

# Business plan

## **Executive Summary**

The business plan highlights details about starting a new virtual trading platform for a games and items selling company, named Zuki. The company will have a number of competitive advantages over similar companies in this line of business. It will attract customers of all age groups and provide heavy discounts on virtual items for sale. Besides that, when a customer makes his payment, the company will provide a guaranteed amount of discount, unlike other companies of the same nature. The company will provide bonuses for a certain time period daily to all the people, who are interested to avail the same. It intends to advertise the items on various websites, blogging sites and social networking communities. It wants to reach an enormous number of customers in Europe and United States (U.S.). As Europe has a huge population rate, sales of the company is expected to be high there. In addition, Europe and U.S. are rich countries, where people are increasingly involved in taking part in all sources of recreation. They increasingly play online games and purchase virtual items for their games from different web based companies. As the company will have various competitive advantages, their sales are expected to be high. The experienced team of management and program developers will always make new developments and contribute to the best of their ability to make profitability position of the company robust. The business plan provides detailed information and accordingly highlights strengths and weaknesses of the virtual items for the game selling company, Zuki.

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## **I. Zuki – online virtual item trading platform**

### **Opportunity**

The business plan is to start an online gaming virtual trading platform. The name of this new online games business will be Zuki. The business will have headquarters in Europe and United States (U.S.). The opportunity of trade in these countries is vast. People of Europe and U.S. are extensively involved in playing online games and purchasing virtual gaming items from these online sellers. Especially, this has a growing popularity among young internet users. Therefore, similar to other traders of online virtual gaming items, Zuki will have numerous opportunities to run a profitable business in these countries.

### **The Description of the Business**

The business will be based on sales of virtual gaming items like, amours; swords; food items such as, burgers and orange juice; and tokens and coins for moving onto further levels in various games. It will also provide opportunities to purchase a new home, car, lands and other objects on the gaming site of the company for real life currency. The users will additionally get privileges to create their own avatars and socialize with other users. The company will charge real life currency for selling these virtual items and will consider immediate payments for the services by card. This virtual gaming item business has great opportunity in reality. The business will be run extensively on the online communities. Advertisements will also be featured on the websites and especially, on the social networking sites in order to grab the attention of valuable customers. Thus, the company will hope to achieve success all over Europe and U.S. with premium services provided by it.

### **Product and the Market**

The product as mentioned above will be virtual items like, coins, tokens, avatars or objects, fruit juices, burgers and dresses in exchange of real life money, which will be paid online through cards. The target market of Zuki will be Europe and U.S. The people of these countries are quite rich and are extensively involved in playing online games as well as interacting on the social communities in their gaming avatars. Therefore, it will be profitable to consider these two countries as their target market.

**Business Model and Competitive Advantage**

The purpose of the business will be to sell online virtual items for games. The virtual items will range from coins, tokens and food items to dresses and new avatars. On the web page of Zuki, there will be options like, game currency, power levelling and game cards, besides the virtual items. The customers will have to make online payments for purchasing these items through cards.

**The target customer** of the company will be young, middle-aged and older generation people based in U.S. and Europe. It would like to reach the masses with proper online advertisements on the social communities.

**Offering strategies** used by Zuki will be simple. The virtual game items will be offered at appropriate rates. During particular hours in a day, it will sell these items to the customers at discounted rates. Sometimes, it might distribute the items free of cost to customers so as to gain preference from both new and existing customers.

**The organisational structure** will be uncomplicated with least number of lower level staffs. It would have headquarters in Europe and U.S. It will only contain a management team and a group of developers.

Trading practices and operational policies of Zuki will be efficiently formulated. The company would abide by all online policies and operate in a manner that would not violate any legal practices and rules laid down for online operations.

Competitive advantage of the company, unlike other online virtual game items sellers, will be the payment system and free gifts provided to the customers. The customers will be given huge discounts more often on the purchase of their gaming items. Besides that, at the time of the payment, the customer might get some huge attractive discounts and virtual item bonuses. This will be the strategy for competitive advantage of Zuki over other online gaming items selling companies. Most of the gaming companies of Europe and U.S. sell their virtual gaming items at discounts, but does not provide any discount at the time of payments made by them; nor do they offer any extra bonuses for game items to customers. Time and again, the company will develop new strategies in order to be the top virtual games item seller of Europe and U.S.

## **Current Status and Requirements**

The results of various researches conducted by economists and analysts show that online selling of virtual game items have huge craze, especially among the young generation (Makzan, 2010). There is a growing market for the trade of virtual items, which shows that the current status of this business is healthy. This business is making immense profit over the years. Recent reports also revealed important similarities between the revenue patterns and exchange processes of the real and virtual world (Guest, 2010). Although it might have few constraints among users, the developers are trying their best to solve the same. Therefore, the online virtual item selling business is gradually gaining more popularity and within a few years, this business will thrive all over the world. The requirements of this business are high visibility through online advertisements and to make websites flexible enough the users of all age groups.

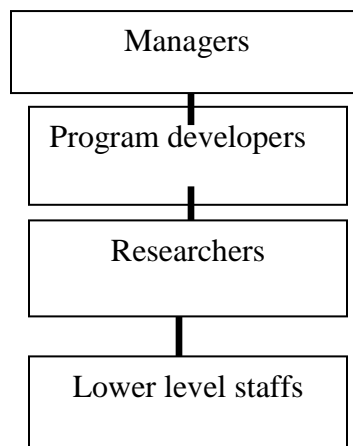
## **II. The Management Team**

### **Management Experience and Expertise**

The company will hire experienced managers and fresh set of talented developers. The company would not compromise with the quality of employees. They should be qualified enough to join the company and competent in their work (Mmosale International Trading Limited, 2012). New ideas should be developed both through co-operation of the management team and the developers. Regular meetings should be conducted so as to make the goals of the company clear and share new ideas.

## **III. Company Structure, Intellectual Property and Ownership**

### **Organizational Chart**



Therefore, the organization will consist of experienced managers who will be responsible to run Zuki efficiently. The employees will be the program developers and researchers as well as few lower level staffs. It will be a small and uncomplicated organisation. The lines of authority will be very precise and not cumbersome.

### **Legal Form of Organization**

Zuki, before the incorporation, will fulfil all the legal formalities. The company will file in all the documents with the court as needed before starting a company.

### **Intellectual Property**

The intellectual property rights will be prepared prior to formation of the company. All the legal formalities will be abided by before bringing the company into existence. Although companies trading in virtual items for games do not require any ownership rights, the company will still acquire the ownership rights so as to avoid any future harmful circumstances.

## **IV. Industry Analysis and Product Feasibility Analysis**

### **Industry Description**

The business of online virtual item selling for games has been increasing over the last few years at a rapid pace. As per various economists and analysts, these virtual businesses have equal impact as that of a real life business (Mmosale International Trading Limited, 2012). Especially, younger generations are interested to make full utilization of this business by purchasing these gaming items at a huge rate in order to progress in games that they are playing online. This industry has a lot of scope and Zuki will, thus, have a chance to be at the top with the help of the expert team of management as well as fresh and talented developers that will be hired.

### **Target Market**

The target market of Zuki will be countries of Europe and U.S. The population of Europe is quite high, which will help to maintain and improve the rate of sales of these virtual gaming items. Zuki will try to grab new and existing customers of all age groups. The people of Europe and U.S. are enthusiastic, irrespective of their ages. This will help Zuki to grab a good position in these markets.

## **Competitive Position in the Target Market**

Zuki through its discounts and bonuses will try to be the best seller of virtual items for games. It will more often provide virtual items free of cost to the regular customers as well as to new customers, who are yet to avail Zuki's products, on the social communities and blogging sites. The web page of the company will be made extremely attractive and vibrant. The sound quality, background fictions, provenance, customizability and performance will be of top quality. The responsibility for all these developments will be on the developers, who will be hired based on their quality and fresh perspectives. Therefore, these are the few competitive advantages of the company over other existing games item selling companies. It will actively advertise its products on the online communities and try to gain more market (Danielson, 2002). The website of Zuki will be made appealing and easier to access than that of the competitors. It will have to face tough competition from companies, like, Second life, MMO Sale and Gold Farming. The company will be completely aware of the competitors' strong and weak aspects and is expected to act accordingly. Hence, for grabbing the U.S. and European market, it will have to face tremendous competition and needs to act in the best possible manner.

### **Product feasibility analysis**

Virtual items related to games have huge market in countries of Europe and United States. The people of these countries are highly involved in playing online games. Recently, the trend of playing online games and purchasing virtual items for moving onto the next levels of games or changing objects or avatars are a rage in these countries. The market for these goods is gaining the required momentum in U.S. and Europe (Yieh, 2009). These are rich countries and hence, people have enough money to spend on various modes for their recreation. Thus, Zuki, as per the market survey conducted, will enjoy a lot of opportunity, provided it runs business in both these countries.

## **V. Marketing Plan**

The marketing plan of Zuki is again online based. The company will sell the virtual game items only over the web. The advertisements will be made on various websites, blogging sites and social communities. The company would also provide free samples of these virtual items to



customers so as to attract new ones towards their products. The advertisements will be placed on the chosen sites at regular intervals in order to grab attention of customers faster. The products will be sold at heavy discounts as well as competitive prices. Price of the products of Zuki will always be less than that of the competitors. Therefore, these are the marketing plans, which are subject to changes as per necessity of the business.

## **VI. Operations Plan**

Operations of Zuki will be conducted through a series of experienced managers and program developers with best knowledge in their field. The company will not compromise on their quality of operations. The program developers should have a degree in Computer Science engineering or Animations. They will be hired after intensive rounds of interviews, followed with a round of proficiency testing of their skills in developing top gaming programs on computer. These testing procedures will be conducted by the experienced set of management team of Zuki. The chosen developers will be given full freedom to utilize their talent and develop the website as per the choice and preference of the customers based in U.S. and Europe (Dibbell, 2007). These developers will be instructed to adhere by the rules and policies as laid down by the company. Therefore, operation plans of Zuki will be dependent on the developers and the top management team. These teams will be responsible for the success in their operations based on web in Europe and U.S. countries.

## **VII. Financial Plan of Zuki**

The financial plan of Zuki is presented in three divisions, namely projected Balance sheet, projected profit and loss account and the break even analysis.

### Projected Balance Sheet

Projected Balance Sheet			
Particulars		2014	
<b>A) Assets</b>			
<b>Long Term assets</b>			
Office Furniture		25000	
Equipments		100000	
<b>Total Long Term assets</b>		125000	
<b>Current Assets</b>			
Cash		200000	
Other Current Assets		10000	
<b>Total Current assets</b>		210000	
<b>Total assets</b>		335000	
<b>Liabilities and capital</b>			
<b>Current liabilities</b>			
Accounts payable		20000	
Current borrowing		70000	
Other Current liabilities		1500	
<b>Total Current liabilities</b>		91500	
Long -term liabilities		3000	
Owners capital		40000	
<b>Total capital</b>		43000	
<b>Total liabilities and capital</b>		134500	

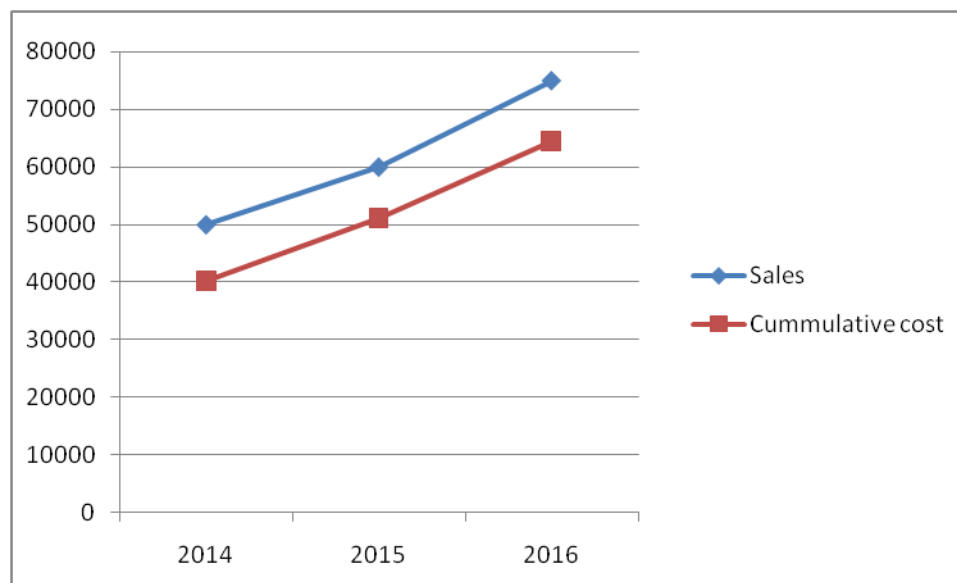
The liabilities of the company are least with more assets, which ensure that the company would be able to maintain robust growth rate. The forecasts of Zuki shows a healthy rate of growth, low debt margins, no inventories, least amount of liabilities and no extra costs, ensuring that the company will make profit for quite a long period of time, unless attacked by unhealthy adversities of the ever-changing market. This is the inference that can be drawn from the projected Balance sheet of the company.

### Projected Profit and Loss Account

Projected Profit & loss account					
Particulars			2014	2015	2016
Revenue			50000	60000	75000
Cost for incurring revenue			1000	2000	3000
<b>Gross Margin</b>			51000	62000	78000
<b>Gross Margin (in )%</b>			102	103.333	104
Salaries			34550	42000	49000
Promotion			200	3000	4500
<b>Advertising cost</b>			2000	3000	4000
Electricity bill			770	770	780
Website maintenance			195	200	275
Miscellaneous Expenses			1500	200	2900
<b>Total Operating Expenses</b>			39215	49170	61455
Profit Before Interest and Taxes			39215	49170	61455
EBITDA			11785	12830	16545
<b>Net Profit</b>			11785	12830	16545
<b>Net Profit/Sales (in %)</b>			0.2357	0.21383	0.2206

The projected profit and loss account shows that the company will have good margins of profit, till 2016. There will be steady levels of profit throughout 2014, 2015 and 2016 as can be forecasted with the help of the projected profit and loss account. The company will have least costs involved as activities of the company are low and number of employees hired will be small.

### Break-even analysis



The Break-even analysis shows that margins of profit will be good from starting of the business, than the costs involved. The company will be in a profitable position from the time of incorporation, as can be inferred from the Break-even analysis.

### VIII. Critical Risk Factors

The risk factors that the company might face is the saturation among customers, inflation, fresh developments by existing companies and entry of new and advanced competitors in this business. It is a known fact that nothing can exist forever. There might be a point of saturation for the best things in life or business. Hence, people who are interested in playing games and purchasing the virtual items might lose interest at some point of time. They might fulfill their needs of recreation through other modes. Another reason for risk related to this business can be inflation. Inflation means rise in the price of goods and services. These abovementioned risks might make the customers stringent regarding spending money over recreational items, thereby directing their money towards items of necessity (Yieh, 2009). They might start spending on the worthwhile things like, food, clothing and shelter, rather than things that adds to their cost unnecessarily. Fresh developments or changes by existing or newer companies on their websites, advertisements or business strategies can lead to the downfall of Zuki, until the latter is able to

cope up with these changes within the shortest period of time (DXuranske, 2008). Therefore, Zuki needs the developers to constantly innovate in business. They should spend a good amount of money in research and development for this purpose. Another critical risk factor that the company might face is entry of new competitors in this business. The new company might be more advanced innovation-wise and offer customers with better deals for purchasing their products (Lindroth and Tornello, 2002). These are the critical risk factors, which the research and development team of the company is supposed to forecast and accordingly prepare Zuki for adapting to these new changes, without any hiccups.

#### **IX. Appendices: Break-even analysis**

Break-even analysis			2014	2015	2016
Sales			50000	60000	75000
Cummulative cost			40215	51170	64455

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