) as well as two senior project executives from each party in the joint venture. The role of the Joint venture Head Office and Management department will be to ensure strategic outcomes are being achieved and to ensure sufficient project financial controls exist.

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<sup>13</sup> <http://www.emercedesbenz.com/autos/mercedes-benz/corporate-news/mercedes-benz-history-history-of-mercedes-and-amg-partnership/>



## CONTRACTUAL ARRANGEMENT & ORGANISATIONAL PLAN

Following the successful identification of an electronics manufacturer joint venture partner, a Cooperation Contract/Consortium Contract will be drafted. This contractual arrangement will clearly define the boundaries of the electronics manufacturer and Innov8 Tech, the rights of each party, initial and ongoing contributions made by each venture, conflict management mechanisms (executive bodies, decision making procedures, and dispute resolution) as well as the sharing of income and expenses between each venturer.

In the proposed Joint venture company, both Innov8 Tech and the electronics manufacturer will have equal voting rights thereby ensuring joint control of the venture. This is an important legal requirement of Joint venture businesses. **Figure 1** represents the proposed joint venture company and its structure.

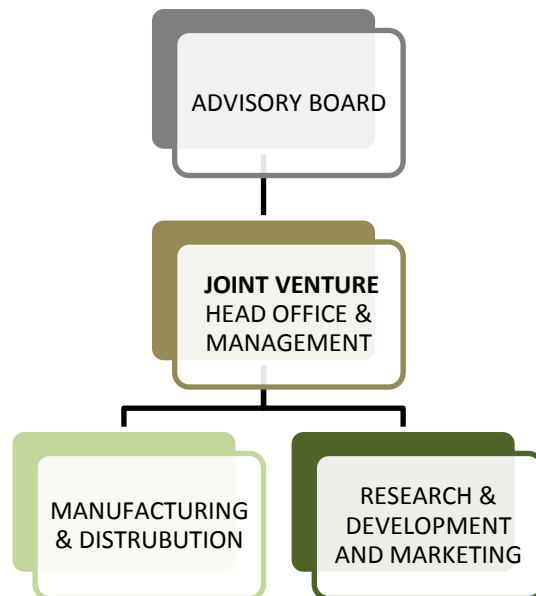


Figure 1

Figure 1 displays that the joint venture company will comprise of an Advisory Board at the highest level of the hierarchy. This board will act as a governing body of the joint venture company and its role will be to implement and evaluate the implementation of strategic, financial and operating policies agreed to by the venturers in accordance with the contractual arrangement. It will act as an oversight board which will ensure that the joint venture company is doing and achieving what has been set out in the joint venture agreement. It will consist of four directors:

- Two external non-executive directors
- One executive director from Innov8 Tech
- One executive director from the joint venture partner.

The second level of the hierarchy comprises of a Joint Venture Head Office & Management function which will undertake management, administration and finance/accounting activities. As the joint venture company will be a separate legal entity, it will require some form of financial reporting so as to account for the resources of the two venturers. Additionally all administration activities such as human resources and salaries will be done at the Head Office which will operate in separate premises. This tier of the organisation will have approximately six senior executives who will be responsible for ensuring the operational plans are being executed as planned as well as minimising any glitches in the day to day operations of the joint venture company.

The senior executives will include:

- Two joint venture project CEOs, one from each joint venture partner
- Two senior executives from Innov8 Tech responsible for Research & Development and Marketing respectively.
- Two senior executives from the joint venture partner responsible for Manufacturing and Distribution respectively.

The third tier of the hierarchy represents the separate responsibilities of each venturer as outlined in the cooperation contract. The activities undertaken by the electronics manufacturer partner will be manufacturing and distribution as this is its expertise. Once a prototype has been developed for INFINITY and all its components identified, the manufacturing facilities of the partner will be utilised for production. Additionally, distribution channels being used by the electronics manufacturer will be utilised to get INFINITY from production to the end user.

Innov8 Tech will be responsible for the R&D and the Marketing departments as these are the core competencies of Innov8 Tech. Extensive R&D will be necessary to ensure product innovation remains a key focus of the joint venture company. In that sense, Innov8 Tech will act as a think tank that will be testing new technologies, developing new prototypes and bringing the intellectual property capital into the joint venture. Additionally, intensive marketing activities will be undertaken by Innov8 Tech to ensure all products from the joint venture maximise their sales potential and also increase brand exposure for the partnering electronics manufacturer.

## **JOINT VENTURE PARTNER**

The ideal partner for this joint venture will have several characteristics. These characteristics have been identified in **Table 1** which will act as a framework for Innov8 Tech in identifying the most appropriate partner. Ideally, the partner will be a large player in the electronics manufacturing industry. However, this company will be lacking one key attribute – brand recognition. It will be a quiet achiever who manufactures and distributes quality goods at various price points, yet its brand will not be easily or immediately recognisable by consumers. Hence, our business case to the partner will be to establish a joint venture that will manufacture and distribute INFINITY – a product with revolutionary potential in the MP3 Player industry. INFINITY will be branded under the name of the partner company and will be manufactured in their plants and distributed using their channels. Innov8 Tech will provide the intellectual property and the marketing expertise. This allows both partners to extract benefit mutually through the synergies gained from establishing this joint venture. Depending on the success of the initial venture, Innov8 Tech will aim to continue to deliver innovative ideas and concepts to the large electronics manufacturer and thereby assist in revitalising

the brand of the joint venture partner. The ultimate goal is to build up or refresh the brand image of the joint venture partner so that they are able to charge a brand price premium on their products due to their improved brand identity.

Several potential partners have been recognised to enter into this joint venture with Innov8 Tech. One potential partner is Akai Sales Pte Limited, a Japanese manufacturer of consumer electronics goods ranging from home entertainment to electronic appliances and telecommunications products. The company has been around for over eight decades, yet lacks inclusion as part of mainstream electronic manufacturing brands such as Sony or Samsung. Overtime, it has lost its zeal and is now seen as a brand and company from yesteryear. It has sufficient manufacturing and distribution capabilities globally. Another potential business partner is Vizio which is a high volume LCD manufacturer which mainly distributes its products in Wal-Mart and competes with the big name brands on price basis. Despite having a dominant position in the LCD market (#1 LCD seller in North America<sup>14</sup>), there is little brand awareness amongst consumers about Vizio and it is seen as a second tier electronics brand. Also, a more established and developed brand which is in need of revival is Sanyo. Sanyo is facing an image problem with a recent survey showing consumers associate the words 'stagnant', 'dull' and 'weak'<sup>15</sup> with the brand name. Rolsen Electronics is yet another company which has the potential to be a partner in this venture. It has a very diverse product range, has a production capacity of 2.5 million TV sets per year and was included in the list of ten largest TV producers in the world in 2004<sup>16</sup>. It has a presence in Russia yet it lacks a strong brand identity and a global brand impression. For all these potential partners, our product, INFINITY represents an opportunity to create a lasting impression on consumers due to its innovative qualities and thereby improve brand recognition.

As outlined in the management plan, the manufacturing and distribution functions would be the responsibility of our electronics manufacturer partner. This arrangement is very beneficial to the business venture as our partner will be able to benefit from significant economies of scale and there would be no need to raise large amounts of capital to fund the initial outlays. One result of this arrangement is that all decisions in regards to the manufacturing of the mp3 players (such as the choice of suppliers as well as conditions regarding price, quantity and quality testing) will be left to our partner.

A potential implication of this is that a conflict of interest arises: the manufacturing partner may attempt to overstate costs, thus reducing profits and hence the share that will be allocated to Innov8 Tech. To overcome this, a manufacturing cost per unit will be assigned from the outset and this cost used as the determinant of profit from a profit share perspective. The benefits of a system such as this are that there will be lower agency costs as the manufacturer has no incentive to report manipulated costs while there is still a benefit in achieving lowest costs possible. Appendix 2 gives an example of the budgeted costs that may be used in the agreement. This would allow our partner to work out a breakeven point which could then be worked into the contract (e.g. no profits will be taken until breakeven has been reached).

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<sup>14</sup> [http://www.digitimes.com/supply\\_chain\\_window/story.asp?datepublish=2010/11/23&pages=PR&seq=201](http://www.digitimes.com/supply_chain_window/story.asp?datepublish=2010/11/23&pages=PR&seq=201)

<sup>15</sup> <http://www.esato.com/news/article.php?id=713>

<sup>16</sup> <http://www.rolsen.com/about/>

# START UP SUMMARY

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## Overview

The initial phases of any business activity are perhaps the most crucial that will be undertaken over the course of its life. This is especially the case with Innov8 Tech' business plan, which relies on the manufacturing and distribution capabilities of our chosen partner to produce and distribute our innovation, the kinetic mp3 player. Innov8 Tech provides the intellectual property and marketing expertise to the joint venture, allowing our product to develop an image of innovation, practicality and essentially, being the 'cool' alternative.

To fortify our position in the joint venture, Innov8 Tech' ensures that the patents protecting our idea are well prepared and that they provide sufficient protection and provide significant barriers to entry for potential competitors. It is for this reason, that the patenting of the kinetic mp3 player is the most important aspect of the start-up phase of our business.

Other phases of the start-up process that are budgeted for include the development of a functional prototype, creation of a website for internet sales and taking all necessary steps to contract with a electronics manufacturer willing to participate in this promising business opportunity.

INFINITY is scheduled to be released in July 2011.

## Processes and Timeline

### Obtain initial funding (Jun 10 – Jul 10)

A seed fund is necessary to provide the capital for all the initial costs outlined below. Venture capitalists are approached with our unique idea and the prospect of a share in Innov8 Tech. Ideally, approximately 250K is raised through the venture capitalists for the seed fund. The seed fund is used to cover the considerable initial costs of Innov8 Tech. Most of the seed fund is planned to be spent by the time that potential joint venture partners will be approached so Innov8 Tech can leverage its intellectual property to enter into a manufacturing/profit share agreement.

### Patenting (Jul 10 – Mar 11)

As mentioned above, this is the most important aspect of the start-up period for the kinetic mp3 player. The joint venture is operating initially in the US, hence the United States Patent and Trademark Office (USPTO) will be the main focus of our efforts. However, patenting in other countries such as Australia (IP Australia), China (SIPO) and Europe (European Patent Office) will also be undertaken in the anticipation of an expansion in business activities to new markets.

A utility patent is filed for with the USPTO to protect the idea of an mp3 player that is powered with an internal kinetic generator. A design patent will also be filed for the use of a clear section in the casing to display the internal workings. To ensure that this process is completed with the minimum time required and with the highest degree of protection, a patent lawyer is hired to partake in the patenting process.

### Developing Prototype (October 10 – December 10)

This is also an important phase of the start-up process as a prototype demonstrates the technical feasibility using kinetic energy to power the mp3 player. It is also important as it gives our manufacturing partner an idea

of what to expect in regards to the components that make up the mp3 player. This includes unique parts such as the casing, and also a voltage tap to innovatively display the remaining battery life. Prototype construction is outsourced to a design engineering firm for first phase construction.

### Contracting (July 10 – Oct 10)

The next step is identifying potential companies to partake in the joint-venture; a schedule of potential partners is highlighted in the management plan. This is another crucial phase in the start-up process as the entire operational structure, profit share arrangements and organisational responsibilities will be dependent on the results of the agreement reached between Innov8 Tech’ and our chosen partner. Included in the timeline are the logistics in regards to travelling to the US and arranging meetings with potential partners, the hire of a contracts lawyer to oversee preparation of the agreement as well as any negotiations that take place.

### Website Development (Sep 10 – Oct 10)

The website runs in conjunction with our retailing efforts to get the product to the end-user. It is a cost effective method to reach the increasing numbers of consumers that are using the internet for many of their purchases. A website developer is hired to create a professional and functional website and a domain name and server will be purchased as a host for the online sales.

### Initial Marketing (Oct 10 – Apr 11)

These initial marketing campaigns occur mainly through low cost, high traffic forms of advertising such as social network media. The aim of these is to build up a pre-cursory knowledge of the product without a large amount of capital outlay. The use of mediums such as Facebook and Youtube reaches a considerable proportion of our selected demography with a much lower cost in comparison to TV or radio.

### Office Rent (Jul 10 – Apr 11)

An office site is necessary as a base for all the marketing operations and head office activities such as accounting for the joint venture. An appropriate example of this are furnished apartments in Edgecliff, Sydney – close to the CBD and still cost effective (\$650 per week for an executive suite<sup>17</sup>). This \$650 includes utilities. Included in the office rent will be the costs of computers for the Australian base.

### Gantt Chart

Reference	Task	Start	End	Duration	2010							2011							
					June	July	August	September	October	November	December	January	February	March	April	May	June	July	August
a	Obtain Funding	1/6/2010	28/7/2010	42	█														
b	Patenting	1/7/2010	2/3/2011	175		█	█	█	█	█	█	█	█	█	█	█	█	█	█
c	Develop Prototype	1/10/2010	1/12/2010	44					█	█									
d	Contracting	1/12/2010	3/3/2011	67							█	█	█	█	█	█	█	█	█
e	Website Development	1/2/2011	3/3/2011	23								█	█	█	█	█	█	█	█
f	Initial Marketing	1/3/2011	30/8/2011	131										█	█	█	█	█	█
g	Office Rent	1/12/2010	3/5/2011	110		█	█	█	█	█	█	█	█	█	█	█	█	█	█

<sup>17</sup> <http://www.edgecliffservicedoffices.com.au/ratesleaseprocedures.htm>

# FINANCIAL PLAN

## Forecasted Joint Venture Consolidated Income Statement

	Full Year 30 Jun 11			Full Year 30 Jun 12			Full Year 30 Jun 13		
	Combined	JV Partner	Innov8 Tech	Comined	JV Partner	Innov8 Tech	Combined	JV Partner	Innov8 Tech
Sales Revenue	-	-	-	22,732,500	20,459,250	2,273,250	34,098,750	30,688,875	3,409,875
Cost of Goods Sold	-	-	-	9,800,000	9,800,000	-	14,700,000	14,700,000	-
<b>Gross Profit</b>	-	-	-	<b>12,932,500</b>	<b>10,659,250</b>	<b>2,273,250</b>	<b>19,398,750</b>	<b>15,988,875</b>	<b>3,409,875</b>
Start-up Costs									
Patenting	39,070	-	39,070	10,000	-	10,000	10,000	-	10,000
Initial Funding	600	-	600	-	-	-	-	-	-
Website Development	2,100	-	2,100	1,000	-	1,000	1,000	-	1,000
Contracting	21,500	-	21,500	-	-	-	-	-	-
Prototype	29,000	-	29,000	-	-	-	-	-	-
Administration Expenses	-	-	-	-	-	-	-	-	-
Salaries	400,000	280,000	120,000	560,000	280,000	280,000	560,000	280,000	280,000
Office Expense	26,400	-	26,400	10,400	-	10,400	-	-	-
Other Expenses	-	-	-	-	-	-	-	-	-
Marketing Expense	73,000	-	73,000	330,000	250,000	80,000	330,000	250,000	80,000
Brand Ambassador Profit Share	-	-	-	388,333	-	388,333	591,694	-	591,694
Distribution Costs	500,000	500,000	-	1,000,000	1,000,000	-	1,000,000	1,000,000	-
Depreciation	150,000	150,000	-	150,000	150,000	-	-	-	-
Amortisation Expense	1,954	-	1,954	500	-	500	500	-	500
<b>Total Expenses</b>	<b>1,243,624</b>	<b>930,000</b>	<b>313,624</b>	<b>2,450,233</b>	<b>1,680,000</b>	<b>770,233</b>	<b>2,493,194</b>	<b>1,530,000</b>	<b>963,194</b>
<b>Net Profit Before Interest and Tax</b>	<b>- 1,243,624</b>	<b>- 930,000</b>	<b>- 313,624</b>	<b>10,482,267</b>	<b>8,979,250</b>	<b>1,503,017</b>	<b>16,905,556</b>	<b>14,458,875</b>	<b>2,446,681</b>
Interest Expense	-	-	-	-	-	-	-	-	-
Taxable Income	-	-	-	9,238,643	8,049,250	1,189,393	16,905,556	14,458,875	2,446,681
Tax	-	-	-	2,771,593	2,414,775	356,818	5,071,667	4,337,663	734,004
Deferred Tax Asset	373,087	279,000	94,087	-	-	-	-	-	-
<b>Net Profit after tax</b>	<b>- 870,537</b>	<b>- 651,000</b>	<b>- 219,537</b>	<b>7,710,674</b>	<b>6,564,475</b>	<b>1,146,199</b>	<b>11,833,889</b>	<b>10,121,213</b>	<b>1,712,677</b>

## Innov8 Tech - Forecasted Statement of Financial Position

	As at 30 Jun 11	As at 30 Jun 12	As at 30 Jun 13
<b>Assets</b>			
Inventory			
Cash at hand	3,330	1,388,897	2,275,753
Account Receivable	-		
Deferred Tax Asset	94,087		
Research and Development Assets	29,000	29,526	30,082
Patents	37,117	35,261	33,405
<b>Total Assets</b>	<b>163,534</b>	<b>1,453,684</b>	<b>2,339,240</b>
<b>Liabilities</b>			
Account Payable	61,404	68,888	19,159
Salaries Payable	6,667	15,556	15,556
Tax Payable		356,818	734,004
<b>Total Liabilities</b>	<b>68,071</b>	<b>441,262</b>	<b>768,719</b>
<b>NET ASSETS</b>	<b>95,463</b>	<b>1,012,423</b>	<b>1,570,521</b>
<b>Equity</b>			
Share Capital	315,000	200,380	29,112
Retained Earnings	- 219,537	812,042	1,541,409
<b>Total Equity</b>	<b>95,463</b>	<b>1,012,423</b>	<b>1,570,521</b>

## Innov8 Tech – Forecasted Cash Flow Statement

	Full Year Jun 11	Full Year Jun 12	Full Year Jun 13
<b>Cash Flows from Operating Activities</b>			
Cash Receipts	-	2,273,250	3,409,875
Paid Expenses	(311,670)	(769,733)	(962,854)
<b>Cash flows from Investing Activities</b>			
Dividends Paid	-	(114,620)	(171,268)
<b>Cash flows from Financing Activities</b>			
Capital Investment	65,000	0	0
Seed Fund	250,000	0	0
<b>Net Cash Flow</b>	<b>3,330</b>	<b>1,388,897</b>	<b>2,275,753</b>

An analysis of the financial statements makes clear the financial viability of Innov8 Tech and the joint venture to produce INFINITY. Despite initial losses, a joint venture structure increases the viability of the project.



# APPENDICES

## Breakdown of Start Up Costs

The following is a detailed breakdown of all the costs which are expected to be incurred during the start up stages of Innov8 Tech. These figures have been reflected under expenses in Innov8 Tech's Income Statement.

### a. Initial Funding

Transport	\$100.00
Lunch	\$500.00
<b>Projected Cost:</b>	<b>\$600.00</b>

### b. Patenting

USPTO	\$5,910.00
IP Australia	\$8,770.00
SIPO	\$2,444.00
EPO	\$11,946.40
Patent Lawyer Fees	\$10,000.00
<b>Total Cost</b>	<b>\$39,070.40</b>

### c. Development of Prototype

Hourly Rate (top tier Engineer)	\$140.00
Projected Hours	200
Material Cost	\$1,000.00
<b>Total Cost</b>	<b>\$29,000.00</b>

### d. Contracting

Flights to the US (\$2000 x 4)	\$8,000.00
Accommodation	\$3,000.00
Petty Expenses	\$500.00
Contracts Lawyer	\$10,000.00
<b>Total Cost</b>	<b>\$21,500.00</b>

### e. Website Development

Website Designer	\$2,000.00
Domain Name	\$100.00
<b>Projected Cost:</b>	<b>\$2,100.00</b>

### f. Initial Marketing

Phase 1: Opinion Leaders	\$8,000.00 + Profit Share
Phase 2: Social Media	\$5,000.00
Develop Video	\$30,000.00
Phase 3: INFINITY Sales Force	\$15,000.00
University Trade Shows	\$15,000.00
<b>Total Cost</b>	<b>\$73,000.00+ Profit Share</b>

### g. Office Hire

10 Months @ \$650 per week	\$26,000.00
4 Computers @ \$1000 each	\$4,000.00
<b>Total Cost</b>	<b>\$26,400.00</b>

### Schedule of Costs

a. Initial Funding	\$600.00
b. Patenting	\$39,070.40
c. Development of Prototype	\$29,000.00
d. Contracting	\$21,500.00
e. Website Development	\$2,100.00
f. Initial Marketing	\$73,000.00+ Profit Share
g. Office Hire	\$26,400.00
<b>Total</b>	<b>\$191,670.40</b>