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## APPENDIX The Company

### 1.1 Introduction

New Horizons specializes in creating technological solutions for today's rapidly changing market. Originating and located in Toronto, Canada, New Horizons is a new venture company working to provide management systems products geared towards companies in the high-tech manufacturing industry.

Over the past 10-15 years, many manufacturing companies have expanded or are in the process of increasing their sales and production. This growth has led to the need for increased organization and automation. The automation process generally involves the development of an information management system to handle the increased data flows. However, many of these systems are still underdeveloped in that there still exists large amounts of paper involved in the process. Generally, this paper trail includes items such as forms, time sheets, invoices, and receipts. Within one day of business operations, a company may complete hundreds of forms manually, of which many of them are processed and reprocessed several times throughout the many departments of the company. As a result, many problems and misunderstandings within process flows and task responsibilities develop. These problems include redundancy of data and data entry tasks, lost data, large amounts of paper flow, wasted resources. When any of these situations arise, a company spends valuable time to rectify what could have been prevented. In some cases, the problem can have severe consequences such as a temporary halt in operations or a lost of a client account. The primary mission of New Horizons is to increase process efficiency and solve these management system problems. Henceforth, New Horizons is responding with an innovative system integration product and service which is focused on electronic forms and sheets.

### 1.2 Company Objectives

New Horizons plans to be the leader in providing management systems standards. The company plans to produce and deliver a quality software product which will assist companies to automate their forms and thereby reduce paper flow within the enterprise.

Strategic planning and goal setting is the key element to establishing a market presence. For New Horizons, this means increasing market share within the first year of operations by establishing a clientele of at least twenty customers by fiscal end. Strategies to be used to achieve the company's goals include a mass marketing campaign, market penetration pricing and lower product cost implementation. In addition, partial or full support may be offered with the purchase of the company's product or licenses, if available. Financing and funding for this venture is planned to be received from both the executive members and outside investors.

During the first four years of operations, New Horizons expects to deliver a high return on investment (ROI). This goal is expected to be achieved through value pricing, quality service, dedication by company executives, and possible deferred salaries.

## **Management**

### **2.1 Management Team**

The executive management team currently consists of the following four members, Brian Achong, Howard Chan, Rishi Madan, and Katherine Nip. While each member of the team brings a strong background in computer science to the company, individually they also possess many skills and talents in other fields.

Brian Achong is a programming and technical specialist. Academically, he is a fourth year university student pursuing a specialist in Information Systems. Currently, he is working under contract for a large manufacturing firm in the areas of business satellites and television decoders, thereby bringing technological knowledge of the manufacturing industry to the company. At New Horizons, Brian is appointed as the President and also the Marketing Director. Further details on Brian Achong can be found in his resume in the Appendix of this document.

Howard Chan, who is a computer science and commerce specialist, possesses strong marketing, accounting, financial, and legal skills, which are pertinent to the internal operations of the company. While working for the Royal Bank of Canada, he is gaining valuable exposure to the financial industry, an area of expertise and interest. At New Horizons, he is employed as the Executive Vice-President of Administration where his responsibilities include human resources, accounting, and finance. Further details on Howard Chan can be found in his resume in the Appendix of this document.

Rishi Madan offers his hardware and software expertise, as well as his experience in Web Object and User Interface Design. He has recently completed a one year contract with a large and successful mining company in Canada where he was a leading software developer. Thus, he brings his new development expertise to the company. He is a fourth year university student studying towards an Information Systems specialist degree. At New Horizons, he takes the position of Executive Vice-President of Operations, where he is designing the product user interface, sales, and assisting the development team. Further details on Rishi Madan can be found in his resume in the Appendix of this document.

Katherine Nip, a fourth year computer science and mathematics specialist, has extensive experience in expert consulting groups, project management, and interests in business and financial operations. Over the summer period, she held a key position in the software development team of a small consulting firm. Thus, she has in-depth knowledge in the areas of product development and market releasing. At New Horizons, she will take the position of Executive Vice-President of Development, heading the product development team. Further details on Katherine Nip can be found in his resume in the Appendix of this document.

Overall, the management team of New Horizons is well-devised and very complete with complementary skills. The members bring their knowledge from many different areas of study and possess a good record of training and related experience.

## **2.2 Management Objectives**

New Horizons aims to deliver a product that will become the industry standard for management systems. The initial step forward in that direction is the current formation of a solid and complete management team.

### **2.2.1 Short Term Objectives**

The company will utilize its current executive management team for designing and implementing the software product, project management, and operations. Each executive member will be required to extend their skills into other areas of the company when the need arises. This is not a difficult demand for the present since most members possess a wide variety of portable skills and talents. In addition, considerations and plans are in place for employing contract software developers or programmers (about 2 persons) to assist in the production process. These candidates will be hired to assist the company's expert programmers.

### **2.2.2 Long Term Objectives**

As the company develops, New Horizons will inevitably consider the expansion of management, including the creation of subdivisions and delegation of tasks to the smaller departments. Prospective departments include sales, accounting, marketing, human resources, information systems, research and development, and product development.

Moreover, New Horizons will bring on board new executive members as the growth of the company casts this need. Appointed positions are supervisory and management titles for the new departments created. New executive members must be experts in the field of which they will be employed, and have extensive industry and work experience in order to meet the demands and challenges of this company.

## **Market**

### **3.1 The Industry & Market need**

New Horizons has decided to target our product 'Management Information System' software (MIS) to medium size, established, high-tech manufacturing companies in Ontario. Our company chose this market due to several factors. In terms of manufacturing, the Electrical and Electronic Industry ranks within the top five out of the twenty two major groups in this sector. These manufacturing companies are heavily concentrated in Ontario and Quebec, which account for 90.5%<sup>1</sup> of the industry. Examples of these types of companies include: telecommunications equipment; electronic computer and peripheral equipment; and electronic parts and components industries. These

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<sup>1</sup> Statistics Canada - Catalogue no 43-250-XPB

companies have been growing in size, sales and production due to global competitiveness. Therefore there is a large target market for our product.

Manufacturing companies are composed of many individual departments and keep extensive records of products, inventory, personal as well as customer files. The departments, usually in separate areas, need to exchange this information between one another for their daily operations. This is usually done through the use of standardized forms. For example, the manufacturing department needs to send purchase requisitions to several managers for approval, then orders are sent to shipping, on arrival an update of inventory must be made and then sent to accounting to be checked with receipts. This is the simplest case not accounting for non-approvals or errors. So there is a lot of information exchanging and processing between departments.

The technology market is always rapidly changing and in order to remain competitive companies are always making changes there existing system and re-structuring their processes. This is very true in manufacturing sector as changing technology affects the type of products chosen and how they are manufactured. For example, introduction of a new component (new processor chip) affects inventory (addition of new inventory) and the production line. This usually affects the data flow, the type of information and how it is passed between departments. These changes usually require the standard forms to be changed or causes data to be re-entered. This is both costly and time consuming.

With small manufacturing companies the amount of information being exchanged or processed is not large enough to cause the company any serious problems. However as the company grows it soon becomes apparent of the need to reduce the amount of paper flow, errors and the 'cycle time' (time spent to process information or request). This need manifests itself in medium size companies because they are trying to become more efficient in order to compete with companies of similar 'medium' size.

Established companies, usually profitable, have both the technical and financial resources to support the implementation of our product. Established companies in the technology market will usually have an existing information system (both in terms of hardware and established procedures and forms). This means our product is easily incorporated as we will build our product upon their existing system and is implemented quickly because their employees are accustomed to technology and they can be easily trained to use the new system.

### **3.2 Present Market**

Presently in Ontario there are approximately 1200<sup>2</sup> electrical and electronic products manufacturing companies. Over the past 4 years the total value of shipments of goods from manufacturing electronic products in Ontario has been steadily increasing at a faster pace than the increase of 14%<sup>3</sup> for the total manufacturing sector. In 1996 the gross total value of shipments of goods from manufacturing electronic products was approximately 17 billion dollars<sup>4</sup>.

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<sup>2</sup> Statistics Canada - Catalogue no 43-250-XPB

<sup>3</sup> Statistics Canada - Catalogue no 43-250-XPB

<sup>4</sup> Statistics Canada - CANSIM, Matrix 9550

### **3.3 User Benefits**

Although a company buys our product, the actual users are the employees of the company. They will be the people who use and interact with our product.

We are marketing our product to high-tech manufacturing companies, which means that most employees will already possess technical training or experience using computers. Our product will be electronically 'imitating' the existing information flow and automating the standard forms. Since employees are accustomed to these standard forms using and learning our product will be easy and users will not be 'hassled' to learn a totally new program.

Employees will save time by using the new electronic forms, since they can fill them out at their desk and submit them electronically. This means that they can spend their time doing more interesting or productive tasks.

The automation of these forms also reduces 'cycle time', the time for a request or information to be processed. This means that workers will get a quicker response to their requests. For example, request for vacation time or reimbursement for travel expenses will have a much shorter response time. This will increase job satisfaction, a benefit some companies overlook.

### **3.4 Customer Benefits**

Our customers are the companies that buy our product. The main benefit to these companies is financial savings in the daily operations of the company.

This is achieved by several factors, one of these being the reduction or elimination of pre-printed forms. The process of creating and implementing standard forms in a company is both time consuming and costly. Once this is done there is also the cost of printing these forms. Once these forms are created it is not much of a problem to make copies of them, however if these forms need to be changed or altered it becomes very costly. For example if the company needs to change their division or logo all these forms need to be updated, or if a new product is introduced new forms may be needed for this item. This can be done quickly and easily with our product and therefore save the company both time and money.

Another benefit is the reduction of errors made by employees on written forms. As we all know every person writes differently and sometimes mistakes are made interpreting someone's handwriting. Errors occur when the information on the forms must be re-entered or keyed into the companies system. This is very costly because once the discrepancy is found it is difficult to track down the cause and the company may suffer severe consequences. For example a 'mis-keying' of inventory figures, this could cause the company to lose a valuable sale or possibly a customer as the sales department might promise a product that they do not have in stock. With a reduce number of errors, efficiency as well as reliability of the companies system will be increased.

Finally, one of the major benefits of our product is that it reduces the 'cycle time' in the process of information. This 'cycle time' includes both the time spent by managers evaluating a request and by employees submitting or re-entering the data in to the system. A manager's time is very precious and costly (on average \$20-\$30/hour). When he has to approve a request it is time consuming especially if there are errors in the submission he has to return written reason why the request was not approved. Add this, to the time spent by employees re-entering data in to the system due to errors or redundancies (on average

\$12-\$15/hour). This problem is not very visible but is costing many companies who may or may not be aware of this problem. Our product will reduce this time and by doing so will increase efficiency and productivity from employees (one of the main resources in a company).

Our product will improve the efficiency of a company in their daily operations and there by increase the overall productivity of a company. Then net outcome is financial savings to the company in their daily operations.

### **3.5 Competition**

Our initial investigation revealed that there exists companies that offer a similar product. However there does not exist a clear leader or company that controls a substantial segment of the market. This means that there exists the opportunity for our company to grow and expand.

The existence of these competing companies work well for our company. It gives our company, New Horizons, the opportunity to discover their product's weaknesses and strengths and we can incorporate this information when designing our product. We also have the opportunity to talk to people who have already incorporated a similar system and gain valuable 'hands on' information of how it has affected their company.

Our competition, although breaking in to the market before us, have not targeted a 'single group' but have instead made a generic product that tries to meet the demands of several types of users. This strategy seems 'flawed' to our company as different groups and even companies in the same business can have very different requirements. So our company has an advantage as we are more focused on a specific target market.

Our selective focus allows us to better meet the needs of our customers and will therefore make our product the preferred one over our competition.

### **3.6 Market Trends**

Over the past 4 years the manufacturing industries in Ontario has been steadily increasing. Currently, approximately 52%<sup>5</sup> of all manufacturing companies use Local Area Networks (LAN) for inspection and communication operations. Of these companies 26%<sup>6</sup> of them invest from \$100,000 - \$1,000,000 in their inspection and communication system.

### **3.7 Market Share**

Currently New Horizons does not control any percentage of our target market. However, through our marketing and sales team we have already spoken to a few potential customers and we have received favorable responses to our idea and our future product.

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<sup>5</sup> Statistics Canada - Catalogue No. 88-512

<sup>6</sup> Statistics Canada - Catalogue No. 88-512

Our company plans to rapidly increase our market share within the first year. We hope to achieve a clientele of at least 20 different customers, which makes up 2% of our targeted market in Ontario, by the end of the first year. We hope to achieve a steady growth rate of approximately 4% per year, over the next 4 years. We will achieve this through our dynamic marketing team and marketing strategy.

## **The Product**

### **4.1 The Product Management Information System (MIS)**

The objective of our product, Management Information System (MIS) is to reduce, if not eliminate, paper flow within technological manufacturing companies.

Presently many technological companies such as semi-conductor manufacturers and computer manufacturers are using paper invoicing for their routine requests and data filing. Such requests are completed on standard forms which cost the company thousands of dollars per year. Paper forms are expensive, error prone, inefficient to communicate with and reduce employee productivity. In order to effectively transmit information between management, employees and departments, an alternative, cost effective solution is required.

In most businesses, forms are completed to document and communicate information between people and departments. The information has to be read and reviewed by one individual and often passed on to the next. The problem arising with such a circumstance is that it is very time consuming. A typical paper form sent for review and approval to 10 different people can take anywhere from 10 minutes to 10 days or more depending on the form and the location of the people. Our product can not change the data in the form, but it can reduce the amount of time spent processing the form. In other words, the time spent transporting the form can be reduced to a negligible amount thus increasing efficiency and employee productivity.

#### **Electronic Data Forms**

Our product MIS, is divided between two pieces of software. The Electronic Data Forms (EDF) version will eliminate these paper forms by converting them into electronic forms which would be composed, delivered and received via computer. The software would be similar to email programs as there would be senders and receivers.

Although the first release is aimed for technological manufacturing companies' internal use, within 6 months of the first product release, an extension for external use will be made. In effect, the product will be available for the clients customers to access. Customer's clients will be able to complete forms over the Internet and submit product requests thus eliminating the need for the clients employees to initially enter the order internally. This will increase productivity and reduce labor requirements.

#### **Forms Development Kit**

The forms will either be developed by our company for the client or a Forms Development Kit (FDK) can be purchased for the clients use to develop and customize their own forms.

### **4.2 Product Features**

Our product will be released as two versions. One version is completely customizable by the user. This version known as the Form Development Kit (FDK), will be licensed to customers along with a client software. The FDK can be used to create forms as the user desires with the software tools provided. The form will be constructed much like a drawing or table in many other popular packages. The interface will be easy to use and intuitive requiring minimal knowledge for use. This package is ideal for companies which have many forms which go into and come out of circulation often. The company will be charged a license fee for the FDK and the number of users which the client software will be installed for.

In addition, the software will be sold pre-customized by our staff. A company which is not inclined to customize their own forms or do not have constantly changing forms may request the forms and software be created for them. The customer would be charged a fee for the form customization in addition to licensing fees for each client copy within the particular organization. Again, the client customized final version will have an easy to use graphical user interface (GUI).

Once completed, a typical form will contain data, a unique identifier (number), form name, form number, and the sender and recipient names. The form can also be saved on a separate server which would contain all forms of that type. The form can later be accessed if required for inventory or invoice tracking purposes.

Some examples of forms our software could replace include time sheets, purchase requisitions, invoices for new work orders and inventory data. Often in manufacturing companies, work orders come in several times a day and this information must be transferred to employees. By using our forms this can be achieved while recording the information in a valuable database which can be accessed to update inventory or sales figures. Upon completion of the work the employees can notify management of the work. This is only one practical application, there are hundreds more.

### **4.3 Product Requirements**

The MIS software is a stand-alone version which runs on inter-office networks. Because the software is independent, it doesn't rely on other products to function. Thus, if your office upgrades any of their existing software, for example an email program, MIS will still function as it is independent of those programs. Although MIS is independent of other program, it requires some fundamental hardware and operating systems in place in order to function properly.

In order to best implement our software, the client will have to have certain systems in place. For instance, our product requires an established TCP/IP client server network. The network is necessary to facilitate the transfer of forms electronically while the server is necessary to access the template forms (the forms which will be filled by users) and store the database of forms transferred.

In addition to the standing network, the client will require Windows 95/NT. These two products have been chosen to feature our product because of their wide use and industry standard qualities. A consideration was made to include the Macintosh platform for our software but because of that companies instability we decided it would be best not to support this platform as it may not be a wise long term decision. The Windows 95/NT platform would be most suitable as it is very user friendly and our software will most likely be compatible with newer versions of the operating system.

To facilitate the form management tools (i.e. database storage of transferred tools) and form template accessibility, the client is recommended to have a shared server. Although the server is not necessary for the operation of our product, to maximize its use and features it is likely the client will appreciate its computability.

Our product will facilitate exportation of database information to other programs for detailed analysis if desired. By exporting form data, management can analyze and use the data to help predict future operations and fully understand the underlying nature of their business. Also, data can be exported to inventory and accounting systems as it is compatible with ODBC, Oracle, Sybase and Dbase systems.

#### **4.4 Equipment Requirements and Facilities**

In order to develop our product we will require a team of 5 programmers working for a period of 8 months to develop the beta version of our software. Because the executives are all computer science experts, we can allocate 3 of the 4 to the development group and hire 2 programmers to help with the project. The project will require 1 person to work on the GUI and network integration, 1 person to lead the development and coordination of the project and 3 others to actually program the software. Because Howard Chan is a commerce and marketing specialist, he will be looking after those aspects of the company. Rishi Madan will be developing the GUI and network integration with his extensive experience in user interfaces and network operations. Katherine Nip has leadership experience and will assume the role of team leader while Brian Achong will be chief software developer. The company will hire 2 programmers to help with the development of the software. These programmers will only be required on a short term basis as our main development stage is within the first year. After which the company's executives will maintain the software and where necessary, additional programmers will be hired.

To save money during the initial stages of development, the company will operate from one of the executives homes. A small fee will be paid to the executive for his contribution. In addition to the office space, the company will require office furniture including, desks, chairs, phones, filing cabinets, and computers. Computer equipment will include computer workstation for each executive and employee, a server, printer and network. In addition, in order to develop the software the company will require licenses for visual C++ and Java. A detailed cost of startup and continuing costs is included in appendix [ ]. The company will also require an Internet Service Provider to host our website - <http://www.newhorizons.com>.

Once the product is tested and installed we will provide on-going support and training for its users. In addition we will help the company reach its maximum productivity levels where possible.

Included with the product will be extensive help files including a new user tutorial which will guide the first time user through all the features of our software. If the client desires, we can conduct on site demonstrations and user training. However because our software will be so user-friendly and intuitive, most will find it easy to use.

Although we will attempt to remove any and all conceivable bugs for the first release we will develop a final product which would be free of errors.

#### **4.5 Product Economics and Advantages**

Using our products, it is possible to save hundreds, even thousands of dollars. Considering the economic cost creating, using, and transporting forms repeatedly, it should not be surprising how the costs can escalate.

To illustrate the savings which arise from converting one form, consider the following scenario. A company with 1000 employees where each employee fills out a particular type of form each day for an entire year. This amounts to 365 000 forms per year. Assuming that the cost of the form is 1 cent, the company spends \$3650 per year on the production of the forms alone. However, each form must be processed by someone, otherwise there would be no point in filling the form out in the first place. Assuming that the forms are not too long, the average person could process 1 per minute, or 1000 minutes of this particular form per day. This figure results in 16 working hours per day spent on processing this form. Processing here includes time to review and re-record the data on computer. If the labor costs of this company are \$15 per hour, a yearly savings amounts to \$87 600. This cost does not include the time it takes to complete the form, account for errors or transport the form either! The total savings in this example is \$91250 per year. Note that this is the cost of using only 1 form!! Although this example is somewhat glorified, it is not out of the ordinary. Often companies don't realize that the cost of paper processing is huge, and if they do realize it, they aren't aware of the relatively inexpensive solutions technology has to offer.

#### **4.6 Proprietary Nature**

The product is specifically aimed at technologically oriented manufacturing companies. This market was chosen not just for any reason but several which necessarily relate back to the fundamentals of the product. Our product is designed to produce forms which are easily modified and exceptionally versatile.

Technologically oriented manufacturing companies are always on the go, that is their products are changing constantly to meet the needs and requirements of their customers. For example semi-conductor manufacturers produce different semi-conductors depending on their clients specifications. The number of various attributes and qualities of each semi-conductor cannot be predicted so it follows that they would require different forms to process each load of semi-conductors. For each type of semi-conductor, the company would require a different style form. Many companies get around the inconsistency attribute problem by providing employees with a blank invoice where the employee would write down the various attributes (no matter how many there are), this however leads to two separate problems.

First, it is inefficient as the employee must write it and transfer the form manually. Second, because it was written the first time, the order must be accounted for on a computer system, meaning the data will have to be entered later into an accounting program and/or inventory program. Our product would solve the problems in this example by first, facilitating the creation of a form for that specific order, so the employee would know exactly what data to enter on the form. A customized form will reduce errors while increasing efficiency as the data would not have to be entered again into the accounting or inventory system. By consulting our form database, a copy of the electronic form is sent to the database automatically. Thus to update inventory or accounting software, the forms can be imported as tables of data. Because the database is ODBC, Dbase and Sybase compatible, users will have no problems doing this.

## **Selling Strategy & Marketing**

The efficiency and benefits of the product will allow New Horizons to be sales-orientated, but a promotional effort will also be required for the product to become successful. The introduction stage of the product will require extensive marketing in order to inform consumers of our new product and hopefully create some type of product name recognition. The Company's marketing process, will first have to determine the customers' needs through research and then develop a design on how to deliver the product to the customer through a promotion. Once we successfully market the product then we must be able to sell it. The Company's selling orientation will emphasize the product and attempt to maximize sales through the use of a prototype, personal selling and penetration pricing.

### **5.1 Market Research**

Market Research will be the first stage in order to provide a successful marketing campaign. Market Research will be used to evaluate the current situation of the industry during the introduction stage of the Company. During this stage, the market research will focus upon information pertaining to the customer. The current members of New Horizons will perform the research by interviewing several high-tech manufacturing companies to accurately obtain a clear picture of the market. Questions will be asked regarding methods of operation, cost analysis and capital budget. A questionnaire will also be used for those clients who do not have the time for a meeting. These questions will help the Company outline a design for the forms and get an understanding of the limitations of our customers.

Other resources that the Company will utilize in its research will come from statistical facilities such as Stats Canada with its computerized system, CANSIM. New Horizons will use the Time Series data base of CANSIM, to analyze production and financial based information within technological industries.

Once the Company becomes established and expands its clientele, a marketing department will be formed. The New Horizons marketing department will perform more extensive research to attain valuable information to assist decisions regarding present and potential consumers, marketing mix and the environment. Marketing research is very important due to the competitive pressure, expanding markets and growing customer expectations within our industry. New Horizons' main focus of research will be in the areas of service quality

and customer satisfaction. Through this qualitative research, New Horizons hopes to understand the companies from the inside, evaluate and develop ideas, and be able to identify any opportunities.

Through our market research New Horizons will obtain a greater comprehension of the company's target market (high-tech manufacturing businesses) by understanding the needs and operations of each manufacturing company. With information on our target market, New Horizons will be able to position itself in the market and select companies that are compatible with our goals and image. As well the research will allow the Company to seek potential markets that will generate sufficient sales to earn a profit and where the number of competitors are minimal.

## **5.2 Promotion**

In order to successfully market the product, New Horizons will decide upon a promotion that will inform, persuade and remind the market of the product and the company New Horizons. The types of promotional methods that are available to the Company are limited, since our target market is fairly specific and diverse. Therefore, New Horizons will focus on trade discounts, publicity, and advertising.

### **5.2.1 Trade Discount**

Through a trade discount, New Horizons hopes to stimulate demand and create an incentive to purchase the product by providing some type of discount for the Company's initial customers. A stipulation will be applied within the discount such that the customer agrees to promote our product by demonstrating its use and benefits to perspective clients. This form of promotional allowance will only be available in the introduction stage of our product. However, later on the discount will not be available as other forms of promotion will be used.

### **5.2.2 Publicity**

Publicity will definitely be an important part of promotion that will inform the public of the Company and the product. During the initial stage of the Company funds will be limited, therefore some type of free publicity will be helpful. The main benefits of publicity to the Company will be its lower costs and its greater detail of information. Also the value of publicity will be higher compared to advertising due to its credibility. If an independent and objective third party recommended our product, the audience would believe in it more than through a standard advertisement. A review in a magazine publication or an article in the local paper will provide a successful step in communicating to the public the existence of New Horizons. For example the Globe and Mail periodically publish Special Report supplements on areas technology, computers and small businesses. The only disadvantage to publicity is the Company's lack of control of the message. As the Company grows, further steps in promoting the product will be taken through advertising.

### **5.2.3 Advertising**

Personal selling will be adequate in a small local market but as our target market increases, a greater emphasis on advertising will be used. Advertising in local print media will be the basic form used to reach an audience that will match the geographic area in which the

product is distributed. The company will place ads in computer magazines such as Computer Paper and other business magazines such as The Globe & Mail's The Report on Business Magazine. Magazines will allow the product to be advertised to a national market at a relatively low cost per customer. In the long term, New Horizons hopes to build on its image and goodwill through public relations to strengthen its status.

### **5.3 Prototype**

Once the market information is evaluated and analyzed, New Horizons will attempt to sell the product to companies through the demonstration of a prototype. Through the prototype the Company will be able to demonstrate the relative advantage and the compatibility of the software. Due to the innovation of the product, businesses will go through an adoption process to experience, accept and confirm on the benefits of the software. Through the prototype the visibility of the product will assist in the adoption process. The prototype will be developed to demonstrate the basic functions of the MIS. Trade shows will be attended by the Company to demonstrate the product to the general public.

Due to the standardized nature of the product, customers will be able to fully comprehend and observe the final product that will be implemented within their company. Once New Horizons is successful in implementing the MIS within a high-tech manufacturing company, we will then hope to use this company as a reference for interested customers.

### **5.4 Sales Support**

Due to the sophistication of the MIS product, New Horizons plans to utilize personal selling from our executive staff. A personal selling approach as a promotional tool will allow New Horizons to tailor presentations to fit the needs and behavior of prospective clients. Also it will allow the Company to focus and pinpoint the problems of the customer. Through a sales force we will be able to better communicate the attributes of the product and persuade a customer to buy it. Personal selling will also act as a promotional tool, especially when our market is concentrated in Ontario and it is only a few high-tech industries.

The main goal of personal selling will be to stimulate buying action in order to actually make a sale. The executive staff will first approach prospective customers who realize and understand the documentation problem that they contain. New Horizons will present the functions of the product to show the customers how it will solve their problems and hopefully create some interest. The Company will utilize the prototype to give our customers a clear picture of how the product will be used.

Currently due to the size of the Company the sales force will be composed of the management team. However, in the long term as New Horizons develops, a sales department will be created. As the Company grows and gains greater recognition in the market then we will combine other methods with our personal selling to sell the product to a mass market. The only limitation of personal selling is its high cost in developing and operating the sales force. Once the Company's sale force is created, the department will have to set sales goals, forecast sales, and prepare sales budgets.

### **5.5 Pricing Strategy**

New Horizons believes that the price charged will be in accordance to the labor hours and the amount of software and hardware implemented in producing the product. The Company must considered several factors for its pricing strategy. Production costs will be the main factor in determining the price of the product but we must also consider conditions within the market. The Company must analyze the purchasing power of our clients and how much they are willing to pay for the product. Also research must be performed to gather information on other competitors prices. This information will allow the company to understand the price equilibrium for the product. Without this information, New Horizons may overprice the product which will not generate sales, or we may underprice the product which may cause us to sell at a loss.

The price of the product will vary according to the specifications demanded by the clients. The number of labor hours used to customize the electronic forms and the implementation of the software program will determine part of the price of the product. The license fee of the development kit will be at a standard price. However the cost of training customers will vary with the number of hours implemented.

The pricing objective that the Company will follow will be profit-oriented to achieve a target return and sales-oriented to increase market share. In the initial stage of the Company's life cycle, New Horizons will practice market-penetration pricing. This pricing strategy requires the Company to offer a low initial price to establish the product and to stimulate demand. An initial low price will allow the company to penetrate the market and to create a competitive advantage in the early stages of the life cycle. In the later stages of the New Horizons life cycle, value pricing will be performed through lower prices and added benefits in comparison to the competition.

## **Financial Data**

The financial statements within our appendix takes into consideration the budget and projected expenditures of New Horizons. The financial statements are also based on financial projections on certain market trends.

### **6.1 Notes to Financial Statements**

#### **Year End December 31, 1997**

The Income Statement reveals the company's net income over the year. The sales figure was based on many factors. We decided to charge a license fee of \$84.00 per seat and a \$2000.00 installation cost. Using this price, we then determined our sales revenue for the year by taking into consideration our initial goal of twenty customers for the first year. The method used for depreciation for office furniture, equipment and software was the straight-

line method. The estimated life of the furniture will be 10 years and the equipment and software will be 4 years. The Salaries expense represents the total salaries paid for the year. In the first year the Company consists the four executive members and two programmers (which will only be hired for the first year). In our first year we estimated that a loss will occur.

The Balance Sheet is used to show the accumulated totals of the Company's accounts. The amount of Cash was calculated from the capital funds, loan and sales revenue minus salaries paid and office & equipment expenditures. The Unearned Revenue represents the number of customers who have given us a down payment for our services.

The Cash Flow Statement shows the amount of cash that was received by the company for the year. In this Statement the net change in cash equals to the cash account since this is the first year of the company.

### **Year End December 31, 1998**

In the second year of operation we assumed that we could achieve less than 4% of the market which is approximately forty-five customers. Using this, we determined the years Sales Revenue based on the same price as before. The Salaries expense is slightly lower than last year because the two programmers are no longer employed while a secretary will be hired. During this year we plan to spend more on advertising in order to capture a larger share of the market. This year the Company was able to produce a profit. The Retained Earnings of the company increased due to the profit, however it decreased because of the 30% capital pay-back to the investors.

Due to the Company's increase in sales the Cash and Accounts Receivable increased, especially the Accounts Receivable as more clients are served. The Unearned Revenue account decreased from last year because we felt that some clients would be willing to purchase the product if a down payment was not needed.

The Cash Flow Statement shows that our Net Working Capital increased from the year before because of the large increase in Accounts Receivable. With the payment of our loan and the investors pay-back, the company was still able to manage an increase in cash for the year.

### **Year Ended December 31, 1999**

The Company felt that this year, we would be able to achieve our goal of an annual growth of 4%. This was reflected in the Sales Revenue, which was based on approximately seventy-two customers being served. With this Company's growth, we felt that employees would have to be hired for the creation of the accounting, marketing and sales department. New Horizons also decided to move within an office building in order to accommodate the size of the new team. Other expenditures that needed to be increased due to our growth was the advertising account. This year the pay-back to investors is greater in order to take into consideration inflation, and a compounded interest rate.

The most significant change in the Balance Sheet is the Accounts Receivable. Once again, due to the increase in sales, more customers will owe us money for our product. Another change in the assets was the acquisitions of furniture for the new office. The depreciation of the new furniture is also based on the straight-line method, with a life of ten years. With the office, a lease would be required which created the Lease Payable account. Also the

Salaries Payable account was needed because funds would not be immediately available to workers due to the increase in employees within the company.

With the expansion of the company, expenditures were made such as furniture, advertising and rent. Also with the pay-back to the investors and the annual payment of the loan, the change in cash flow resulted in a negative value for the year.

### **Year Ended December 31, 2000**

A projection for the year 2000 was not done because the Company felt that the market would be unstable and unpredictable due to the year 2000 problem that will be faced by companies. Also, due to technological innovations and competition it would be very difficult to determine the trends of the market in calculating our market share. However, more research will be performed in order to achieve a clear understanding of the future of the company.

## **Investment**

### **7.1 Prospective Investors**

It is to our understanding that any investor that we attract will want to cash their investment between 3 and 7 years. We understand this and make this possible. For a detailed investor payback analysis, please refer to 7.2 and the financial statements in the appendix. Our investors will have to understand the goal of our company and understand the nature of our business.

To acquire funds the company will explore several avenues including early-stage venture capital funds, informal investors, and lenders.

Early-stage venture capitalists invest typically in smaller companies, such as ours and contribute between \$50 000 and \$250 000. These venture capitalists expect to obtain up to half of the company for little cost. However, because these investors typically require products which are nearly ready or ready, they will be approached after other investors.

Informal investors are individual investors who provide the capital for many smaller companies to get their business started. The typical informal investor is a wealthy individual or group of individuals who are seeking new investment opportunities. Most informal investors are difficult to locate. Informal investors typically invest between \$10,000 and \$100,000 per investment, but the investment is usually no more than \$25,000. In order to reduce their risk, these investors invest in groups. Our company would target the informal investor first as they can provide us with significant amounts of money while taking a marginal risk in a new startup venture. Since informal investors target technology and manufacturing fields, our business would be perfect for them.

Another area the company will focus on is lenders. There are several groups of lender groups to consider, specifically commercial lenders, and government lenders.

Commercial lenders include banks, finance companies, insurance companies and leasing companies. Because of the nature of our product, it would be most appropriate to approach banks and insurance companies. Commercial lenders are key areas for our business to target as they are willing to take risk and will loan money to smaller companies. However, because lenders typically invest in business that are already functional, they would be approached after our business is established (if necessary). Loan values higher than the collateral of the business are not granted which is a concern of our company.

Government programs will also be considered. The Government of Ontario loans up to \$15,000 for the start up of a new venture. Although this amount is not nearly the amount of money our company would like to generate, they would lend it at the start of our business. This will help us get established and help prepare our business for other financial resources.

## **7.2 Benefits to Investors**

We at New Horizon's, are committed to our investors. We understand that our investors have needs and desires which they would like fulfilled. For this reason, New Horizon's will work hard for the investor to provide the highest rate of return possible.

From the financial calculations in the appendix, New Horizon's is projecting a 30% annual rate of return.

Investors can count on our growing market, skill and leading edge products and services to fulfill the rate of return. In addition after 3-5 years, if market conditions warrant, our company will be sold. Proceeds from the sale of the company will then be divided amongst the owners.

## **7.3 Payback Period for Investors**

Based on the rate of return to investors, a payback period of 3.4 years will be required with inflation being accounted for.

Net profit margin = Net income / total operating revenue

gross profit margin = earnings before interest and tax /  
total operating revenue

Payout ratio = Cash dividends / net income

## **7.4 Use of Proceeds**

Proceeds from our investors will be used to finance the operation of our company. The company will require \$250,000, for startup. This need is based on the following figures.

Computers:	Workstations	= 6 x \$4000
	Network and Server	= \$4500
	Printer & Fax	= \$900
	Exec. Salaries	= 4 x \$30 000
	Employee salaries	= 2 x \$35 000
	Software	= 6 x \$2000

Office equipment	= \$5000
Total:	= \$236,400

# **APPENDIX**

# RESUMES

*CONFIDENTIAL*

**Brian Achong**

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226 - 3656

North York,, Ontario M5A 3E9

Phone: (416)

*Email: [brian.achong@utoronto.ca](mailto:brian.achong@utoronto.ca)*

**EMPLOYMENT BACKGROUND**

May 1997 to Present

Software Analyst and Tester

## Scientific Atlantic Enterprises

Working in the R&D department testing new decoder features and programming software in the decoder using embedded programming. In addition, extensively involved in projects such as subtitling movies, and fingerprint triggers.

September 1995 to May 1997      Assistant Clerk  
Nuevo Americano

A clerk assistant in a wholesale clothes factory. Responsibilities also include administrative and clerical work, and well as equipment and inventory ordering, invoicing, shipping, and pricing. In addition, also in charge of managing the inventory system.

August 1990 to Present      Assistant Manager  
Achong's Variety store

Oversee the daily operations of the business, where duties include cash handling and supervising, customer selling, inventory taking, shipment receiving, and general manager activities.

### COMPUTER EXPERTISE

- Programming Languages: C/C++, HTML, Turing., Maple, Splus, Lisp, Prolog, and Scripting
- Operating Systems: Windows 3.1/95, UNIX, DOS
- Software: MS Word, WordPerfect, CorelDraw!, Internet
- Other: Novell Networks, assembly language programming

### ACADEMIC BACKGROUND

- University of Toronto Honours Bachelor of Science -- Information Systems Specialist
- Lester B. Pearson Collegiate -- OSSD, Ontario Scholar

### ACTIVITIES AND INTERESTS

Karate, reading, tennis, and music.

***CONFIDENTIAL***

## Howard Chan

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Phone: (905) 895 - 6801

Newmarket, Ontario L3X 1S3

*Email: g5kinbng@cdf.utoronto.ca*

### EMPLOYMENT BACKGROUND

May 1996 to Present      Mortgage Centre Representative Part-time  
Royal Bank of Canada

Maintain clients' accounts through payments, payouts and discharge statements in the Power of Sale Dept. Also provide support within the Payout Dept. in closing clients' accounts. Further, adapt system changes in the calculation of penalty for discharge statements in the Statement Dept.

May 1994 to September 1995      Mortgage Centre Representative - Summer

Royal Bank of Canada

Analyzed and evaluated the effects of the Mortgage Centre's Image System on Power of Sale Dept.

**COMPUTER EXPERTISE**

- Programming Languages: C/C++, Scheme, Prolog and Turing
- Operating Systems: Windows95, OS/2, Macintosh, Windows 3.1, Unix, and MS-DOS
- Software: WordPerfect, Microsoft Word, PowerPoint, Excel, Lotus-123, Integrate, and Internet
- Other: extensive knowledge of Web Search Engines

**ACADEMIC BACKGROUND**

- University of Toronto Bachelor of Commerce and Major in Computer Science
- Agincourt Collegiate Institute - OSSD, Ontario Scholar Certificate
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**ACTIVITIES & INTERESTS**

Active member of the Commerce Student Association, Shito-Ryu Karate Club and the tennis team at University of Toronto. In my spare time, I enjoy table tennis, fitness training, and volleyball.

***CONFIDENTIAL***

**Rishi Madan**

153 Old Surrey Lane  
764 - 5677

Richmond Hill, Ontario L4C 6R9

Phone: (905)

*Email: rishi.madan@utoronto.ca*

**EMPLOYMENT BACKGROUND**

September 1996 to August 1997    Software Developer/Jr. Systems Analyst  
Falconbridge Limited

Software development, hardware, software and network support.

July 1996 to September 1996    WebMaster  
Canadian Association of Career Educators and Employers (CACEE)

Web design and development, and technical, software and network support.

August 1994 to September 1996    Sales Associate  
The Hudson's Bay Company

Customer relations, currency handling and inventory duties.

**Other:**

New College Student Council Representative, 1994-1995. University of Toronto.  
Pharmacist's Assistant, Physical Therapist's Assistant, Patient Escort, 1992-1994. York Central Hospital

## COMPUTER EXPERTISE

- Programming Languages: C/C++, FoxPro, HTML, FORTRAN, Visual Basic, Turing, Scheme, ML and Maple
- Operating Systems: UNIX (X-Windows and CSH) on Solaris 2.5, Win3.11/95/NT 4.0, Mac OS 7, MS-DOS v6.22
- Software: MS-Office, Eudora, WinZip, Netscape, Microsoft IE 4.0 and Hot Java
- Networks: Novell, MS Network, and Banyan Vines
- Other: UI development using WonderWear InTouch environment, SQL, assembly language programming

## ACADEMIC BACKGROUND

- University of Toronto Honours Bachelor of Science -- Information Systems Specialist - Computer Science. Life and Environmental Physics Minor
- Langstaff Secondary School - OSSD, Ontario Scholar

## ACTIVITIES AND INTERESTS

Active member of Computer Science Yearbook Committee and the Investment Club

**CONFIDENTIAL**

## Katherine B Nip

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(416) 368-3895

Toronto, Ontario M5A 3E9

Phone:

*Email: katherine.nip@utoronto.ca*

## EMPLOYMENT BACKGROUND

January 1997 to Present

Teaching Assistant

University of Toronto - Dept. of Computer Science

Preparing and conducting tutorials, hold lab/office hours assisting students with projects and answering questions. In addition, the assistantship includes marking assignments and exams as well as performing supervisory tasks.

June 1997 to September 1997

Software Developer

M. Onyschuk & Associates, Inc.

Extensively involved in the design, implementation and release of object-oriented commercial software. The final product is a diagram/drawing tool which, in its beta release, is currently being used by various financial and investment companies.

August 1991 to August 1996

Volunteer, Puppeteer and Trainer

The Concerned Kids

Worked with two to three other teammates on several different teams performing shows in regarding different social issues. In addition to my performance duties, I was responsible for props, cue prompts, and stage setup. Further, I trained and supervised new volunteers.

## **COMPUTER EXPERTISE**

- Programming Languages: C/C++, Java (Visual Age, JDK), HTML, OPENSTEP, Turing, Objective-C, Maple, Splus, Lisp, Prolog, some PostScript programming
- Operating Systems: Windows 3.1/95/NT, UNIX, NeXT, Solaris, DOS
- Software: MS Word, WordPerfect, Pagemaker, CorelDraw!, CorelFlow!, Excel, PowerPoint, Internet
- Other: working experience in Object-Oriented software design and programming

## **ACADEMIC BACKGROUND**

- University of Toronto Honours Bachelor of Science -- Computer Science and Mathematics Specialist
- St. Joseph's College School -- OSSD, Ontario Scholar and Cert. of Specialization in Business and Technical Studies

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## **ACTIVITIES AND INTERESTS**

Avid cyclist and swimmer, who also enjoys reading, dancing, and music.

# **FINANCIAL STATEMENTS**

