1 ENVIRONMENTAL ANALYSIS

1.1 Company Mission

Akün is a design driven Furniture Company. Our vision is to create modern, chic, eco-friendly furniture that will appeal to a trendy and style savvy customer who loves modern and accessible designs. This merged with a modern point of view, sustainable mission and well-designed functional home furniture will create a unique brand.

Akün will be giving our share back to the society and the world by integrating social responsibility into our business plan right from the beginning. Our SR agenda will not be only a campaign but will be one of the bases of our company vision. This will include a series of events and activities such as replanting a number of trees on a yearly basis, engaging in the transfer of technology and knowledge to the workers, investing in educational programs for the community, using recycled packaging, maximizing our wood and materials to get the most out of them and creating a recycle and waste management policy that will include the re-use of any additional materials to create new products.

Our corporate offices will be located in Madrid, Spain with the production coming directly from Chile. An international distribution channel will be set up using different key locations around the world (USA, Europe and Latin America). Regarding sales, our point of sales in the beginning will be based on an internet website with a “virtual room” program to allow the client to visualize the furniture and get an idea of how it will fit. This will let our consumer get to know firsthand our corporate values and our products.

All of these factors will let the consumer enjoy and live the Akün memorable experience.

1.2 Political and Legislative Factors

Spain is a democracy organized in the form of a parliamentary government under a constitutional monarchy since 1975 and has been a Member of the European Union since 1986.

Spain has had political stability which improves the possibility of making business, and has permitted a higher average economic growth in comparison with the rest of the European countries.

At a national level there are some subsidies for the internationalization of companies and they could benefit our project; one example is the plan for economic dinamisation (plan de dinamización de la economía) which makes improvements to the fiscal policies for imports/exports; or the plan for the encouragement of company creation (Plan de fomento empresarial) which promotes the creation of new competitive companies and fiscal incentives; both plans were created by the Spanish government. There are other organizations like the Chamber of Commerce or the ICEX (Spanish Institute of Foreign trade) that have developed plans to reinforce the activity of the companies outside Spain; we will discuss these activities later in more detail.

Some communities give special aids to entrepreneurs, like the community of Madrid that has subsidies for young entrepreneurs under 30. There also exist Regional incentives created to alleviate the difference between regions by fostering development of companies, especially in regions like in Extremadura or Andalucía.

The production of this project is going to be located in Chile, which is a democratic country with a stable government led by Michelle Bachelet since 2006. Chile has signed a free trade agreement with the EU (2003) and the United States. It has also different agreements with Spain like the agreement for the promotion and the reciprocal protection of investments (Acuerdo de Promoción y Protección Recíproca de inversions, APPRI) in 1994; the agreement for avoiding the Double Imposition (Doble Imposición) in 2004, the bilateral agreement for the environment (resource Icex), or the Aerial Agreement in 2007. All these agreements should facilitate the development of the project.

1.3 Economic Analysis

This project is going to be developed during the current global financial crisis and we will need to take that into consideration when making our market projections and deciding how we will get financing. A positive point is that Akün can count on is the diversification of the markets, we will be targeting three different regions worldwide— US, Latin America and Europe. Also this diversification should minimize the impact of the financial crisis, and we might be able to gain more market share where the crisis is not as strong, such as in Latin America.

Globally the forecast from the EU commission says that the World GDP is expected to contract by 1.5% in 2009, with the downturn being especially pronounced in advanced economies. This means that initially the developing markets like, Latin America, will still have a GDP with a positive growth. Akün will take this into consideration as an advantage in the initial phases of establishment.

Real GDP		
Countries	**2009**	**2010**
Argentina	-1,5	0,7
Brazil	-1,3	2,2
Chile	0,1	3
Colombia	0	1,2

Table 1- Chart with the real GDP forecast from the IMF for Latin American countries

The copper industry in Chile has been the basis of the economy; however, in recent years Chile has been moving toward fostering its industry. Wood and furniture production makes up 1.1% of the country´s overall GDP. With respect to the construction sector, it is expected to fall 4% this year, having had an average of 2-3% growth over the past couple of years. Declining house sales, which are also happening not only in Chile but in the United States and Europe as well, could be seen as a positive thing as people may choose to redecorate their house instead of buying a new one.

In Spain the IMF expects a decrease in the Spanish GDP during the next years of -0,3% in 2009 and -0,7% in 2010 and an inflation rate of 0% for 2009 and 0,9% for 2010. As the financial crisis intensified, global trade and industrial production virtually collapsed during the final quarter of 2008 and for Europe a GDP of – 4,0% for 2009 and -0,1% for 2010 forecasted. This shows that the critical point should be passed in 2009 and that from 2010 the economy will start to recover.

Main features of the spring 2009 forecast - EU

(Real annual percentage change unless otherwise stated)				Spring 2009 forecast [1]			Difference vs January 2009 (a)	
	2005	2006	2007	2008	2009	2010	2009	2010
GDP	2.0	3.1	2.9	0.9	-4.0	-0.1	-2.2	-0.6
Private consumption	2.0	2.3	2.2	0.9	-1.5	-0.4	-1.1	-0.8
Public consumption	1.6	1.9	1.9	2.2	1.9	1.7	0.4	0.6
Total investment	3.6	6.2	5.4	0.1	-10.5	-2.9	-4.6	-2.3
Employment	0.8	1.5	1.7	0.7	-2.6	-1.4	-1.0	-0.9
Unemployment rate (b)	8.9	8.2	7.1	7.0	9.4	10.9	0.7	1.4
Inflation (c)	2.3	2.3	2.4	3.7	0.9	1.3	-0.3	-0.6
Government balance (% GDP)	-2.4	-1.4	-0.8	-2.3	-6.0	-7.3	-1.6	-2.5
Government debt (% GDP)	62.7	61.3	58.7	61.5	72.6	79.4	5.2	8.5
Adjusted current account balance (% GDP)	-0.7	-1.1	-1.0	-1.5	-1.9	-2.0	-0.4	-0.6

[1] The Commission services' spring 2009 forecast is based on available data up to April 22 2009.
(a) A "+" ("-") sign means a higher (lower) positive figure or a lower (higher) negative one compared to January 2009.
(b) Percentage of the labour force. (c) Harmonised index of consumer prices, nominal change.

Table 2- Chart from the EU commission Economic forecast spring 2009.

One Euro is equal to 776.451 Chilean pesos (1 peso = 0.001287 Euros) and the strength of the peso to the euro is related to the strength of the dollar when comparing to the two currencies. The interest rate in Spain follows the European interest rate, the Euribor which currently around 1,25%. The inflation rate has fallen sharply in recent months as the global downturn has eased pressures stemming from commodity prices. Deflation is projected to continue during the second and third quarter of 2009, thanks to a weaker economic outlook and the assumed rise of commodity prices (as implied by futures). Inflation is projected at close to 1% in the EU (½% in the euro area) in 2009.

Most of the shipping that goes to Europe first lands in Spain, and there are major six Spanish ports. From there most goods (80%) are transferred by road and, thanks to aid Spain have received from the European Union, the country has greatly developed its roads in the past couple of decades. There are companies that ship from Chile to Spain and Chile and the EU have a free trade agreement.

In the US, the GDP growth is expected to be -2,8% in 2009 and 0% in 2010. Since the election of Barack Obama the expectations of the US and worldwide population are increasing and the new measures that his party is putting in practice is initiating the shift to an end of the crisis. The average consumer price inflation is set to be negative in 2009 as a result of declining commodity prices. Inflation should turn positive again in 2010, but will remain low due to the weakness of domestic demand for commodities.

With the economic crisis it is an uncertain time to open a new business. Sales will probably be affected globally due to the crisis but hopefully, and from what we have been seeing from the figures mentioned, the worst of the crisis will be over by mid- 2010 when we would actually start our business. Furthermore, we are targeting Latin America and this region´s growth is expected to slow down as a result of the crisis but will not stop.

1.4 Demographic Analysis

The demographic factors of each region that we are targeting are the following:

- Latin America: Total population of 389.621.930 inhabitants (2008 estimation). The 63% (male 98.963.332/female 101.002.315) from age 14 to 64.
- Europe: 491,582,852 (July 2009 estimation). From these 67% (male 166,277,341/female 164,183,829) are from age 15-64.
- US: total population (July 2009 estimation). is 307,212,123. From these 67% (102.665.043 male and 103.129.321 female) are from age 15-64.

If we add up the total amount of people from 14 to 64 living in our 3 targeted regions, we have an estimated population of more than 1 billion. But we need to consider the consumer trends that are going to be important for the business. The first one should be the internet usage; as Akün´s furniture is going to be sold only by internet, we will need to account for only the population who has access to internet, and from those the ones who usually do e-commerce.

INTERNET USERS AND POPULATION STATS FOR THE AMERICAS

THE AMERICAS	Population (2008 Est.)	% Pop. of World	Internet Users, Latest Data	% Population (Penetration)	User Growth (2000-2008)	World % Users
All the Americas	918,822,841	13.7 %	424,909,629	46.2 %	236.8 %	26.6 %
Rest of the World	5,791,206,229	86.3 %	1,171,360,479	20.2 %	398.8 %	73.4 %
WORLD TOTAL	6,710,029,070	100.0 %	1,596,270,108	23.8 %	342.2 %	100.0 %

NOTES: (1) Internet Usage and Population Statistics for the Americas were updated for March 31, 2009. (2) Population numbers are based on data contained in the US Census Bureau. (3) The most recent usage comes mainly from data published by Nielsen Online , by ITU , and other trustworthy local sources. (4) Data on this site may be cited, giving due credit and establishing an active link back to Internet World Stats © Copyright 2009, Miniwatts Marketing Group. All rights reserved.

Table 3- From the site www.internetworldstats.com, chart with the amount of population worldwide using internet.

Another important trend for Akün to take into account is the consumers of “green products”, what we consider sustainable and environmentally friendly products. Selling green products will be an important way we differentiate ourselves from the competition. We have found global reports that show how these trends are shifting towards society who places more importance on sustainable consumption. Both internet and green trends will be developed during the sector analysis.

Regarding work force and the skills of workers we will not have any problems finding skilled workers in Spain because of the high level of education. On the other hand, we will place 100% of the production posts in Chile; including the head of production and of logistics. Based on research, a law established in 2003 by former president Ricardo Lagos, states that high-school education is mandatory, giving the state responsibility for education of all Chileans under 18 years old (positive note – this makes the Chilean special if compared with the rest of Latin America). This is supposed to mean that in the coming years the level of Chilean education will increase.

Finally, the labor unions are a factor to consider in Chile since historically it has been an important influence. Since 1953 about 90% of Chilean unions joined a confederation named the Central Union of Chilean Workers (Central Única de Trabajadores de Chile—CUTCH) to try to avoid communist influence in the unions. Nowadays the membership has dropped from 30% in 1975 to 10% in 2002. Once we decide how big our company will be and the number of employees that we will employ we should pay more attention to it.

Another important theme in demographic is the immigration issue. During the previous years Europe has been receiving immigrants from Africa and Latin America to Spain and from the Middle-East countries to Germany and Poland. Since 2006 a new policy on immigration has been put into place to try to control the immigration waves and countries like France have been putting pressure on the Spanish government to control the number of immigrants coming mainly from Africa that has increased up to 4.5 million foreign residents in Spain in 2007. This immigration means a demographic shift in the affected countries.

During the early twenty-first century, the average year-on-year demographic growth set a new record with its 2003 peak variation of 2.1%, doubling the previous record reached back in the 1960s when the mean year on year growth of 1% was experienced. According to the Spanish government, there were 4.5 million foreign residents in Spain in 2007; independent estimates put the figure at 4.8 million or 15.1% of total population.

1.5 Technology

Spain is a country that has a large tradition of the furniture manufacturing, probably because of the availability of raw materials. But for a long time, there have not been innovations in the sector and the sector is considered to be a mature one. Nowadays a transformation in the industry has been occurring and the Technological Center Cidemco-Tecnalia has presented a new plan to catch up with new technologies. This is to allow customers to design the products that they buy to fit with the design of their house as well as reduce the lead time. This transformation has been produced because of several factors such as:

- The entrance of new low cost products from countries like China.
- The consolidation of the worldwide distributors.
- The modification on the consumer trends of home products.
- The problem of inexistence of the image of a brand.
- The dependency on technology from abroad.

We can find numerous high technology brands of machinery for the creation of wood furniture in the market. But in the list of countries developing this technology we highlight German and Italy, recommended by the specialists in this sector.

The National Institute for the Development of Industrial Technology, (INTI) is a Chilean public organization that promotes the development and the transfer of technology to industry. Helping the companies to develop their business with standard certifications for quality, services and goods produced, that will allow them to compete worldwide.

We also count on support from the Center for the Development of Industrial Technology (CDTI) in Spain which offers support services to Spanish companies for the development of R&D business projects and international exploitation of technologies. The center evaluates and finances technological development, innovation and modernization projects that have been developed by Spanish companies and grants financial help of its own to these companies or facilitates access to third parties (bank financing from the Line for the Financing of Technological Innovation) for the execution of both national and international research and development projects.

As mentioned above, new technology allows for the automation of the woodworking which allows us to make a large number of high quality products, with less delivery time. The technology required for the implementation of a furniture factory is:

- High technology machinery for the production of the pieces (from the design, the saw, the sanding, the assembly…etc.)
- conveyor belt to transport the pieces
- Implementation of software for the design of the pieces, related with the sales and the production of the furniture with an MRP (Materials Requirement Planning). Which produces depending of the demand, the types of furniture required.
- The last but not least should be the implementation of administration software to handle the accounting and the financing of the company.

The production systems for the manufacturing of furniture could be Series Works or Cells Works it depends on the quantity of production required and the standards of quality and delivery times defined for the owners of the companies.

This kind of machinery used need maintenance in order to extend their useful live, but in general are machines that could survive minimum 10 years.

The final type of production for this project depends on what we will find more feasible during our research but for the moment we are going to consider two possibilities:

- Manufacturing ourselves with the application of sustainable, from a respectful and efficient use of raw materials and trying to maintain the level of biodiversity, to the development of a corporate responsibility agenda with our workers, community and the rest of the stakeholders.
- Outsourcing the production to a manufacturer that already complies with our sustainable and corporate responsibility ideas. This can be demonstrated by the achievement of a certificate like FSC (Forest Stewardship Council) a global organization which applies with this.

1.6 Other Sectors

1.6.1 Suppliers

Suppliers are a factor to take into consideration because they could affect our company in different ways. Below we will be looking at different sectors that will be influencing directly or indirectly our project. Some of them have a lot of ramifications but we will have to focus on the main ones for the moment. The most important suppliers our company will use are the wood and raw material suppliers and the machinery suppliers. Up to know we have identified the following ones:

- Wood certified suppliers (have vast reserves of wood certified by the different sustainable certifications as it can be ISO 14.001 (International Standard Organization), FSC (Forest Stewardship Council), PEFC (Program of Endorsement of Forest Certification) or the one specifically from Chile, Certfo (Standard of Sustainable forestall management) globally recognize.
- Other Materials (Plastic, paints, varnishes…etc that will be discussed soon in the project).
- Machinery (has already been discussed in the technology part).
- IT Systems.
- Waste management and recycle system: We will apply the policy of "Clean Production"[i] which takes care of producing less waste and its treatment. Outsourced by a company which will take care of it (for example Hidronor[ii])
- Electricity, gas and water services.

1.6.2 Housing sector

Regarding the housing sector and construction, we need to take into consideration that countries like US, Spain or Ireland are being heavily affected by the economic downturn, and this can obviously modify our possible market size. But also we know that not all national markets in Europe have been affected as much and that as the crisis is affecting almost all the sectors, there are measures that can be taken to minimize this issue. We could:

- Partnership with realtors and developers. Offering us possible residential future projects in main cities.
- Partnership with special hotels and services buildings. While the tourism sector is being punished by the crisis; they are some niches that are still being developed and that can match with our mission of sustainable modern design furniture, like the rural tourism, or eco-tourism. People spend less in holidays and moves to places nearby; the two weeks holidays have been changed for several weekend excursions. And our furniture can be located in those little rural hotels in the countryside.
- Partnering with design professionals and interior decorators.

These are some of the markets that we can target while the housing market improves.

1.6.3 Shipping

The shipping process will be described in detail in the Operational Plan. However, the shipping process will be divided into two different parts. Firstly we will send the unassembled furniture in a container to our distribution centers in either the United States or in Europe (our distribution center for Latin America will be based in our factory in Chile). After that the assembled furniture will have to reach the final consumer; for this process we will rely on local or large shipping companies.

The breakdown of some of the options will be as follows:

i) Distribution Centers - Carriers
   (1) Con-Way
   (2) Crowley
   (3) FedEx
   (4) Contenedores Patagonia
   (5) Terra Cargo
ii) Client Distribution - Carriers
   (1) FedEx
   (2) Portotrans
   (3) UPS
   (4) DHL

Once we have designed the product specifications, models and other relevant information we will have receive a quote from each company in order to get broad numbers and be able to know how the shipping part will affect our prices and costs.

1.7 Conclusions

From the political and legislative point of view, this project will not encounter any barriers to be developed in either Spain or Chile. Furthermore, we have advantages from bi-lateral and multi- lateral agreements that already exist between the two countries.

As this project is going to be developed internationally we will need to take into consideration the influence of the global financial crisis. But we are targeting a segment of the population which will initially be stable as they are the medium high and high brackets in terms of wealth, educated and environmentally conscious people. We will not begin production until at least 2010, when some of the economies will be starting to get out of the crisis. As mentioned, we can see already the example of the US where ¨green shoots¨ are appearing as evidence that the economy is recovering. Our business model of building sustainable furniture aims to target the new demands of people for ecologically friendly goods that can be bought conveniently; and by focusing on emerging markets like Latin America where growth is expected to slow down but not stop, we are cushioning ourselves against the brute impact of the crisis.

From the demographic point of view, Akün is targeting different regions with different societies but with common interests like the use of internet and ecommerce and the new trend on consumption for sustainable products.

Regarding the technology aspect; we are going to use already existing technology for machines that we will import it from the best producers (Italians and Germans) so we believe we would not have any inconvenience to access to it. We will use support from organizations like INTI in Chile and the CDTI in Spain to find and finance this technology.

The bargaining power of the suppliers can be a threat because we are only buying certified wood. However, at the moment more than 262.000 hectares of land in Chile are certified by the FSC and that this is not the only certificate available that we will be considering, the bargain power of the wood suppliers is dramatically reduce. We can also help potential suppliers obtain this certification. For the distribution of the furniture we will rely on many different international shipping companies that can provide us with the service desire. We have even found ones like UPS or DHL that can take care of the distribution and the logistics of the products.

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[i] http://www.acercar.org.co/industria/casos/madera/madera01.pdf y http://www.produccionlimpia.cl/link.cgi/

[ii] http://www.hidronor.cl/residuos_tratados.html

2 SECTOR ANALYSIS

The concept of Akün is to produce furniture in Chile and sell it online around the world, focusing particularly on Europe and the Americas. Because of this we wanted to take a global approach when doing the market research. We divided the sectors into three sectors the “green” sector, the internet sector and, of course, the furniture sector.

Our main competitive advantage will be based on the fact that we are selling certificated sustainable produced “green” furniture online. Other actions that we can apply to increase our advantages against the competitors are the improvement of post sales service, the usage of technology in production, or what is named as the know-how, the knowledge that increase the effectiveness and the quality of the products.

2.1 Global Market Trends

2.1.1 World growth of furniture production

In the last 10 years the global furniture market has increased with the openness of the market, measured as the ratio of import to consumption. This increase was particularly important in the US, where the trade deficit for furniture was almost US $22 billion in 2006, providing the most important stimulus to world furniture trade. Growth of the imports/consumption ratio has been fast, reaching 25% in 2001 and almost 30% in 2006. As a consequence of the opening up of main furniture markets in the last ten years, international trade of furniture has grown faster than furniture production and faster than the average international trade of all manufactured goods. In 2007 and 2008, the world GDP grew about 5% and this had an influence on furniture market demand, especially in the biggest markets.

The World trade of furniture has increased from US $42,000 billion in 1997 to US $100,000 billion in 2007, and is expected to grow by 7% in 2007 and by 5% in 2008 in current dollars.

- In the EU (15) and Norway and Switzerland, about 57% of foreign furniture trade takes place within the same countries.
- In the NAFTA area (US, Canada and Mexico), about 33% of foreign furniture trade is within the three countries.
- In the Asia and Pacific countries, more than 40% of total foreign furniture trade is within the region.

On balance, trade within regions amounts to about 47% of total world furniture trade. Therefore, only one-half of world furniture trade can be considered “global” in the sense that it takes place between countries in geographically distinct regions. The most important of these flows are:

- From the emerging countries of Asia to the US (67% of outgoing flows from this area) and to Europe.
- From Europe to the US, mostly from Italy.
- From the new EU members to Western Europe, especially to Germany.

2.1.2 Market size, trends and characteristics

Furniture demand was expected to grow in 2007 and 2008 in all large markets with the exception of the US.

- 3% annual in countries among the new EU members (Bulgaria, Ireland, Turkey, Estonia, Latvia, Lithuania, Poland Romania and Slovakia) and in Central and Eastern Europe (Russia and Ukraine).
- 7% in Asia (China, India, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam).
- 2% in South America (Argentina and Chile).
- 5% in the countries in Middle East and Africa (Egypt, Israel, Kuwait, Saudi Arabia, United Arab Emirates and South Africa).

This study[iii] was done for 60 countries that had a combined furniture production of US$307 billion in 2006 with 4.8 billion inhabitants, that are approximately 75% of the world population, and that accounts for 92% of world trade in goods and for almost all world furniture production in terms of value. The international furniture trade of this group of 60 countries amounted to about US$91 billion in 2006. This corresponds to about 1% of world trade of manufactured goods. The apparent consumption per capita of furniture ranges from an average of US$20 per annum in emerging countries to US$239 per annum in developed countries. The worldwide average per country is US$65 per year. Countries with the highest per capita consumption of furniture are Norway, Austria, Denmark, Switzerland and Finland. The 27 members of the EU, plus Norway and Switzerland and North America are responsible for 68% of furniture consumption although the population is only 20% of the total; Asia and the Pacific, on the other hand, have 3 billion inhabitants (66% of the total) and make up 26% of total global furniture consumption.

2.1.3 Main furniture exporting countries

The main furniture exporting countries are currently China, Italy, Germany, Poland and Canada, as we can see in the Image 1.

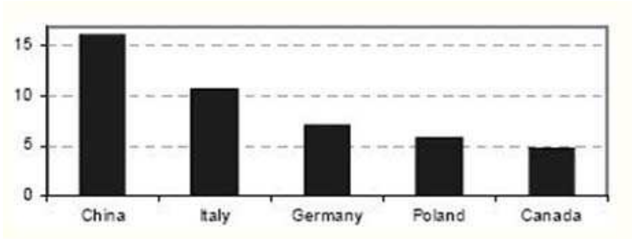


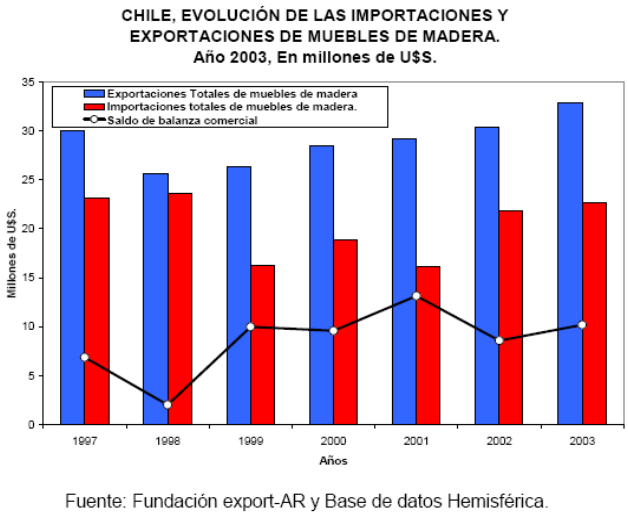
Image 1 Export world trade furniture market 2006 (US$ thousands of million)

Source: CSIL Milano / FORDAK The timber network

The flow of exports by the main exporting countries between 1997 and 2007 was as follows:

- China is the biggest exporter with 19% of the share of exports followed by Italy, Germany and Poland (who moved from number 8 to number 4). Furniture exports from developed countries are losing ground to developing countries- they lost 23% to developing countries. Some additional market trends are[iv]:
- The EU (15) lost about 15%.
- The new EU members (12) gained 6%.
- The Asia and Pacific area gained 13%.
- The surge of imports into the US was accompanied by an increase in exports from China, Canada and Mexico.

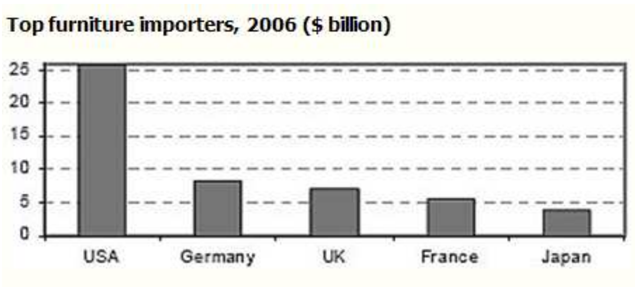
In the specific case of Chile in the next chart it is easy to see the trends of growth that this market has had in the period from 1997-2003. We can observe that the major volume of growth is in bedroom furniture, and the rest of types furniture grow in proportion with the market growth.



Graph **1- Chart with the evolution of the imports/exports for wood furniture in Chile**

2.1.4 Main furniture importing countries

The main furniture importing countries are the United States with more than US$25,000 billion Germany, UK, France and Japan, and Canada.



Graph 2- Export world trade furniture market 2006 (US$ thousands of million)

Source: CSIL Milano / FORDAK The timber network

The European Union has been the biggest furniture importer in 2005 to 2006 with about the 50% of participation in the world. Between 2001 and 2005 the majority of EU countries kept increasing the furniture imports, especially the new members.

Imports from developing countries were proximally 3011 thousand tons (U.S. $ 9.252 billion) for 2005. The participation rate in 2001-2005 for these countries was 16 to 28% in volume terms. These developing countries that supply the EU are: China (11%), Indonesia (3%), Vietnam (2%), Malaysia (1%), South Africa (1%), Turkey (1%), Brazil (1%), Thailand (1%) and finally Final Croatia and India[v].

2.1.5 What types are selling the most?

The total consumption in the EU was estimated to be €76.367 billion in 2005 with a 3% annual growth rate since 2001. The average per capita consumption of furniture is € 165 per year. Germany has 22% of total sales in Europe. However, countries such as Austria and Finland have a higher per capita consumption (see table 4). Regarding the consumption of home furniture, according to the category, it is known that the dining rooms furniture are the most popular type of furniture for European consumers, with growth of 9% in five years. Those who followed in importance are dormitories, and other environments.

Tabla No.1
Estimación de consumo de muebles para el hogar y oficina (UE 25)
Período 2001-2005 / Millones €

Total EU25	2001	2003	2005	Población (millones)	Consumo per Cápita
Total EU25	74155	73285	76367	461.6	165
Alemania	18512	16619	17036	82.5	206
Reino Unido	9348	9833	10280	60	171
Francia	8673	8412	8881	62.8	141
España	6103	6186	6573	43	153
Holanda	3628	3390	3339	16.3	205
Belgica	2,265	2,223	2231	10.4	214

Fuente: CBI Survey "Domestic Furniture 2006" / Euromonitor, Eurostat

Tabla No.2

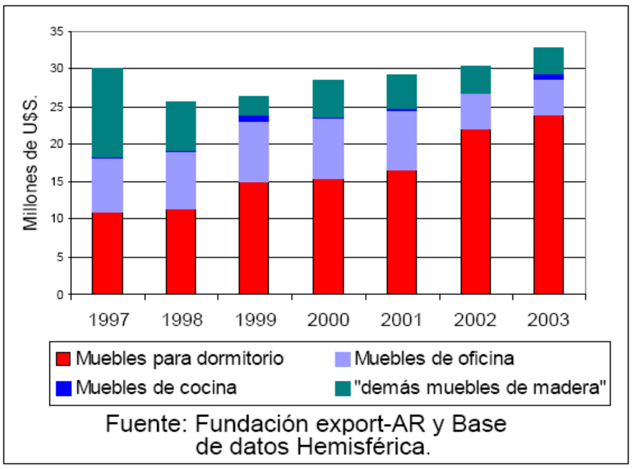
Estimación de consumo de muebles para el hogar según categoría de producto
Período 2001-2005 / Millones €

	2001	2003	2005
Sala y Comedor	16,950	17,222	18,427
Cocina	16,950	16,390	16,411
Dormitorio	8,950	9,087	9,105
Otros ambientes	19,355	18,394	18,419

Fuente: CBI Survey "Domestic Furniture 2006" / Euromonitor, Eurostat

Table 1- Estimation of product consumed by type of furniture (UE)

EVOLUCIÓN DE LAS EXPORTACIONES CHILENAS DE MUEBLES DE MADERA. En millones de USD



Graph 3- Evolution of the Furniture exportation from Chile by types of furniture

2.1.6 Furniture companies: do they eco furniture?

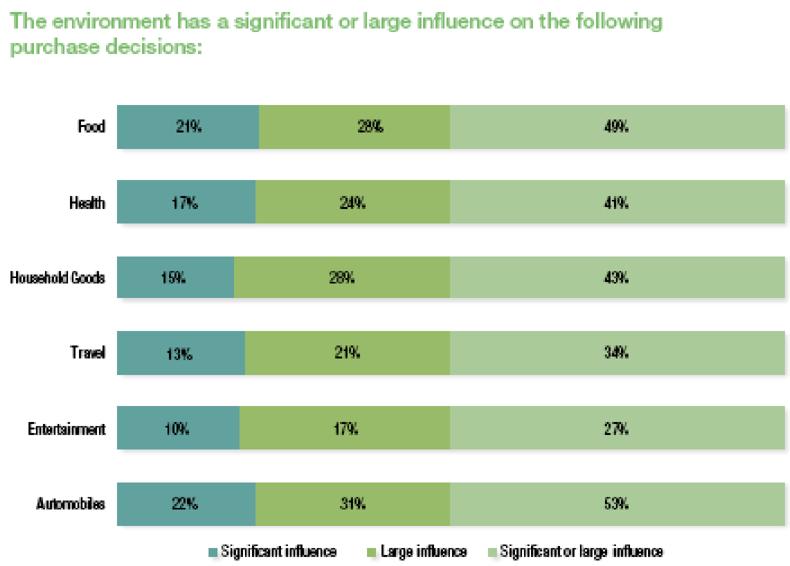
There are 423,553 hectares of FSC certified land in Chile, distributed over fifteen forest companies. The certified products are beginning to circulate in the domestic and export markets, products such as matches, ice cream sticks, doors, pieces for construction, furniture and toy, all made from wood certified by FSC[vi].

The sale of certified timber is growing, according to the results of a recent study by the British Institute Taylor Nelson Sofres (TNS) that concluded that for the majority (52%) of the 400 interviewed, Brazilian environmental issues directly influence the decision purchase and 83% would be willing to pay more for products and services[vii]. Although we are not based in Brazil, this study indicates a general trend in Latin America.

2.2 Global Overview of the Green Trends

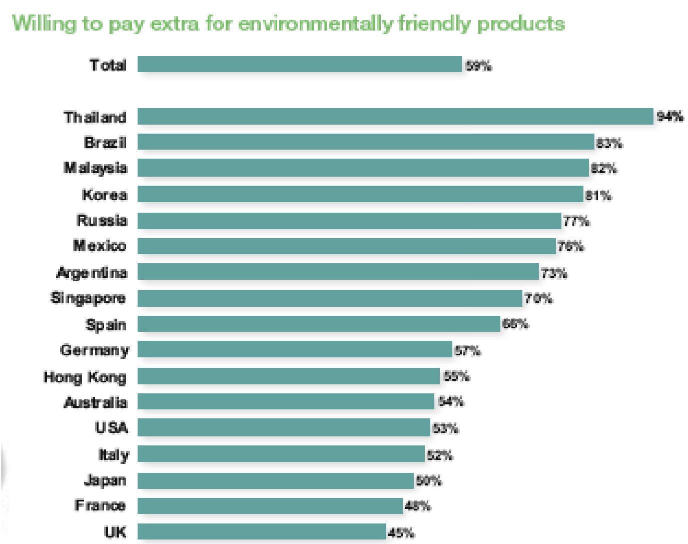
The visible climate change and the global effect of pollution have made an impact on people's concerns. Nowadays the population from OECD and developing countries are more worried about environmental problems (from 22% in 2007 up to 25% in 2008), and consumers are more willing to make environmentally conscious shopping choices when they can see a direct link between their purchases and an environmental problem[viii].

From a survey made by TNS for 17 different countries in the world (December 08), we found that people have become more influenced by the environment when making purchasing decisions in the few last years, in particular 43% were influenced when buying household goods.



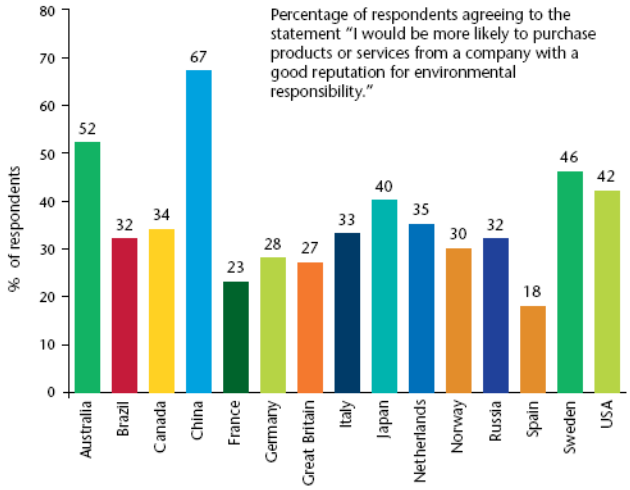
Graph 4- Influence on purchasing decisions; especially attention to household goods. From the survey of Global TNS[ix]

We also found that more than half of the respondents would be willing to pay more for environmentally friendly products. By countries, Japan, Spain and France go significantly beyond the average, 70% of the surveyed think that for green products they should pay 5% more[x].



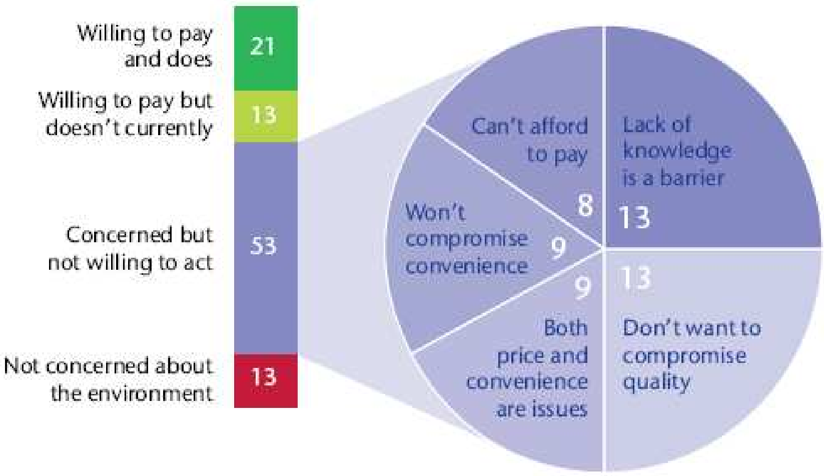
Graph 5- Graph with the survey of the willing to pay extra for environmental friendly products in different countries. From the survey of Global TNS[xi]

In relation to the global population that would be prone to buy from companies with a reputation for environmental and social responsibility we found that China, Australia, Sweden and the US would be above the average[xii].



Graph 6- Consumers globally report a greater propensity to buy from companies with a reputation for environmental responsibility. Source: Tandberg, 2007.

The main problem that we find about green trends is the gap between consumer attitudes and behavior. People don't always act on environmental and social concerns. As we can see in the graph underneath, consumers are more likely to adopt environmentally responsible behaviors if they are both, cost-efficient and convenient[xiii]



Graph 7- Global retail consumers segmented by willingness to pay for products with environmental and social benefits – Survey of consumers in Brazil, Canada, China, France, Germany, India, the UK, and the US. Source: The McKinsey Quarterly, March 2008.

As our furniture is going to be sold through internet, we are targeting different regions in the world, initially Europe, US and Latin America. We are going to see the green trends in each of these regions:

US: The 95% of adult Americans endorse environmental education in the schools[xiv]; however, everyday actions by adults in support of the environment show a slight fall-off and environmental "illiteracy" remains widespread[xv]. However, this does not mean the green products are not popular in the United States; since 1990 the sales of organic products in the U.S. have grown more than six fold, from less than $1 billion to $6 billion in 2000, according to a survey by The Hartman Group for the Organic Trade Association.

There is a new segment of the population (around 41 million adults[xvi]) who seek out lives of creativity, justice and sustainability which has been named as LOHAS an acronym for "lifestyles of health and sustainability". The LOHAS market is huge and a conservative estimate places their growth at $230 billion in the U.S. and $546 billion worldwide, according to Natural Business Communications. Particularly for home furnishings there is estimated a market of $10.6 billion based on a research from the Natural Marketing Institute[xvii].

EU: The EU has begun a green movement due to the increased concern about production and consumption in a sustainable way over the last years. Ninety six percent of Europeans said that protecting the environment was important for them. Two-thirds of this group said that it is "very important"[xviii]. Despite this, surveys that say that Europeans are more sceptical about green marketing[xix]. There is additional information from July 2008 suggesting that the EU Commission action Plans for Sustainable Consumption and Production and Sustainable Industrial Policy (SCP/SIP) that they have developed have been useful.[xx] Not only the governments, but business and NGO's are working together towards sustainable production and consumptions in the EU[xxi].

Putting together this information above we can summarize that although they are contradictions whether the European population is more or less receptive to marketing sustainable products; that this perception depends principally on the country so that it would be more possible to draw the attention of countries like UK or Spain as the TNS survey suggests.

Latin America: Consumers in the emerging South American market seems to be more willing to buy from companies that promote their environmental credentials[xxii].

As an indirect way to measure the green trend in Latin America we have taken the demand for certified wood (FSC) which shows that in Brazil for example the percentage of demand of certificate wood has increase up to 1,2 million m^3 per year[xxiii]. This study shows an increase in the demand of certificated wood, but not yet sufficiently measured.

2.3 Internet Trends

2.3.1 Internet usage

With the growth of the importance of the internet, online shopping has grown. According to Internet World Stats, there are 1.76 billion internet users. Below is a graph of internet usage per region that we are targeting.[xxiv]

Region	Usage	% of population
European Union	239 million	51,9%
North America	231 million	67,7%
South America	85 million	15,4%

Table 2- Worldwide internet usage.

Source, Internet World Stats

That being said, internet usage is growing most rapidly in emerging markets such as South America.[xxv]

According to a survey by Nielsen, there are 875 million people who are online consumers, more than 85% of the population of internet users; this number has increased 40% in the past two years.[xxvi] According to the president of Neilsen:

> The Internet is no longer a niche technology - it is mass media and an utterly integral part of modern life. Almost no aspect of life remains untouched by online media. As our lives become more fractured and cluttered, it isn't surprising that consumers turn to the unrivalled convenience of the Internet when it comes to researching and buying products,- said Jonathan Carson, President, International, Nielsen Online.

Regarding online shopping, the population of internet users that shops most online is the South Korean population- 99% shop online. After that comes the UK, Germany and Japan with 97%, and the US with 94%. This means that these countries are open to online shopping; and that in the future being able to distribute to Asia might be a good option.

2.3.2 Products bought

Globally, the most popular and purchased items over the Internet in terms of the total amount of sales of the product are: Books (41% of total book sales), Clothing/Accessories/Shoes (36%), Videos / DVDs / Games (24%), Airline Tickets (24%) and Electronic Equipment (23%).[xxvii] In the United States, online furniture sales account for 9% of total furniture sales, in Spain 3,5% of home furnishings are sold online (including furniture sales) and for 11% of total furniture sales in the United Kingdom (furniture stores in the United Kingdom are looking toward online sales to confront the economic crisis).[xxviii] A reason that this number might be smaller in comparison to other items, like books or CDs, is that furniture tends to be a bigger, more expensive purchase than books or clothing, and people may prefer to see the furniture in the store before buying it. In order to try to have this not be an issue we will have a virtual room application in our website, where you will have the opportunity to decorate with your furniture in order to visualize it before buying. We will also have a flexible exchange policy in case people decide to return the furniture.

2.3.3 Companies selling online

According to a survey by Nielsen, the most important internet retailers were:

Chart 4: Top 10 Online Retailers - December 07 Unique Audience

Rank	Retailer	Dec 07 Unique Audience	Dec 07 Active Reach
1	eBay	124,132,042	36.1%
2	Amazon	99,863,339	29.1%
3	Target	37,717,553	11.0%
4	Wal-Mart Stores	36,994,959	10.8%
5	Best Buy	24,089,267	7.0%
6	Circuit City	19,725,537	5.7%
7	Sears	17,651,868	5.1%
8	ToysRUs	17,610,395	5.1%
9	Overstock.com	17,192,765	5.0%
10	JCPenney	16,331,132	4.8%

Source: Nielsen Online, December 2007

Table 3- Internet sites with most sales volume- Nielsen rating

Taking this information into account, we are going to analyze eBay and Amazon; these are the two stores that could be our largest competitors when it comes to online shopping, and who we can learn the most from when it comes to online selling. We will also review an online furniture retailers- Furniture.com in the United States.

eBay (eBay.com)-

What eBay sells is hard to define because you can buy anything on their auction website. They began to diversify their core business in 2002 when they bought PayPal, an online purchasing tool, for 1.5 billion dollars; that investment paid off- growing 19% last year, higher than e- bay´s gross merchandising volume.[xxix] In addition to PayPal they have purchased Stubhub (a ticket seller), Skype (internet telephone) and Kijiji (online classified ads).

Their core business, auctions, has increased in the past few years but continues to lose market share to businesses such as Amazon.[xxx] Part of this may be attributed to the fact that eBay doesn't have their own distribution system- those users who buy on eBay work with the seller to receive the product, whereas Amazon and other sites distribute directly to the consumer. Another reason for eBay´s decline is that their sellers are sometimes not trustworthy.

Amazon-

Amazon was founded in 1994 as an online bookseller and from there began expanding to other goods such as CDs, groceries, and clothing. The company has moved from positioning itself as an online retailer to a technology company and is building is business through Amazon Web services, where it rents out its back end infrastructure to other companies. Additional services include Amazon S3, which lets companies store their data on Amazon's computers, and Amazon EC2, which lets customers use Amazon's computers for large-scale computational tasks.

Amazon didn't start making profit until 2002 and was greatly hit by the dot- com bust in 2007. Despite these setbacks, Morgan Stanley believes that Amazon will continue to grow for three reasons- High Customer Satisfaction, Recommendation Engine, Impressive Metrics.[xxxi]

Furniture.com (furniture.com)-

Furniture.com partners with furniture stores to sell their furniture in the United States. The store has a list of all the stock that furniture stores in the customer's region have and allows the customer to buy the furniture online. The advantage to the customer is that they can see the furniture they want to buy online and are sure it is in stock since their inventory system is integrated with that of the local stores. Additionally, if they want to see the furniture they can go to the store and look at it before buying. The delivery time is low because the products come from stores close to the consumer. The company has over 1 billion dollars in equity that it received from when it opened in 2000. Additionally they spent over 10 million dollars to develop their e- commerce software.

There are two ways to approach these companies- as competitors or as partners. They will sell other competing products, which means they might be our competitors. However, we can also partner with them to sell our products. Other potential partners are overstock.com, yahoo shopping and national online furniture distributers. Additionally, according to Neilsen, 60% of customers used credit cards when shopping online and 25% used Paypal; debit cards in the UK and US are the most popular form of payment.[xxxii]

Online communication channels-

Regarding potential communication channels, it will be important for us to appear in Google searches- we can do this by getting mentioned on blogs. Additionally word of mouth recommendations will be important to our success, since it is one of the most important factors to the success of internet companies.

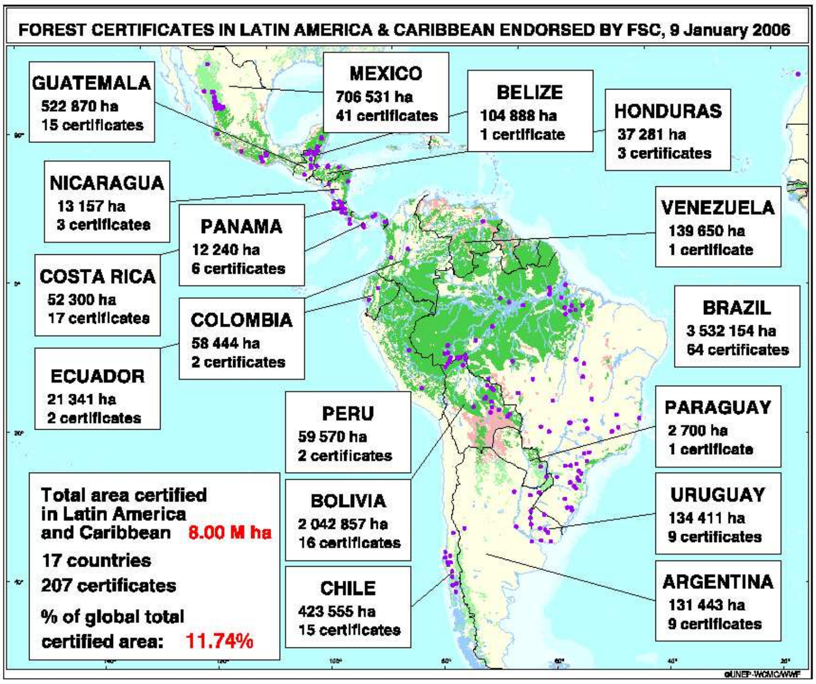
2.4 Suppliers

2.4.1 Supplier bargaining power

In this case, the bargaining supplier power can vary depending on the quantity of suppliers with certificated wood or the quantity of wood that we require. At this time, compared with the EU or the US there are not many suppliers who have this certification, which means that the suppliers have power; however, if we convince suppliers that it is in their interest to work with us we can help them to obtain this certification.

2.4.2 Certification

The map 1 illustrates the certificated suppliers by FSC in Latin America until 2006, the annex. 1 shows the quantity of total hectares that was certificated in Latin America as of 2003.



Map 1- Areas certificated in Latin America and the Caribbean by FCS 2006. Source: Forest Stewardship Council.

2.4.3 Clusters

In 2006 Pro Chile generated an initiative to develop a furniture cluster with the objective of developing strategic alliances and global branding as well as to generate information for decision making and develop local capacities, to be innovative and new business development, to create business groups and trade cooperation and to increase the business and the investment attraction.

2.5 Distribution Channels

The first step in the distribution channel will be the selling. For this we will use a software that allows us to perform necessary frontend and backend tasks: frontend tasks are related to the appearance of the website and back end tasks are related to recording orders, charging customers, maintaining records of all the information etc. You can buy software to manage backend tasks or you can outsource this to companies like Amazon Web services (or other similar services offered by Google, Microsoft, IBM etc). When deciding if we want to do our own internet hosting or contract a company like Amazon we will have to consider what they offer and the costs. A secure way for the customers to pay and safeguards to protect privacy is also essential and there are companies who provide these certifications (bbb online, e- trust, verisecure etc...). CRM and ERPs are also essential at this point of the transaction to manage the information.

There are three options for distribution: creating a shipping department, drop shipping from a distributor or using a fulfilment center.

Option	Description	Advantages	Disadvantages
Shipping Department	To create a shipping department in our company that is responsible for all aspects of shipping: warehousing, inventory, orders, suppliers, customers, accounts, taxes and VAT) A good CRM is essential.	You have control over the processes.	You have to have more infrastructures that you have to be responsible for.
drop shipping from a distributor	A supplier who handles your brand. When you have an order you have to inform the company and they ship it directly to the customer, however they are not responsible for what is in stock.	Little control needed over the shipping process.	They don´t keep you informed on what is in stock and any delays are reflected on the business
Fulfilment centre	A supplier who is responsible for the whole process as soon as the order is received.	Little control needed over the shipping process.	More costly, limits your control over the shipping process

Table 4- Description of possible distribution channels

Our decision about how to distribute our product depends greatly on how we decide to deliver the product to the end consumer. If we deliver the product not- assembled it would be attractive to work with a fulfilment center, especially because we are shipping internationally and they would be in charge of this more complex process. However, if we decide to send the product already assembled we will be working with local workshops and will need more control over the process since there will be two steps- sending to the workshops and then to the end consumer. In this case, making a shipping department may be the most attractive option.

2.6 Barriers to Entry and Exit

2.6.1 Barriers to entry

A large barrier to entry is that the furniture market is saturated with furniture stores and retailers.

Additionally, the financial crisis means that people are tightening their checkbooks and tending to buy local products instead of international products in order to support the local economy.

This project will require a high initial investment, either from banks or investors. The financial crisis makes it even harder to get people to lend money.

Also, according to the European Commission, existing companies and suppliers are reacting to new Green Marketing campaigns by acting hostilely towards Green Manufactures- sometimes refusing to sell green products.[xxxiii] This may not be as big a problem for us as we are selling everything through our website and not using external vendors to sell our product.

Finally, Asian furniture manufacturers have lowered the price of furniture, making the market less competitive. However, Asian furniture is usually low quality and with a shorter life cycle.

2.6.2 Barriers to exit

One of the largest barriers of exit will be the large amount of stock we will have to liquidate. This will be especially large because we are buying a factory in Chile and we have a lot of inventory stored.

Also, this project requires a large initial investment, so we will accumulate a lot of debt which will make it hard to close the company.

Finally, we will have fixed assets like our factory and machines that we would have to liquidate if we have to close the business.

2.7 Strategic Groups

In Spain furniture companies have created numerous associations in order to protect themselves and to be more competitive in the market, offering a product of high quality at a good price; here we are going to present some of the main ones which we will like to be associated to:

ASEMCOM (Asociación de Empresarios de comercios de Muebles de la comunidad de Madrid) Since 1977 this association bring together numerous of the main furniture business of Madrid, it has more than 1100 associates and from studies made by the Chamber of Commerce of Madrid it is the 6th association that offers more services and of higher quality.

ANIEME: (Asociación Nacional de Industriales y Exportadores de Muebles de España) Is the Spanish Association of furniture Manufacturers and Exporters since 1977, whose main objective is to defend the interest of the Spanish Furniture Industry and to promote its presence in international markets. The main interest is that they have developed the brand "Mueble De España" to promote the values of the Spanish furniture abroad.

And as our furniture is going to be sold worldwide we have found an US organization called **Green America**, which is a not-for-profit membership organization founded in 1982. The organization promotes social justice and environmental sustainability through economic actions. This organization joins the largest, most diverse, and innovative group of green business leaders.

2.8 Cost Structure

2.8.1 Breakdown of costs

On the EU level, purchases of materials and of services account in general for more than 60% of the production value (respectively 45% for materials for manufacturing and 15% for services for manufacturing, development of products, and distribution).

The value added represents in average 40% of the production value. Labor costs account for about 78% of the value added of the sector.

The global productivity has increased by 20% during the nineties.

Yearly investments vary and they generally represent in average 4% of the production value or 10% of the value added.

	Chinese Factory	% of Revenue
Wholesale Selling Price	$ 450 +	100%
	Asian Production Costs	
Raw Materials	$ 210	47%
Labor	$ 22.50	5%
Overhead**	$ 45	10%
Freight	$ 105	23%
Est. Operating Profit	$ 67.50	15%

Table 5- Cost Structure China

	US Factory	% of Revenue
Wholesale Selling Price	$ 600	100%
	US Production Costs	
Raw Materials	$ 210-240	35-40%
Labor	$ 90-120	15-20%
Overhead**	$ 198 – 222	33-37%
Freight	--	0%
Est. Operating Profit	$ 60	10%

Table 6- Cost Structure US

2.9 Conclusions

In conclusion, the global trade of furniture is growing and the types of furniture that are in highest demand are bedrooms, living rooms and dining rooms. The use of an innovative furniture concept will give us a competitive advantage when selling to specific market niches; it is also a unique part of our brand´s image. Producing in Chile means that there will be certificated suppliers of raw materials located in the region.

As we have seen with the global green trends, consumers are more willing to make environmentally conscious shopping choices when they can see a direct link between their purchase and how it is better for environment than a comparable one;[xxxiv] however, there exists a gap between the attitudes towards green consumption and the behavior shown when consuming green products, clearly more factors like the cost-efficient or the convenience play a part in customers decisions.[xxxv] By regions we can resume that in the US the existence of the new segment of the population called LOHAS, shows the green trend in the US market, and where important business like Wall-mart, Whole-foods…etc are marketing to these end consumers.[xxxvi] In reference to the EU and Latin America, we have found contradictory information; people from countries like Germany and France are not so willing to buy green products, while UK and Spain are eager to buy into this trend.[xxxvii] In Latin America, although there is not too much literacy green products, we see an increase in the willingness of the citizens to buy green products. All this information shows us that even though there is not a global consensus about green consumption; statistics prove that a new awareness is taking place, and that we could take advantage of the market with our sustainable, fair trade furniture production[xxxviii].

Clearly the use of internet is growing and the amount of people making purchases online is growing even faster; many stores now offer this service. However people are more hesitant to buy large products like furniture online. In order to prevent this we will have a virtual room and a good return policy. There is a lot to be learned from companies who have been successful selling online, like Amazon or eBay; from reading about these companies we can see that word of mouth advertising and a secure payment system are essential.

We could further segment our market depending on luxury furniture or regular furniture (see appendix index 2.1).

We may have competitors that if they see our success may respond in three possible ways: selling online (although this is already common), selling internationally or selling green certified furniture.

[iii] CSIL Milano / FORDAK The timber network

[iv] CSIL Milano / FORDAK The timber network

[v] Fordaq: The Timber Nettwork / Exporthelp Desk / BANGUAT/ SIECA)

[vi] Forest Stewardship Council

[vii] Forest Stewardship Council

[viii] http://www.rand.org/scitech/stpi/ourfuture/Consumer/sec6_consumption.html

[ix]Tns global. An international survey covering 17 countries into how green we really are. Research Report December 2008

[x]Tns global. An international survey covering 17 countries into how green we really are. Research Report December 2008

[xi]Tns global. An international survey covering 17 countries into how green we really are. Research Report December 2008

[xii] Directorate of the Environment, European Commission/

Eurobarometer 295, Attitudes of European Citizens towards the

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[xiii] The Business Role Focus Area. Sustainable Consumption Facts and Trends From a business Perspective. World Business Council for sustainable development.

[xiv] The Ninth Annual National Report Card (May 2001), Lessons from the Environment

[xv] http://www.neefusa.org/resources/roper.htm

[xvi] http://www.lohas.com/about.html

[xvii] http://www.lohas.com/about.html

[xviii] European Commission, Directorate General Environment/Eurobarometer 295, *Attitudes of European Citizens towards theEnvironment*, March 2008.

[xix] http://www.euractiv.com/en/environment/survey-eu-consumers-reluctant-buy-green/article-178064

[xx] http://ec.europa.eu/prelex/detail_dossier_real.cfm?CL=en&DosId=197277

[xxi] EEA Technical report No 1/2008 Time for action — towards sustainable consumption and production in Europe.

Summary report of the conference held on 27–29 September 2007, Ljubljana, Slovenia.

[xxii] http://www.euractiv.com/en/environment/survey-eu-consumers-reluctant-buy-green/article-178064

[xxiii] Banco interamericano de desarrollo. Actividad 1.2. Mercados de productos verdes certificados (*borrador*)

[xxiv] Statistics from http://www.tamingthebeast.net/blog/ecommerce/online-population-statistics-1206.htm

[xxv] http://www.morganstanley.com/institutional/techresearch/pdfs/TechTrendsWeb2_110508.pdf

[xxvi]

http://www.nielsenmedia.com/nc/portal/site/Public/menuitem.55dc65b4a7d5adff3f65936147a062a0/?allRmCB=on&newSearch=yes&vgnextoid=0bfef273110c7110VgnVCM100000ac0a260aRCRD&searchBox=online%2Bshopping

[xxvii]

http://www.nielsenmedia.com/nc/portal/site/Public/menuitem.55dc65b4a7d5adff3f65936147a062a0/?allRmCB=on&newSearch=yes&vgnextoid=0bfef273110c7110VgnVCM100000ac0a260aRCRD&searchBox=online%2Bshopping

[xxviii] See appendix for chart and statistics about the United States. Information about the United Kingdom comes from Interiors Monthly Magazine, January 2008.

[xxix] http://www.morganstanley.com/institutional/techresearch/pdfs/TechTrendsWeb2_110508.pdf

[xxx] Business week/ MSNBC- http://www.msnbc.msn.com/id/18354704/

[xxxi] http://www.morganstanley.com/institutional/techresearch/pdfs/TechTrendsWeb2_110508.pdf

[xxxii]http://www.nielsenmedia.com/nc/portal/site/Public/menuitem.55dc65b4a7d5adff3f65936147a062a0/?allRmCB=on&newSearch=yes&vgnextoid=0bfef273110c7110VgnVCM100000ac0a260aRCRD&searchBox=online%2Bshopping

[xxxiii] http://www.epe.be/workbooks/gpurchasing/3.3.html

[xxxiv] http://www.rand.org/scitech/stpi/ourfuture/Consumer/sec6_consumption.html

[xxxv] The Business Role Focus Area. Sustainable Consumption Facts and Trends From a business Perspective. World Business Council for sustainable development.

[xxxvi] http://www.lohas.com/

[xxxvii]Tns global. An international survey covering 17 countries into how green we really are. Research Report December 2008

[xxxviii]Tns global. An international survey covering 17 countries into how green we really are. Research Report December 2008

3 SWOT

3.1 Introduction

A SWOT analysis it is used for the identification of the internal Strengths and Weaknesses, and the external Opportunities and Threats necessary for the correct definition of the objectives in the business plan. It is particularly helpful in identifying areas for development.

We have identified the following points as Strengths, Weaknesses, Opportunities or Threats:

3.1.1 Strengths

Since the furniture sector is a mature business, when starting Akün there will be a lot of knowledge about the sector; this, along with our experience in the MBA, will help us get started. Additionally, since we are a new company, we will have the newest versions of technology.

Our innovative concept is also a strength because it helps us define our business and how we are different from our customers. Corporate Social Responsibility will be a core part of our business and we will base our policies around concepts like fair trade and obtaining ecological certifications for our products. Since we are a company with sales exclusively online, our website will not just be a corporate website but will be our only presence in the market; and it will fit with our customers (internet savvy) and contain ecological information. Customer service will also be at the core of the business. Finally, because we are presenting an innovative model for a furniture company our design will have to reflect that fact by being modern and attractive.

Finally, our location and distribution system will be a strength. Because our factory is located in Chile we will be close to the raw materials, which will mean a lower transport cost. Despite the fact that we will pay our workers fairly, labor costs will be relatively low in comparison to Spain. Lastly, we will be able to pass on the distribution costs to the end consumer; that is to say, the price of the furniture will be the same but the shipping price will vary depending on your location in the world, which means that it will not be more expensive for us to sell to someone in Europe as opposed to someone in Latin America.

3.1.2 Weaknesses

As far as weaknesses are concerned, we lack previous knowledge or experience in the sector. Our lack of experience will also mean that customers are less aware of us and will be less loyal; to combat this we will need to create a strong brand. Not being from Chile may also be a weakness.

Additionally, we have no physical presence in the market, which will mean that we will have to spend more money on advertising our company. We will also have a smaller product line than other companies who buy a variety of products from multiple distributers for example: accessories, upholstered furniture, and wood furniture. Finally, we will not be able to create a large profit margin, so increasing our profitability will depend on increased sales or market share.

3.1.3 Opportunities

The consumer trends in the market offer us many opportunities; for example, people are buying more ecological friendly products, and internet usage, especially e-commerce, is increasing. This means that people will be attracted to our brand because of our commitment to corporate social responsibility and the ability to buy online; using this we can create our niche. Additionally, there has been a growth of world furniture trade, which might stagnate because of the crisis, but means that it is an attractive sector.

Additionally opportunities include partnering with other companies like Amazon to sell our product and joining strategic groups. One specific strategic group that is being developed are the clusters in Chile this is a group of furniture companies and suppliers that purposely establish themselves close to each other to decrease distribution costs.

3.1.4 Threats

As well as providing an opportunity, the existing sector also may be a threat. To begin with, the furniture sector is mature and there is not a large or well defined existing market for online furniture. Our competitors that exist in the furniture sector are powerful and established, and because of this they have the possibility for a strong response. Not only competitors provide a threat, Asia also threatens us because of its ability to sell furniture at lower prices (for example, Chinese dumping of bedroom furniture in the US market in 2004)[xxxix]

External economic factors also are a threat. The economic crisis has decreased the demand for consumer goods, and the demand for furniture may be further diminished due to the real estate crisis. We will try to combat this by occupying a specific market niche. The crisis will also make it difficult for us to get financing from banks since we will need a lot of money due to high startup costs.

Finally, the situation in Latin America may also be a threat. Even though Chile has a A2 rating based on a report from www.trading-safetly.com, political instability in the surrounding countries may affect the region in an adverse way for our distribution. On the other hand, a possible lack of certified suppliers in Chile in the beginning is another threat because they may have more power.

3.2 SWOT Quantitative Analysis

	Opportunities			Threats			
	Consumer Trends - Little Eco- Furniture - Eco- Market Increasing - CSR increasing	First of Market - One of the 1st global furniture companies to sell online	Internet - Internet Trends increasing	Market is saturated - Strong Competitors - Competitor Response	Economic Crisis - Company Financing	Lack of Suppliers - Qualified - Certified	
Strengths							
Innovative Concept - CSR - Eco Certifications - Fair Trade	2	2	2	2	1	0	9
Website - Point of Sale - Company´s Differentiation	2	2	2	-1	0	0	5
We are near to the raw materials - less transport cost	2	1	1	1	1	-1	5
Weaknesses							
Lack of knowledge or experience in the sector	-1	0	0	-2	-1	-1	-5
No physical presence in the market - Distribution System	-1	1	0	-2	-1	-1	-4
Lack of Product offering	0	1	-2	-1	0	0	-2
TOTAL							8

Table 1- SWOT quantitative analysis

3.3 TOWS Matrix

<u>Strength-</u> Innovative concept Company´s differentiation CSR Eco- certifications	**<u>Weakness-</u>** Lack of knowledge or experience in the sector No physical presence in the market Distribution System Delivery time	
<u>ST</u> We will strive to monopolize the innovative image of our product and its association in order to prevent a strong competitor´s response If there are too few suppliers we can expand the area from which we get our supplies; we can also help close potential suppliers get certification in order to increase the number of suppliers	**<u>WT</u>** In order to overcome our weaknesses and confront the threats we will have to differentiate our product. This will help us differentiate ourselves from our competitors and make the longer delivery time worth it. We can also work together with our competitors because they are so strong, and can help us with sales. Finally, we can hire someone with industry knowledge	**<u>Threat-</u>** Market is saturated Strong competitors Competitor response- Strong competitors Economic crisis Financing- we need a lot of money Lack of suppliers
<u>OS</u> The innovative concept matches customer trends which will increase sales. We can create a strong brand based on these- trends and the innovation.	**<u>OW</u>** Online selling will lessen the importance that we don't have a physical presence Additionally, internet users are used to waiting longer for products and won't mind as much the long delivery time.	**<u>Opportunity-</u>** Consumer trends No other eco- furniture Eco- market increasing One of the first global furniture companies to sell online Internet usage increasing

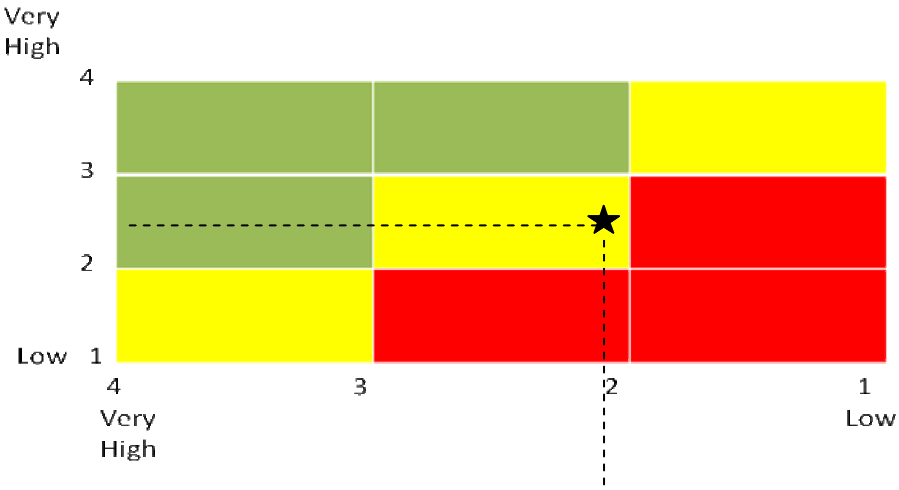
Table 2- TOWS matrix

3.4 McKinsey Matrix

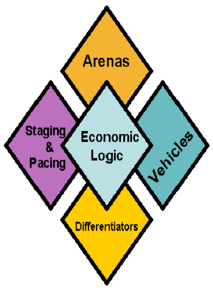
Success factors	Weight	Qualification (1-4)	Joint weight
Strengths			
Innovative concept			
• CSR	,13	4	,52
• Eco- certifications	,14	4	,56
• Fair-trade	,13	4	,52
• Website	,15	4	,60
We are near to the raw materials- less transport cost	,06	3	,18
Weaknesses			
Lack of knowledge or experience in the sector	,14	1	,14
No physical presence in the market	,07	2	,14
Distribution System	,08	2	,16
Delivery time	,05	2	,10
Lack of product offers	,05	2	,10
	1		3,02
Opportunities			
Consumer trends			
• Eco- market increasing	,12	4	,48
• Internet usage increasing	,12	4	,48
• CSR trend	,08	3	,24
Partnering with other companies	,10	4	,4
Threats			
Market is saturated • Strong competitors	,17	1	,17
• Competitor response- Strong competitors	,15	1	,15
Economic crisis	,15	1	,15
Financing- we need a lot of money	,14	1	,14
Lack of suppliers	,06	2	,12
	1		2,33

Table 3- Mc Kinsey matrix

Based on our SWOT and the McKinsey matrix score, we can see that our product has high industry attractiveness and the product strength is medium high. Below you will find the matrix applied diagram.



3.5 Strategy Diamond



1. **Arena**: where we will play?

Products: Bed, Table, night tables, chairs

Markets: per region: North America, South America, and Europe

Geographic area: Production in Chile, headquarters in Spain

Core Technology: standardized by the market

Value creation staves: Highlight our CSR agenda, our employees will be well paid, education and training, involved in the company

2. **Vehicles**: How we will get there?

Internal Growth: how to create and extend the factory, expanding the number of our suppliers by looking into other countries.

Joint Venture: Combining forces with specialized designers and retailers in order to get new designs and multiply our distribution channel respectively.

Licensing: Certificated wood-furniture; process certificated.

Mergers and Acquisitions: possible acquisitions of suppliers, strategic partnerships.

3. **Differentiation**: How we will win?

Product reliability: high quality controls of the process and raw material so that it is ecological

Image: Brand awareness, youth, light, green, unique design

Customization: No

Price: medium high

Style: modern, sustainable, fair trade

4. **Staging**: At which speed/sequence?

Sequence of activities: production, selling, and distribution

5. **Economic logic**: How we will be profitable?

Lowest cost- scale: No

Lowest cost: Process (but not cutting cost when it comes to Sustainability/fair trade)

Premium price – unbeatable service: No

Premium price product "uniqueness" features: Sustainable brand

3.6 Project Objectives

3.6.1 Project general objectives

- To establish a furniture company that is based on fair trade, corporate social responsibility and environmentally friendly policies.
- To market the furniture on a worldwide level by internet and obtain a global market share of almost 2% in 5 years time.

3.6.2 Specific objectives

- To get an initial market share of 2% combining all markets (Latin America 4%, US 1%, EU 1%) in the first year.
- Reinforce the trends of Internet Commerce using our aggressive online marketing campaign.
- Create brand awareness as a product and increase it through time.
- Create new product categories and be able to launch the products in new markets.
- Increase distribution channels and online sales infrastructure.

3.7 Market Share Objectives

In order to calculate the market share objectives we have analyzed the different markets, and within them, the furniture sales, bedroom furniture, online sales and have compared them to the global industry. Below you will see a chart explaining the above mentioned:

Markets	total amount of furniture sales	% of global furniture sales	amount of furniture sales online	% of furniture sales online	Sales of bedroom furniture	Sales of bedroom furniture %	strength of green products	market size bedroom
in United States	$ 25.000.000.000,00	22%	$2.250.000.000	9%	$ 9.500.000.000,00	38%	42%	$ 359.100.000,00
in Latin America	$ 4.224.000.000,00	4%	$20.895.000	0,49%	$ 1.267.200.000,00	30%	32%	$ 2.005.920,00
in Europe	$ 83.240.030.000,00	74%	$1.200.000.000	1,44%	$ 9.105.000.000,00	11%	30%	$ 39.377.688,84
Total Market	$ 112.464.030.000,00	100%	$3.470.895.000	4%	$ 19.872.200.000,00	26%	35%	$ 400.483.608,84

Table 4- Calculations of the possible market size (by region and in total)

From this potential total market we have estimated what Akün will sell for the first 5 years.

3.8 Sales and Growth Rate Objectives

In the Table below we can observe the growth of the total market and our market share predicted for the three different regions Latin America, USA and Europe for the next 5 years.

Year 1	Market Yearly Growth	Year 2	Year 3	Year 4	Year 5
276.507.000,00 €	5%	290.332.350,00 €	304.848.967,50 €	320.091.415,88 €	336.095.986,67 €
1.544.558,40 €	2%	1.575.449,57 €	1.606.958,56 €	1.639.097,73 €	1.671.879,69 €
30.320.820,40 €	3%	31.230.445,02 €	32.167.358,37 €	33.132.379,12 €	34.126.350,49 €
308.372.378,80 €	4,6%	323.138.244,58 €	338.623.284,43 €	354.862.892,72 €	371.894.216,84 €

Table 5- Calculations of the possible market size (by region and in total)

We took the growth of the sector into account when calculating our market share as well as our growth expectations as a company.

Year 1		
Akün Market share	sales	Region as % of total sales
5,00%	$77.228	2,1%
3,00%	$909.625	24,2%
1,22%	**$3.751.923**	**26,3%**

Year 2			
% growth	Market share	sales	Region as % of total sales
0,00%	1,00%	$2.903.323,50	73,5%
5,00%	5,25%	$82.711,10	2,1%
3,00%	3,09%	$965.020,75	24,4%
	1,28%	**$3.951.055,35**	**100,0%**

Year 3			
% growth	Market share	sales	Region as % of total sales
4,00%	1,04%	$3.170.429,26	73,8%
7,00%	5,62%	$90.270,90	2,1%
4,00%	3,21%	$1.033.730,23	24,1%
	1,39%	**$4.294.430**	**100%**

Year 4			
% growth	Market share	sales	Region as % of total sales
5,00%	1,09%	$3.495.398,26	74,1%
10,00%	6,18%	$101.283,95	2,1%
5,00%	3,37%	$1.117.979,24	23,7%
	1,53%	**$4.714.661,45**	**100,0%**

Year 5			
% growth	Market share	sales	Region as % of total sales
5,00%	1,15%	$3.853.676,58	74,4%
10,00%	6,80%	$113.640,59	2,2%
5,00%	3,54%	$1.209.094,55	23,4%
	1,68%	**$5.176.412**	**100%**

Table 6- chart of our market share predictions and regional sales

Based on this information we made our predictions for the first five years of business and they are shown below:

TOTAL MARKET					
	Year 1	Year 2	Year 3	Year 4	Year 5
in United States	276.507.000 €	290.332.350 €	304.848.968 €	320.091.416 €	336.095.987 €
in Latin America	1.544.558 €	1.575.450 €	1.606.959 €	1.639.098 €	1.671.880 €
in Europe	30.320.820 €	31.230.445 €	32.167.358 €	33.132.379 €	34.126.350 €
Total Market	**308.372.379 €**	**323.138.245 €**	**338.623.284 €**	**354.862.893 €**	**371.894.217 €**

OUR SALES					
	Year 1	Year 2	Year 3	Year 4	Year 5
in United States	- €	833.265 €	2.846.290 €	3.523.470 €	3.882.405 €
in Latin America	11.782 €	49.936 €	55.944 €	69.444 €	77.924 €
in Europe	159.891 €	655.584 €	697.811 €	832.680 €	900.702 €
Total Sales	**171.673 €**	**1.538.785 €**	**3.600.045 €**	**4.425.595 €**	**4.861.032 €**

OUR MARKET SHARE					
	Year 1	Year 2	Year 3	Year 4	Year 5
in United States	0,00%	0,86%	0,93%	1,10%	1,16%
in Latin America	2,29%	3,17%	3,48%	4,24%	4,66%
in Europe	1,58%	2,10%	2,17%	2,51%	2,64%
Total Sales	**0,17%**	**0,48%**	**1,06%**	**1,25%**	**1,31%**

Table 7- Sales projections for Akün during the first 5 years

[xxxix] http://www.chinadaily.com.cn/english/doc/2004-06/21/content_341050.htm

4 OPERATIONAL PLAN

4.1 Introduction

Our company´s operations are similar to that of any factory that ships a product abroad. We have to consider both the production of the furniture and the logistics of distributing our product as critical elements for our operations to run smoothly.

Initially Akün will produce drawers, bookcases, night stands and beds, after the first five years will increase the offer of furniture product.

4.2 Location of Headquarters and Factory

We will have four buildings that we will have to either rent or buy: our headquarters in Spain, the factory in Chile, a warehouse in the Houston, United States and a warehouse in Valencia, Spain. Below is a description of our headquarters and factory. The description of the warehouses can be found later in the document under the Distribution section.

4.2.1 Headquarters

The Headquarters of the company will be located in Madrid. For that, we will be renting two rooms in a Business Center. We have chosen to use a business center called International Business Center that is located in Las Tablas Madrid. The cost is 2144 euros/month with a 30% discount for the first six months. We have calculated that the cost of the office rent will rise yearly with the cost of inflation. The business center will provide us with printers, faxes, meeting rooms, furniture, secretary service, telephone and internet access, etc… and utilities are included in the price.

4.2.2 Factory

Reasons for choosing Chile as the country for locating the factory

We didn’t consider Spain for manufacturing because the high labor cost, the expensive raw material and, in keeping in line of our mission of Corporate Responsibility, the fact that we wanted to provide careers and training in a poorer country. In other words, we wanted our project to be developed in a place where our production could add value to the community and give back to the place where we are carrying out our activity; as a result we only took developing countries into consideration. Moreover we decided to choose in between countries with that speak Spanish in order to facilitate communication. Below is a matrix explaining why we chose to base our factory in Chile.

		Chile		Argentina	
Factors	**Relative Weight**	**Punctuation**	**Weight**	**Punctuation**	**Weight**
Political situation	**0,25**	10	2,5	4	1
Access to information	**0,15**	8	1,2	6	0,9
Economic situation	**0,1**	7	0,7	6	0,6
FSC presence or others	**0,5**	10	5	5	2,5
TOTAL	**1**		**9,4**		**5**

Table 1- Weighted Matrix for choose country

We weighed the factors and we considered that the political stability in the country was the most important factor for developing a business abroad. The weighted matrix shows us the importance of the different factors for developing the business.

As a result, Chile is better qualified; also we took into consideration other factors like the size of the country and the possibility of contacting people in that country (not included in the matrix).

Location of the factory

In order to choose the best place to install our factory in Chile at a lower cost we have developed a weighted matrix of the possible regions in Chile where we can locate our factory- for a map of the regions see the Appendix 10.

		Araucania (region IX)		Magallanes (region XII)		Santiago (metro area)	
Factors	**Relative Weight**	**Punctuation**	**Weight**	**Punctuation**	**Weight**	**Punctuation**	**Weight**
Raw material	**0,4**	7	2,8	9	3,6	6	2,4
Communication	**0,3**	8	2,4	4	1,2	10	3
Cluster	**0,3**	10	3	0	0	0	0
TOTAL	**1**		**8,2**		**4,8**		**5,4**

Table 2- Weighted Matrix to choose region

The majority of the sales are going to be from exports. This is the reason why we have decided to give more importance to the proximity of the raw materials and a good communication for the distribution. The main forest plantations are located in the regions (IX, XII, and XI), but our main wood supplier (Masisa S.A.) has three points of distribution in the region of Araucania (Two in Temuco and another in Villarrica). Additionally, there is a cluster, or a group of producers from a certain sector that share costs to reduce costs, for furniture production in the Araucania region (Prochile resource). Installing the manufacturing there would be less costly and more effective due to the positive features that a cluster creates.

Land and costs- rented or bought

The manufacturing cost will be for renting the land and building on the region of Araucania outside the city of Temuco. For that we have extrapolated the costs available from two different regions outside the city of Santiago to get the cost of our factory.

Places	Renting (per month)	Buying
Quilicura	0,22 € - 0,26 €	47 € - 104 €
Pudahuel	0,17 € - 0,30 €	43 € - 48 €

Table 3- Prices of renting and buying land in different places from Chile

Source: Informe estadístico trimestral de ACOP (Asociación de corredores de propiedad) www.acop.cl.

We have decided to buy our factory due to the inexpensive land prices in Chile. Our factory will need to be 812 m^2, which means the cost of the factory will be 49,126 Euros. The price of land was calculated by finding the average land price in the two regions mentioned above.

4.3 Size and Capacity of the Factory

The size and the capacity of the Factory is based on the forecasted the furniture sales. As mentioned above, the factory will have a size of 812 m^2. This includes space for both a raw material and finished material warehouse as well as space for the actual factory where we will make the furniture pieces. In addition to the machines needed to produce the furniture, we will need a car for the factory manager and furniture for the factory.

As described in the SWOT analysis, from the market research we estimated the sales for the next five years and from there the production per year. In the first year the production will cover the demand of Europe and Latin America and from USA in the second year.

TOTAL PRODUCTION		Year 1	Year 2	Year 3	Year 4	Year 5
TOTAL PRODUCTION	United States	0	2046	7904	9030	9661
	Latin America	48	194	228	261	282
	Europe	553	2231	2618	2867	3030
	Total	**600**	**4467**	**10873**	**12186**	**12977**
Bookcase	United States	0	635	2454	2806	3001
	Latin America	15	60	71	80	90
	Europe	171	693	811	898	939
	Total	**186**	**1386**	**3336**	**3784**	**4030**
Drawers	United States	0	283	1093	1252	1340
	Latin America	7	27	31	38	38
	Europe	76	309	362	401	421
	Total	**83**	**619**	**1486**	**1691**	**1799**
Night Stand	United States	0	924	3567	4071	4356
	Latin America	22	87	102	117	128
	Europe	250	1006	1182	1279	1366
	Total	**272**	**2017**	**4851**	**5467**	**5850**
Bed	United States	0	204	789	901	964
	Latin America	4	20	24	26	26
	Europe	56	223	263	289	304
	Total	**61**	**446**	**1076**	**1216**	**1294**

Table 4- Production per piece and year

From there we determined the monthly production based on the furniture demand per month (this table is in the sector analysis). We used this monthly production amount to determined the capacity needed in the factory, as well as the raw materials per month and the shipping needs.

4.3.1 Seasonality

The global demand for furniture changes depending on the season. We took the Chilean furniture exports as an estimation of the seasonality of this market; based on this we made the production schedule, considering the behavior of three years, and taking the average of its each month´s furniture sales in respect to those of the year. Below is a table that shows the average obteined for the the seasonality of furniture demand:

ESTIMATION OF THE SEASONALITY OF THE FURNITURE DEMAND

	2003	%	2004	%	2005	%	Average
ene	588.006	4%	1.127.142	5%	1.460.193	6%	5%
feb	642.041	5%	1.299.049	6%	1.149.182	5%	5%
mar	1.588.569	11%	2.302.554	10%	2.124.653	9%	10%
apr	1.210.869	9%	1.907.163	9%	1.639.222	7%	8%
may	955.240	7%	2.023.857	9%	1.755.931	8%	8%
jun	823.979	6%	2.075.613	9%	1.991.782	9%	8%
jul	1.507.883	11%	2.003.300	9%	1.437.469	6%	9%
ago	1.152.073	8%	2.787.641	13%	2.432.114	11%	10%
sep	1.493.362	11%	2.273.171	10%	2.622.864	12%	11%
oct	1.557.423	11%	1.840.204	8%	2.205.201	10%	10%
nov	1.294.348	9%	1.480.343	7%	1.664.211	7%	8%
dec	1.386.540	10%	1.101.374	5%	2.262.455	10%	8%
TOTAL	14.200.333	100%	22.221.411	100%	22.745.275	100%	100%
growth			8021078	56%	523864,25	2%	

Table 5- Seasonality of demand

Considering the preference of the costumer, the percentage of the production of each piece will be as below:

DISTRIBUTION OF PRODUCTION	
Bookcase	35%
Drawers	25%
Night stand	25%
Bed	15%

Table 6- Percentage of the distribution of the production

4.3.2 Machines

To calculate the capacity of the machines needed we first calculated the meters, m^2 and m^3 that the machines were going to handle each month. Then, in order to know how many machines we needed a year we used the maximum number of meters handled per year and divided this number by the maximum capacity of each machine. We rounded this number up to get the maximum number of machines needed per year. The results of the machines we need can be seen below.

Machines Need

Macchine	Velocity (m/min)	Max Monthly Production	Year 1	Year 2	Year 3	Year 4	Year 5
Saw	7	64.260	1	1	1	1	1
Veneer	20	183.600	1	1	1	1	1
Sand	12,5	114.750	1	1	1	1	1
Varnish	25	229.500	1	1	1	1	1
Spray booth			1	1	1	1	1
Packer	12 RPM	189.000	1	1	1	1	1
Dust Collecter		64.260	1	1	1	1	1

Table 7- Machines needed per year

All machines needed will be described in the section about the furniture production process except the Spray Booth and the Dust Collector. The spray booth is a shed used to protect the varnish from entering into other parts of the factory (illustration 11 in the appendix). The dust collector collects the sawdust the saw expels. Below you can see a description of each machine:

RAW MATERIALS	Machine	Price	Workers/ Machine	Velocity (m/min)	Size-Width	Size-Depth	Size-Height
Saw	ACHILLI ABS-3500-CE BRIDGE SAW	60.014 €	2	7	4600	2200	
Veneer	Kuper FW 1150	18.000 €	2	20	2130	750	
Sand	Volpato- Mod. LBK 150/ST1	18.000 €	2	12,5	2200	1000	1960
Varnish	Campbell Hausfeld HV3000	333 €	1	-	-	-	-
Spray booth	Open Face Industrial Paint Booth	989 €	-	-	1219	1524	2438
Packer	Raptor 525	6.159 €	1	12 RPM	3902	1591	2511
Dust Collecter	DCE Unimaster UMA-252 Dust Collecto	5.879 €	0	0	1160	762	

Table 8- Feature of machines

4.3.3 Utilities required

To determine the utility requirements per month we used the maximum capacity the machine could produce and considered the capacity of the workers per day (85% at full capacity) to determine how much time a week a machine would be working. The result is that in the second year, when the factory is producing year round, we will be spending around 2,600 euro on machine utilities. Below is an example of our expenses:

ELECTRICITY NEEDS

Machine			Year 1		Year 2		Year 3		Year 4		Year 5	
	Kwatt/hour	euro/Kwh	Machines	Cost	Machines	Cost	Machines	Cost	Machines	Cost	Machines	Cost
Saw	14	0,08	1	73 €	2	713 €	2	2.322 €	2	2.595 €	3	2.763 €
Veneer	1,5	0,08	1	3 €	1	27 €	1	87 €	1	97 €	1	104 €
Sand	5,82	0,08	1	1 €	1	12 €	1	39 €	1	43 €	1	46 €
Varnish	1	0,08	1	0 €	1	1 €	1	3 €	1	4 €	1	4 €
Spray booth												
Packer	2	0,08	1	0 €	1	0 €	1	0 €	1	0 €	1	0 €
Dust Collecter	2,2	0,08	1	12 €	2	112 €	2	365 €	2	408 €	3	434 €
TOTAL	**26,52**		6	**89 €**	8	**865 €**	8	**2.817 €**	8	**3.147 €**	10	**3.351 €**

Table 9- Example of electricity needs per month

4.3.4 Safety

The safety of our workers is one of our biggest concerns. We will take all measures to assure that our workers are safe. In order to do this we will receive the ISO 19001 certification. Additionally, we have to consider the labor laws in Chile that will protect our workers.

4.3.5 Layout of the Factory

According to the dimensions of the raw material, machines and finished product is possible to determine the size of the factory.

The next figure shows the design of the factory and the stocks. The process is lineal, and the layout of the machine in the factory allows reduce the wasted time of transferring materials between the stocks and the factory. The chart below shows the layout of the factory for the 5th year.

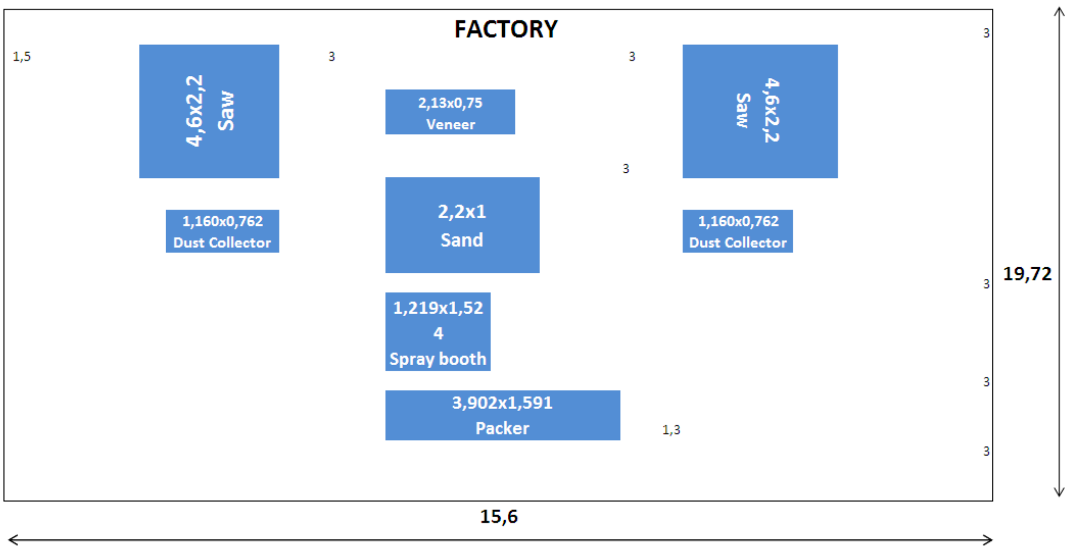


Image 2- Factory **Design**

4.3.6 Waste removal

We will use a company, Hidronor, which will be in charge of waste removal from our factory. They recycle all the waste they remove.

4.4 Description of the Process

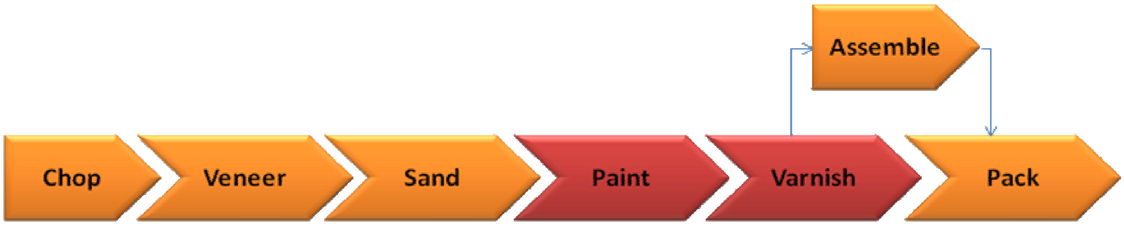


Image 3- Scheme of the production process

Saw

Sawing is the first step in the furniture production chain. Once the wood boards arrive at the factory, they enter in the saw to obtain the pieces of wood with the determined size; depending on the type of furniture that it is going to be produced.

Veneer

This process consists of putting a veneer on the sides of the little pieces of wood that were obtained in the step before, in order to give the furniture a finished appearance.

Sand

The surfaces of the pieces of wood could be irregular. This step makes the wood surface uniform.

Paint

Depending on the type of finished product that has been sold, it is possible to paint the pieces of wood, once they are sanded. This step is not mandatory in the furniture production chain and will not be used for our products.

Varnish

Instead of painting the wood we will varnish it; the process consists in staining the wood to be a certain color while maintaining the appearance of the grains.

Assembly

This process consists of putting together the furniture´s finished pieces to make a piece of furniture. This process will take place in our warehouse in Chile or in the warehouses in the United States or Spain, depending on the final destination of the furniture

Packing

For the products that will be sent to the United States and Spain, we will pack the raw materials required to assemble the furniture destined for those regions in our factory in Chile. This material will have to be packed in plastic in order not to collect dust. Once assembled in the United States or in Spain, the product will be packaged for distribution to the final customer. For the furniture destined for Latin America, the already assembled furniture will be packaged and shipped to the customer from our Chilean factory. More information about the packaging is available under the Distribution section of this document.

The following table shows the time spent to produce each product and the process is broken down:

	Drawers	Night Stand	Bookcase	Bed
Saw	13,12	5,23	2,22	2,22
Veneer	4,59	1,83	0,78	0,78
Sand	0,51	0,12	0,22	0,22
Varnish	0,25	0,06	0,11	0,11
Total production time (min)	18,48	7,24	3,33	3,33
Assembly	30,00	10,00	5,00	30,00
Packer	2,00	2,00	2,00	2,00
TOTAL TIME	50,48	19,24	10,33	35,33

Table 10- Production time

4.5 Raw Materials

4.5.1 Wood

We will use two types of wood in our furniture-Oriented Strand boards and Plywood boards. The Oriented Strand Boards (OSB) will be used for interior parts of the furniture that are not visible. The plywood boards will be visible to the consumer and will have a veneer to stain to make it the required color.

Oriented Strand Board:

The Oriented Strand Board is a board made up of an agglomeration of particles and covered on both sides with resins that give the appearance of wood. The surface is close, hard and resistant, making it able to hold large weights. The colour of the furniture it is determined by the type of wood and the treatment used in the fabrication of the board. In the appendix, Illustration 5, there is a list with the different national and traditional woods. We will use this type of wood for interior parts of the furniture, and parts that will bear a lot of weight.

Basic Properties:

				thickness mm			
Properties	**Reference method**	**Unit**	**Tolerance**	**9***	**15**	**18**	**24***
Density	**E N 323**	**[Kg/m3]**	**± 20**	700	640	630	600
Flexibility	**E N 310**	**[N/mm2]**	**± 1,5**	16	16	15	15
Traction	**E N 319**	**kg/m3**	**± 0,15**	0,50	0,50	0,50	0,45
Extraction of the screw	**E N 320**	**[N]**	**-**	N/A	min.800	min.800	min.800
Hincham 24 hours	**E N 317**	**[%]**	**-**	Max.25	Max. 25	Max. 25	Max. 25

Format (m) 1.52 x 2.44 / 1.83 x 2.50 *Thickness made by order. N/A: No Applicable

Table 11- Oriented Strand Board Format

Plywood:

The Plywood made by thinly slicing wood and joining it together to make a sheet; because the sheet is made by alternating the grain direction of the wood, the properties of the wood are similar in the whole sheet (see illustration 6 in the appendix). Because of this process, plywood can hold large weights and can be made into large boards. In the appendix, illustration 7, there are pictures of plywood board.

4.5.2 Suppliers

All our suppliers must provide us with wood that carries an Forrestal Stewardship Council (FSC) certification. The FSC certification is based on 10 principles about how forests should be managed (for a list of these principles see appendix illustration 8); based on these principles the FSC has developed a set of rules from which they certify wood suppliers. From the list of FSC certified suppliers we have chosen to use MASISA S.A. DIVISIÓN MADERA SÓLIDA because of its pricing and product offers. Their certificated code is SGS-COC-00687 / SGS-CW-000687. Has distribution points spread all around Chile.

4.5.3 Cost

	OSB	PLYWOOD
Cost for meter 2	7,90 €	8,50 €
m2 per board	3,7	3,6
Cost per board	29,30 €	30,60 €

Table 12- Raw Material Costs

The raw material costs will be a significant part of the overall cost of producing our furniture and will increase yearly in function of our production and with inflation.

That means that raw material costs for each piece will be:

BOOKCASE	TABLE	DRESSER	BED
75,45 €	61,85 €	160,39 €	106,31 €

Table 13- Raw Material Costs per piece

4.5.4 Weight

The estimated weight of the raw material in each piece of furniture is shown below in kilograms:

Total Cost	Weight per piece
BOOKCASE	23,84
TABLE	34,54
DRESSER	39,36
BED	118,38

Table 14- Weight per piece

This weight will be used to calculate the shipping amounts and costs. How we ship our final products will be described later in the document.

4.5.5 Raw material inventory

When considering our inventory, we will have to be sure to have enough raw materials on hand to allow our factory to run smoothly. This means that we will have to have a certain amount of safety stock; in this case we will have one half of our average monthly production.

Safety	Jan		
	SBO	PLYWOOD	ADITTIONAL
required wood	242	351	4397
safety stock	121	176	2199
Cycle	extra inventory due to cycle time		
Anticipation	depending on seasonal orders- deturmined by sales predictions and accounted for in safety stock calculations		
Blocked	should be 0		
Obsolete	should be 0		
Order time			
wood	2 months		
additional	2 weeks		

Table 15- Example of inventory management for January demand of Year 1

(Please note, as we will later discuss, we will not be making furniture for this month of demand because we will start sell in July of year 1.

In addition to safety stock we will have stock on hand due to our ordering lead times; that is the time between we receive the wood and it is used. Wood orders will take 2 months to process and additional orders (screws, nails etc…) will take two weeks to process. We will pay for our raw materials when they arrive in the factory; as a result there will be a cost in the month they are received. To see a detailed ordering schedule refer to excel sheet ¨Ordering Plan¨.

	JUN 1			JUN 15		
	SBO	PLYWOOD	Additional	SBO	PLYWOOD	Additional
Forecast	69	83	619	69	83	619
Safety Stock Needed	69	83	619	74	69	667
Projected on hand	0	0	0	0	0	0
In transit	185	211	1070	203	236	1118
Planned shipments- placed	87	108	667	152	202	667
Planned shipments- receive	69	83	619	74	69	667
Safety Stock Remaining	69	83	619	74	69	667

Table 16- Example of a monthly ordering plan for June of the first year is below

4.5.6 Warehousing of raw materials

The raw material warehouse is one of the two warehouses in our factory—the other being the warehouse of finished goods. For this warehouse we will need a forklift and pallet racks. Pallet racks are industrial racks used to store material (see appendix illustration 9 for an example). We will require 12 racks to store all the raw materials needed. There will be two sets of racks with the same quantity of inventory; the idea is that one set of racks will have the necessary inventory and the other will have the safety inventory. Once one rack is empty, the other rack of wood boards will be used. New inventory will be put into the empty rack (or rack that is most empty). Doing it this way assures that we will always be using the oldest material, assuring that we do not lose any inventory due to obsolete materials. The additional rack contains the boards that have a .115 cm width because there was not a way to fit them into the 4 racks that the other boards are stored in. The additional rack will have two shelves and will follow the same pattern as group 1 and group 2. An example of how the inventory is managed is below, for more information please see excel sheet ¨Ordering Plan¨.

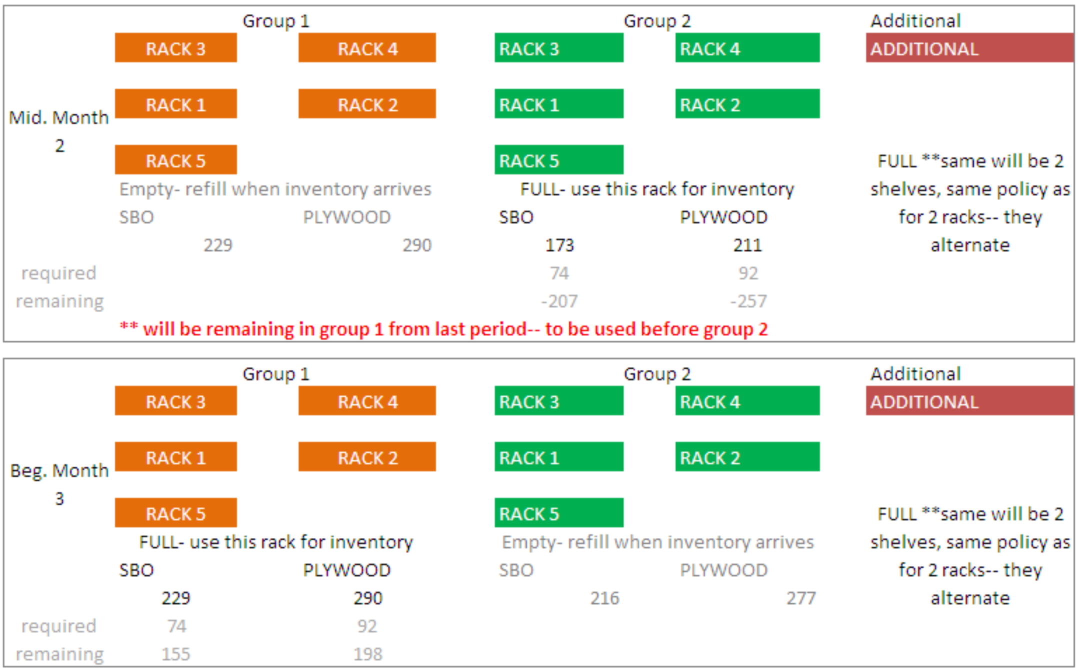


Image 4- Example of how the inventory will be used. Please note- this is for a hypothetical month

The design of the warehouse for raw materials will be as follows:

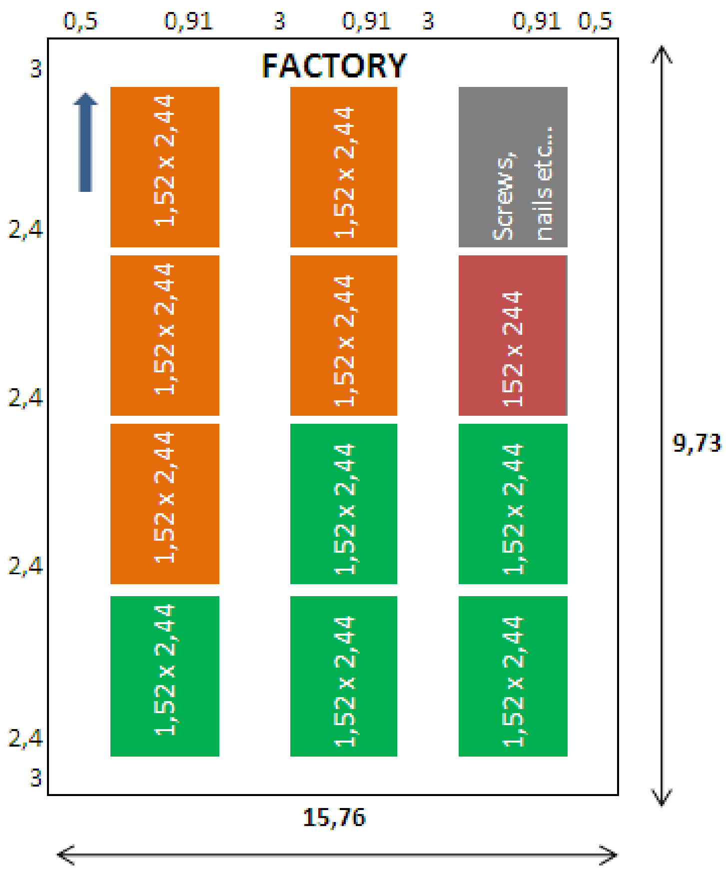


Image 5- Raw material warehouse

This takes into consideration the amount of room needed for the pallet racks, the forklift and the forklift's turning radius (318 cm). The warehouse will be 9,73 meters x 15,76 meters.

4.6 Definition of the Product

4.6.1 Design description

The furniture´s design will be modern with a natural touch. Initially we will have the furniture designed by an outside expert; we will then consult this expert yearly to be sure our furniture design remained modern and attractive to the final consumer. More details about the furniture´s design will be included in the Marketing Plan. Below is a list of materials we will need to make what we are planning to initially produce- a bed, a dresser, a bedside table and a bookcase. These plans do not reflect actual furniture Akün will produce but are used to estimate how much wood and what machines we will need for production.

Bed

Below is a list of the materials we require to make a bed. A picture of the bed that these materials make is in the appendix illustration 1 as well as a plan of how to make the bed.

Quantity	Size	Additional
Wood		
2e	2-1/2 x 2-1/2 x 31-1/4"	Post
2e	2-1/2 x 2-1/2 x 21-1/4"	Post
4	3/4 x 2-1/2 x 2-1/2"	Foot
2	1-1/8 x 3 x 60-7/8"	Top rail
1	1-1/8 x 6 x 60-7/8"	Bottom rail
1	1-1/8 x 6-3/4 x 60-7/8"	Bottom rail
1	1-1/8 x 6-3/4 x 60-7/8"	Mattress rail
4	1-1/8 x 3-1/8 x 6-1/2"	end stile
10	1-1/8 x 3-1/8 x 6-1/2"	stile
12	1/2 x 5-3/4 x 7"	plywood
2	1-1/2 x 3-1/2 x 8"	support block
2	1 x 3-1/2 x 65-3/8"	cap
2	1-1/8 x 6-3/4 x 79-3/8"	Side rail
10	3/16 x 2 x 2"	Panel
2	1-1/2 x 3-1/2 x 79-1/4"	Support rail
1	1-3/4 x 3-1/2 x 80-3/4"	support beam
16	3/4 x 4-3/8 x 60-5/8"	slat
Screws		
as required	1-1/2" No. 8 fh woodscrew	
4	2" No. 8 fh woodscrew	
as required	2-1/4" No. 8 fh woodscrew	
Additional		
as required	pomele sapele veneer	

Table 17- Bed pieces

Dresser

As with the bed, below is a list of the materials we will need to make a dresser. The picture of the bed that can be made with these materials and the plan of how to do it are included in the appendix illustration 2.

Quantity	Size	Additional
Wood		
4	3/4 x 2 x 16-3/4"	side rails
4	1-3/4 x 1-3/4 x 36-1/4"	legs
2	1/4 x 16-11/16 x 27-11/16"	Sides -p
4	3/4 x 3/4 x 3-1/2"	spacer
12	3/4 x 3/4 x 6-1/4"	spacer
10	3/4 x 1-1/2 x 17-1/2"	guide
5	3/4 x 2 x 31-1/2"	front rail
4	3/4 x 1-1/4 x 31-1/2"	rear rail
1	3/4 x 1-1/2 x 31-1/2"	rear rail
10	3/4 x 1-1/2 x 16-3/4"	runner
1	3/4 x 1-1/4 x 31-1/2"	trim rail
2	3/4 x 2-1/2 x 16"	runner
2	3/4 x 1-1/2 x 16-3/4"	guide
2	3/4 x 2 x 5"	divider
1	3/4 x 20 x 36"	Top
2	3/4 x 4-7/8 x 15-9/32"	drawer front
3	3/4 x 6-7/8 x 31-13/32"	drawer front
4	11.5mm x 4-7/8 x 18-7/8"	side
6	11.5mm x 6-7/8 x 18-7/8"	side

2	11.5mm x 4-7/8 x 14-7/8"	back
3	11.5mm x 6-7/8 x 31"	back
2	1/4 x 14-3/4 x 18"	Bottom –p
3	1/4 x 18 x 30-7/8"	Bottom –p
1	1/4 x 29-1/2 x 32-1/2"	case back – p
1	1/4 x 18-1/2 x 31-1/2"	case bottom- p
Screws		
10	1" No. 10 panhead screw and washer	
14	3/4" No. 6 panhead screw	
as required	2" No. 8 fh woodscrew	
as required	1-1/4" finishing nail	
Additional		
8	drawer pull	
10	1/2" 10-mil nylon tape	
10	3/8"-dia. x 2" dowel	
Wood stain		
Glue		

Table 18- Dresser pieces

Table

Below is a list of materials we will need to make a table. A picture of the table that can be made with this material as well as the plan can be found in illustration 3 in the appendix.

Quantity	**Size**	**Additional**
Wood		
4	1-3/4 x 1-3/4 x 22-3/4"	leg
16	1/8 x 1/8 x 22-3/4"	inlay
4	3/4 x 1-3/4 x 1-3/4"	foot
2	3/4 x 12-3/4 x 16-1/4"	Side core
2	12-3/4 x 16-1/4"	veneer
2	12-3/4 x 16-1/4"	veneer
2	1 x 1-3/4 x 12-3/4"	Side rail
2	3/4 x 1-3/4 x 19"	Bottom rail
1	3/4 x 4 x 19"	Back rail
1	3/4 x 14-1/4 x 17-1/2"	shelf
1	3/4 x 15-7/8 x 20-1/4"	Top core
2	12-3/4 x 16-1/4"	veneer
2	12-3/4 x 16-1/4"	veneer
1	1/8 x 1/8 x 20-1/4"	inlay
2	1/8 x 1/8 x 15-3/4"	inlay
2	12-3/4 x 16-1/4"	veneer
2	12-3/4 x 16-1/4"	veneer
1	15-7/8 x 20-1/4"	veneer
1	3/4 x 31-5/16 x 17-3/8"	drawer face
2	1/2 x 2-1/2 x 13-1/4"	drawer side
1	1/2 x 1-3/4 x 16-1/2"	drawer back
1	1/4 x 12-1/4 x 16-1/2"	drawer bottom-p
Screws		
as reqd.	No. 20 plate	
3	1/2" No. 8 rh woodscrew	
4	1-1/2" No. 8 fh woodscrew	
Additional		
1	Drawer pull	
1	Drawer slide (pair)	

Table 19- Table pieces

Bookshelf

Below is a list of all the raw materials we will need to use to make a bookcase and their size. A plan of how to make the bookshelf can be found in the appendix illustration 4.

Quantity	Size	Additional
Wood		
2	3/4 x 12 ½¨x 54 3/4¨	Sides
5	3/4 x 12 ½¨x 28 ½¨	Shelves
1	1/8¨ x 28 ½¨x 54 ¾¨	Bacl
Screws		
6	penny finishing nails	
32	5/8-inch brads	
Additional		
carpenters' glue		
shelf-edge molding		
wood filler		
Sandpaper		
stain or pain		

Table 20- Bookshelf

4.7 Distribution of the Final Product

As mentioned in the sector analysis, we have three options when it comes to shipping; creating an internal shipping department, using a distributer for shipping or using a fulfillment center.

We have considered two distribution options- creating an internal shipping department or using DHL and UPS to do our shipping.

4.7.1 Option One

Option 1 would be to use a vendor, like DHL, FedEx or UPS, to ship from the factory to the final customer. Advantages of this option are the following:

a- Lower required inventory

By shipping directly from Chile with a supplier we will be required to have less inventory on hand. That is to say that if we were shipping to regional distribution centers we would be required to keep inventory in those centers, which would increase our fixed costs with respect to the inventory; also this means that we might have outdated inventory; products may be shipped to these centers and never sold, and the company would either have to absorb the cost of shipping the goods back to Chile or disposing of them. These types of suppliers are flexible enough to be able to send the required amount of inventory at any moment.

b- Simplified customs process

The shipping company will handle the customs process for us, providing us with the necessary forms and guiding our products through the process. This will cut back on time and required resources that would have been necessary if we had established our own shipping department. And since they have experience with the customs unions the process will be easier.

c- Better customer service

Customers can track the status of their order on the company´s website, as well as receive their desired product faster because we can ship from Chile with more frequency. Additionally, it is easier to return a product using the distributers return systems.

d- Lower transportation costs

Shipping in bulk with other goods will lower our transportation costs. It will also require no infrastructure investments on our parts and assure that the final product gets to the consumer.

e- Expert knowledge

Shipping companies have knowledge of the problems facing SMEs who ship their products abroad and their experience can help us with our logistics (Fedex has a program for SMEs in Latin America where they provide business advice and discounts). They also understand how to handle customs duties, which could reduce unexpected costs.

f- Global reach

These companies have the ability to access all parts of the world and will simplify our logistics process because we would be working with the same trusted vendors wherever we ship in the world.

Using a supplier to distribute our product implies that we will need to have warehouse facilities and a good system for keeping track of our inventory.

Option 1- *Transportation/ Logistics*

DHL would be our shipping vendor in Europe because they provide the most amount of additional supply chain support to companies. DHL offers a service called DHL excel which provides various additional value added services; DHL calls these services right-shoring and they include:

Warehousing and assembly services- DHL provides warehousing in the each country and can assemble the products once they arrive in the country. This will reduce shipping costs since it will be cheaper to send the parts instead of the whole piece. They have experience assembling furniture products.

Packaging- DHL can package the products once they are assembled.

Return services- DHL provides services for managing customer returns that include sorting, verifying and managing all products returned

Consolidation, deconsolidation and home delivery services- DHL provides consolidation and deconsolidation services; which mean that they package your shipment before sending and take it apart when it arrives- in order that it can be sent to the individual consumer.

These services are of additional importance for us because we will be shipping around the world, and will not be able to finalize the process once they arrive.

DHL only offers these services in Europe so in the Americas UPS will be our supplier. They offer similar services to DHL. These services include:

Shipment Deconsolidation and home delivery services- Just like DHL, UPS provides deconsolidation services and is able to

Package tracking- UPS provides the customer with the ability to track the progress of their package at any point in the process. This will be helpful because the customer will know the status of their order when it is placed.

The shipping costs will be passed on directly to the consumer.

4.7.2 Option two: Internal distribution department

Our second distribution option consists of three steps: Shipping the unfinished product in containers by boat to warehouses in North America (Houston Texas) and Europe (Valencia Spain), warehousing the product in these countries (and in Chile), and sending the product to the final consumer once the order is placed from the regional warehouses. We will ship un-assembled pieces to the warehouses to be assembled once they arrive in the countries.

Containers

To determine the amount of containers needed we divided the amount maximum - volume and weight of the raw materials needed per month by the total capacity of containers needed per month. We have also taken into consideration that we will need an extra container of products in each country as safety stock. As a result the container shipping schedule is as following:

UNITED STATES

	Amount already shipped	Containers Filled	Containers this month +remaining	days to fill container	Containers Shipped	Amt. Remaining	Extra Containers Shipped	TOTAL CONTAINERS SHIPPED
MONTH 1		0,94	0,94	25,56	0	0,94	1,00	1
MONTH 2	0,06	0,92	0,86	25,97	0	0,86	1,00	1
MONTH 3	0,14	1,85	1,71	12,97	1	0,71	1,00	2

EUROPE

	Amount already shipped	Containers Filled	Containers this month +remaining	days to fill container	Containers Filled	Amt. Remaining	Extra Containers Shipped	TOTAL CONTAINERS SHIPPED	Days of supply per container
MONTH 1		0,09	0,09	264,92	0	0,09	1,00	1	181
MONTH 2	0,91	0,09	-0,82	271,12	0	-0,82	0,00	0	
MONTH 3	0,82	0,18	-0,64	133,99	0	-0,64	0,00	0	

Image 6- Example of container shipping

Please note that in many months in Europe we will have to ship inventory to Europe for many additional months. We have to ship so much in order to fill a whole container. This means that our inventory value will be high in our balance sheet; this will also affect our net operating funds as we have so much inventory.

Shipping Vendor

Our shipping vendor will pick up our goods from the factory and deliver them to the warehouses in the United States and Spain. The shipping costs are as follows:

Cost per container		
EU	$2.101	1.618 €
USA	$2.451	1.887 €

Table 21- Cost per container

4.7.3 Warehouses

We will need warehouses to contain the capacity of the maximum number of containers we will ship per month plus the safety containers. This means that in the United States and Europe we will need the capacity to store until 2 containers worth of inventory. In Chile we will need the production for half of the month before. Below you can see the layout of the warehouses we will need:

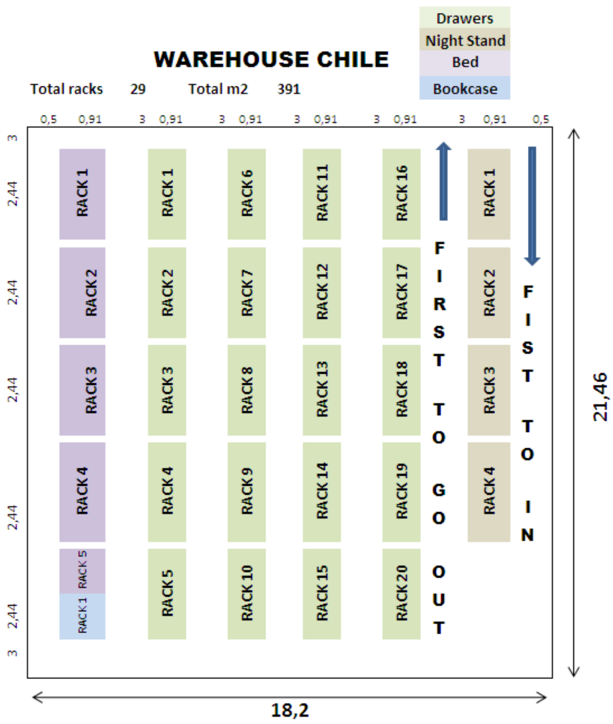


Image 7- Warehouse layout in Chile

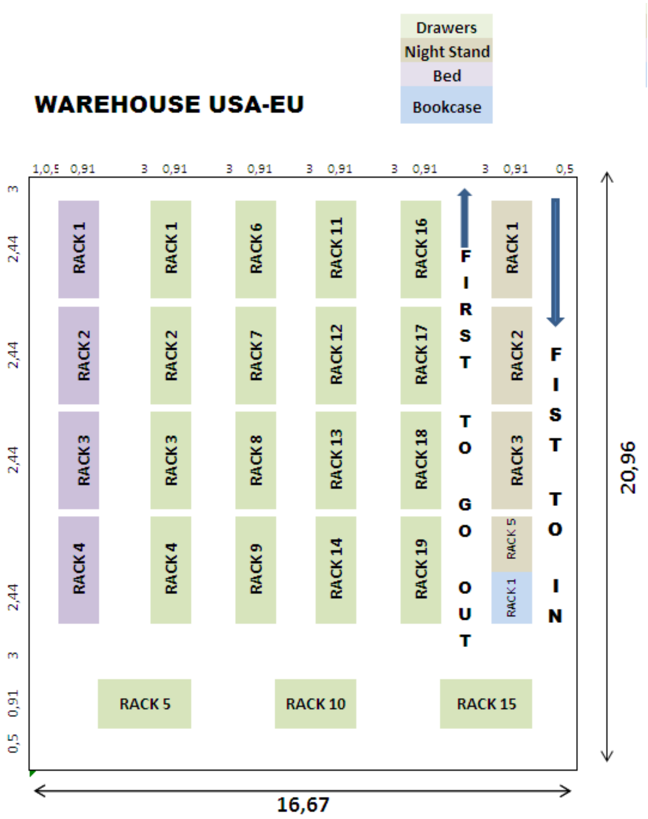


Image 8- Warehouse layout in the EU and the USA

Production time

The production time per month is as follows:

Container	Time	Lot size	Cycle time	Wait time	Production start day	Prod time	production end day	Shipping start day	Shipping time	Loading time	Packing time	Shipping end day	Assembly time	Assembly end date	Days of supply / container	Total time	Sell date from production	Inventory end of month	start date	Sales start date
MONTH 18	NO. Containe		2	1														27		
Container 1	Destinatior USA				371,42	7,51	542,99	542,99	8,00	4	1,81	556,80	13,43	570,22	16,36	34,75	569	1.082	390,32	422,58
Saw	2241	100	22,4	73822																
Veneer	975	100	10	73845																
Sand	110	100	1	73854																
Varnish	55	500	0,11	73855																
Container 2	Destinatior USA				515,10	7,51	691,64	691,64	8,00	4	1,81	705,45	13,43	718,88	16,36	34,75	718	1.082	406,68	438,94
Saw	2241	100	22,4	76063																
Veneer	975	100	10	76086																
Sand	110	100	1	76095																
Varnish	55	500	0,11	76096																
Latin America	Destinatior Chile				663,01	0,39	837,41	837,41	0,00	0	0,00	837,41	13,43	850,83	24,00	13,82	849	465	395,14	409,00
Saw	127	100	1,27	78304																
Veneer	44	100	0,44	78305																
Sand	5	100	0,05	78306																
Varnish	0,04	500	0,00	78306																
MONTH 19	NO. Containe		2	0														63		
Container 1	Destinatior EU				395,42	7,51	577,23	577,23	15,00	4	1,81	598,04	13,43	611,46	63,09	41,75	610	3.531	382,48	487,76
Saw	2241	100	22,4	78431																
Veneer	975	100	10	78453																
Sand	110	100	1	78463																
Varnish	55	500	0,11	78464																
Container 2	Destinatior USA				547,80	7,51	734,59	734,59	8,00	4	1,81	748,40	13,43	761,82	15,07	34,75	760	1.082	421,74	454,00
Latin America	Destinatior Chile				704,42	0,46	889,13	889,13	0,00	0	0,00	889,13	13,43	902,55	24,00	13,88	901	466	419,11	433,00

Table 22- Production time example

4.8 Returns

As happens with any manufacturing company we expect to get a certain amount of our products returned every month. To handle these returns the operations department will have to work closely with the Marketing department; to facilitate this cooperation we will have a customer service representative who will be responsible for this communication. Akün´s return policy will be discussed in more depth in the Marketing Plan.

4.9 Labor Needs

The labor needs we will have for our factory and warehouses are below. More detailed information can be found in the excel sheet ¨employee costs¨ and information about bonuses will be included in the human resources section of our project.

4.10 Worker profiles

Factory Manager (plant head)

- Functions
    - Work with headquarters to make sales predictions, report costs etc….
    - Management of Manpower (Planning and proper utilization).
    - To attend all audits of customer's along with the Production in charge
    - To monitor and enhance standard set vis-à-vis quality
    - To develop, implement and maintain housekeeping systems and procedures
    - To draw strategies and implement cost saving measures
    - Planning and implementation of production program and schedule
- Responsibilities
    - Supervise factory supervisor and logistics supervisor to assure that production runs smoothly
    - Supervise Warehouse managers in the USA and in Spain
    - To oversee all statutory works related to Government and other authorities.
    - Responsible for smooth and efficient working of the unit

- To enhance profitability of the unit

- Competencies
  - Should have experience in General Management, Technical Service – Support operations, erection and commissioning of equipments, production and maintenance in the plastic industry.
  - 6/9 years experience
  - Techno commercial exp from materials

Education
  - Engineering

Plant supervisor

- Functions
  - Plan, lead, direct operation activities on the shift and give appropriate feedback to employees.
  - Build teams and assign accountability.
  - Develop a work environment within manufacturing that promotes trust, teamwork quality and safety.
  - Ensure production of a quality product in compliance with Safeway, Federal and State guidelines. Ensure regulatory compliance as appropriate.
  - May schedule production, schedule crews, order materials, and/or order supplies. Plan, delegate, and monitor progress on work assignments and special projects.
  - Manage to assigned financial budget targets - typically labor/productivity mgt, waste mgt and efficiency.
  - Utilize new technology and Lean manufacturing principles and processes available to maximize efficiency.
  - Identify cost cutting measures.
- Responsibilities
  - Primarily responsible for supervising shift employees who perform one or a combination of manual or machine food processing operations, warehousing, sanitation.
  - Responsible for all processes on the shift.

- Oversee activities including ordering, processing, packaging, sanitation, and shipping of all plant products and services.

- Competencies
  - 4 year college degree in related field preferred.
  - 1-5 years in manufacturing/production environment with industry experience.
  - Proven understanding of production/operations/manufacturing requirements.
  - Ability to manage and develop employees.
  - Working experience with equipment/maintenance.
  - Ability to effectively communicate both verbally and in writing.
  - Proven time management skills.

Working knowledge of MS applications including proficiency with Microsoft Word, Microsoft Excel, PowerPoint and ability to grasp additional business related applications.

Logistics supervisor (suppliers/ assembly/ distribution)

- Functions
  - Supervise shipments of material to warehouses in Spain and USA, work with logistics operators in these warehouses
  - Supervise the assembly of final stock
  - Work with Logistics Manager to define requirements for operations and ensure that the implementation of new strategies and initiatives to effectively meet or exceed these requirements as well as customer expectations.
  - Oversee daily execution of shipping, receiving, safety, and inventory management processes
  - Responsible for exceeding customer metrics (cost, quality, and responsiveness)
  - Coach Lean Warehousing System on the floor
  - Provide accurate, responsive customer service
- Responsibilities

- Responsible for raw material orders, and work with factory supervisor to assure that raw materials are not out of stock
- Ensure safe work environment for all employees

- Competencies

Technical Skills

- Warehouse Knowledge
- Production and labor planning / Optimization
- Warehouse management
- Material Handling equipment and storage medium

Behavioral Skills

- Communication
- Written and verbal skills with peers, subordinates, management and customers
- Meeting facilitation
- Leadership
- Decision Making and Problem Solving (Able to use systematic approach in decision-making)
- Team Orientation

Experience

- 2 years managerial experience providing overall direction, implementation, and continuous improvement of logistics solutions in all phases of warehousing and distribution

Education

- Degree in Logistics or related field preferred experience may substitute for education

<u>*Data Warehouse Analyst*</u>

- Functions
  - Manage warehouse stock handlers and logistics operator
  - Along with logistics operator, manage customer returns

- Provide support to stock handlers or logistics operators if required

- Responsibilities
    - Will lead technical integration of data sources, build interfaces and briefing books.
    - Provides project leadership, training and work direction to staff. Manages and coordinates change requests and software support requirements.
    - Prepares business cases regarding projects and presents recommendations to management. Also provides input for budgets and operating plans.
- Competencies
    - University or College education in Computer Science or related field.
    - Good knowledge of ProClarity and MS SQL 2005 T-SQL, MDX, integration services, reporting services and Data Modeling.
    - ERP experience desired, preferably in Great Plains. Ability to work in a highly entrepreneurial environment.

Technical:

- *Machine operators:*

Machine operators are responsible for a smooth course of machine production. The operator must ensure man, machine and product safety and fulfill all the tasks of his job profile with high accuracy, contributing to a stable course of production and a high level of machine efficiency. Besides "running" the machine, he is able to perform small daily and weekly maintenance, light repair and cleaning works to instructions. To guarantee a high efficiency, a proactive observation upstream and downstream of the machinery is necessary.

- *Assemblers*

Performs manual labor along a production line/ Operates and troubleshoots production line machinery and computers/ May perform minor repairs as necessary

Note: we have more assemblers in Europe and in the United States than in Chile. This effects our production time.

- *Lumber handlers*

Stacks lumber on kiln cars, in yard, or in shed to dry or store, performing any combination of following tasks: Places lumber piece by piece in layers, leaving space between edges of adjacent pieces. Places sticks between layers as stack rises to permit circulation of air and bind stack together. Stands on ground and hands lumber to another worker on top of stack. Positions timbers on kiln car, ground, or shed floor to build foundation for lumber stacks. Places blocks against wheels of loaded kiln car in dry kiln to prevent movement of car. Unloads lumber from stacks or kiln cars. Places lumber, veneer, or plywood on conveyor for further processing. Loads and unloads stacking machine, working in teamwork with other workers. Sort, pile and transport wood products, Remove scrap lumber and wood chips for reprocessing, clean machinery and work areas, Assist other processing workers.

- *Stock handler*

Stock Handlers perform various tasks involved in moving, marking, stocking, and displaying products in retail stores, wholesale businesses, and stock departments of manufacturing companies. Select merchandise from storage areas and take it to sales floor, Open cases of merchandise and mark prices on items, Place merchandise on shelves or racks, Rotate items so oldest stock will be sold first, Set up product displays, Repack merchandise to be returned to suppliers, Clean-up work area after merchandise has been stocked, Keep an inventory of material stocked, Mark order forms to order merchandise.

4.11 Technological Needs

4.11.1 Computers

We have considered that we will need a computer for each administrative person and a laptop for each person in a management position. The computers we have chosen for the people in management in the factories are especially designed to resist dust that might come from being in a factory or a warehouse. The computer requirements and costs are the following:

Computers Required		Year 1		Year 2		Year 3		Year 4		Year 5
Cost per computer										
PC- OptiPlex 160	Administrative	439 €		439 €		448 €		461 €		475 €
Laptop- Latitude E6500	Management	849 €		849 €		866 €		892 €		919 €
Laptop- Latitude E6400 ATG	Management	1.299 €		1.299 €		1.325 €		1.365 €		1.406 €
Monitors										
Dell S1909WX Flat Panel	All	84 €		84 €		86 €		88 €		91 €
	Total # comp	Costs	Total # comp	Costs	Total # comp	Costs	Total # comp	Costs	Total # comp	Costs
PC- OptiPlex 160	**4**	**1.756 €**	**0**	**- €**	**0**	**- €**	**0**	**- €**	**0**	**1.756 €**
Madrid Office	3	1.317 €	0	- €	0	- €	0	- €	0	1.317 €
Chile Factory	1	439 €	0	- €	0	- €	0	- €	0	439 €
USA warehouse	0	- €	0	- €	0	- €	0	- €	0	- €
Spain warehouse	0	- €	0	- €	0	- €	0	- €	0	- €
Laptop- Latitude E6500	**3**	**2.547 €**	**0**	**- €**	**0**	**- €**	**0**	**- €**	**0**	**2.547 €**
Madrid Office	3	2.547 €	0	- €	0	- €	0	- €	0	2.547 €
Laptop- Latitude E6400 ATG	**6**	**7.794 €**	**1**	**1.299 €**	**0**	**- €**	**0**	**- €**	**0**	**7.794 €**
Chile Factory	5	6.495 €	0	- €	0	- €		- €		6.495 €
USA warehouse	0	- €	1	1.299 €	0	- €		- €		- €
Spain warehouse	1	1.299 €	0	- €	0	- €		- €		1.299 €
TOTAL COMPUTERS	**13**	**12.097 €**	**1**	**1.299 €**	**0**	**- €**	**0**	**- €**	**0**	**12.097 €**
Monitors	13	1.091 €	1	84 €	0	- €	0	- €	0	1.091 €
TOTAL COMPUTER COST		**13.188 €**		**1.383 €**		**- €**		**- €**		**13.188 €**

Table 23- Computer requirements and costs per year

4.11.2 Maintenance

We will contract an outside company to fulfill our computer support needs. They cost 15 Euros per hour and we expect that we will use 15 hours per month. Additional IT support will be required for the website but that will be further discussed in the Marketing Plan.

4.11.3 ERP/ MRP overview

We have defined the necessary functions of our ERP as the following:

Back End - Primary

- Production
- Inventory
- Distribution
- Sales
- Marketing
- Procurement
- Distribution
- Post Sales

Back End – Secondary

- Finance
- Accounting
- HR
- Administration
- Technology

Based on these requirements we have decided to use an ERP called Open bravo. The Open bravo system has the capacity to: future provision management, warehouse management, production management, sales management, project and services management, financial and accounting management.

ERP Costs

The costs of the ERP are as following:

Standard Project with production and MRP 600h. -- -> 42.000€

Open bravo professional service for updates and security copies -- > 5.000€

Application Server -- > 2.000€

Total approx. 50.000€ per year.

4.12 Communication

Communication between the factory, headquarters and warehouses is fundamental to our operations running smoothly. To facilitate this we expect our offices to have at least weekly operations conference calls. Additionally, we have budgeted for trips between all offices in order to assure that everything is running smoothly. The trip budget and schedule can be seen below:

	Madrid-Valencia	Madrid-Chile	Chile-US
Days	3	5	5
Trips / year	3	3	2
Fly + Hotel	209,00 €	1.100,00 €	800,00 €
Meals	150,00 €	100,00 €	150,00 €
Taxi	20,00 €	200,00 €	300,00 €
	3.411,00 €	21.000,00 €	12.500,00 €
Total Trip costs	**36.911 €**		

Table 24- List of the costs planned for the trips

4.13 Corporate Social Responsibility

For Akün, using resources responsibly is fundamental to our companies' mission. As a result we have committed to devote 10% of our companies´ profit to CSR activities. These activities are as follows:

4.13.1 Plans

Reforestation: Apart from providing us only from wood with FSC certificate, we will be carrying a campaign of reforestation for a percentage (2 %) of our profit. For this we will take into consideration numerous factors like: The use of native tree species not genetic modified, replant in places affected by a non sustainable management, and near the community.

We will recollect the seeds near the location where will be planted. This way we ensure the plants will be perfectly adapted to the local soil and weather conditions. We will create a nursery and grow these seeds ourselves, planting them in the chosen place after the appropriate time of growing, around two years after germination. For the first years we will be buying the trees for replanting from a nursery from Talca University.

Social programs in the community: Within the framework of the reforestation we will develop environmental educational programs for local adults, and, mainly for children, encouraging them to participate in the initiative. The goal is to make them aware of the great importance of preserving their natural forests as a great resource and a natural legacy of incalculable value.

These programs will include:

- Contacting with local schools and bringing children to spend a formative day in deep contact with nature.
- Contacting with possible volunteers interested in the preservation of their forests.
- Organizing workshops where they would help for some hours in the nursery tasks.
- Offering didactic walks in which they would learn about their environment and, specially, botanical issues.

- Organizing planting days in which they would directly contribute to the restock of their forests and woodlands which have been deplete, with native tree stock.
- Establish a Control Plan after planting the trees, checking the success rate in taking roots in order to mend the planting details in future plantations.

4.13.2 Costs

Cost for an educational program for children/ adults:

Cost/day program	
Labor cost (X2)	15€/day
Vehicle renting (AViS, peugeot van)	38.37€/day (IVA incl.)
Fuel (0,80/l)	24€/day

Table 25- Costs of educational programs

Cost of the trees for reforestation: From the University of Talca. The main ones:

Scientific Name	Local Name	Price	Size (Cm)	Quantity	Bag
Aristotelia chilensis	Maqui	500	27	200	10x15
Drimys winteri	Canelo	300	9	1517	10x20
Genuina avellana	Avellano	500	20	27	10x15
Peumus boldus	Boldo	400	10	520	10x20
Luma apiculata	Arrayán	400	12	2248	10x20
		700	35	860	10x20

Table 26- Types and cost of the trees for reforestation

4.14 Operations Costs

Our operations costs will be the following:

	Year 1	Year 2	Year 3	Year 4	Year 5
Expenses	**237.581 €**	**- €**	**- €**	**- €**	**13.188 €**
Machines	175.267 €	- €	- €	- €	- €
Computer Costs	13.188 €	- €	- €	- €	13.188 €
MRP		- €			
Factory	49.126 €	- €	- €	- €	- €
Furniture		- €			
Vehicle		- €			
Design		10.000 €	10.000 €	10.000 €	50.000 €
Costs	**332.906 €**	**1.225.559 €**	**1.178.652 €**	**1.190.566 €**	**1.226.592 €**
FIXED	**119.637 €**	**169.945 €**	**52.008 €**	**53.277 €**	**54.584 €**
ISO	52.680 €	75.606 €	1.500 €	1.500 €	1.500 €
Real Estate	28.484 €	41.478 €	42.308 €	43.577 €	44.884 €
madrid HQ	19.296 €	25.728 €	26.243 €	27.030 €	27.841 €
warehouse- spain	4.900 €	8.400 €	8.568 €	8.825 €	9.090 €
warehouse- usa	4.288 €	7.350 €	7.497 €	7.722 €	7.954 €
IT Costs	9.700 €	9.700 €	9.700 €	9.700 €	9.700 €
Hosting	- €	- €	- €	- €	- €
Openbravo	7.000 €	7.000 €	7.000 €	7.000 €	7.000 €
IT Support	2.700 €	2.700 €	2.700 €	2.700 €	2.700 €
Trips	28.774 €	43.161 €	43.161 €	43.161 €	
Madrid-Valencia	2.274 €	3.411 €	3.411 €	3.411 €	3.411 €
Madrid-Chile	14.000 €	21.000 €	21.000 €	21.000 €	21.000 €
Chile-US	12.500 €	18.750 €	18.750 €	18.750 €	18.750 €
VARIABLE	**213.269,42 €**	**1.055.614,49 €**	**1.126.644,48 €**	**1.137.289,14 €**	**1.172.008,22 €**
shipping	6.471 €	34.780 €	43.947 €	43.947 €	43.947 €
raw materials	111.542 €	882.587 €	942.095 €	950.008 €	981.864 €
utilities	21.808 €	2.594 €	2.640 €	2.691 €	2.745 €
CSR Costs					
PayPal	73.448 €	135.653 €	137.962 €	140.643 €	143.452 €

Table 27- Total operation costs

5 MARKETING PLAN

5.1 Segmentation of the Market

As we have presented previously in the business plan, we will start by targeting three regions to sell our products through internet: North America (NA), Europe (EU) and South America (SA). We have calculated our market size applying different factors to these regions:

First we have counted the total amount of furniture sales in million US$ worldwide, segmenting it by the consumption of United States, Europe and Latin America from 2006 to 2008 (According to 2006 study by CSIL Milano / FORDAK The timber network). From this amount we took into consideration the internet usage, and especially, the amount of furniture sales through internet. Since our furniture is going to be sold only through internet this data is key to know how many pieces of furniture we will be able to sell.

The **Akün** furniture concept is based on trendy, fashionable and sustainable bedroom pieces; as a result we have further segmented the population in these three regions by the amount of people who are convinced to buy products because they are green. As mentioned in the sector analysis, this group of people is referred to in the United States as the "LOHAS" (Lifestyle of Health and Sustainability) which for 2006 more than 41 million people affirmed to be in. With all this we have calculated our possible total market which is 400.483.609 US$ (as seen in the SWOT Analysis).

5.2 Product Basic Description

The company´s name is **AKÜN,** which means "to arrive" in the Mapuche language; the Mapuche are one of the biggest indigenous populations of Chile. Our manufacturing plant will be located in the region of the Araucaria were a 26% of the population is Mapuche. This indigenous population is called "the men of the Earth" and they search for equilibrium between the Human being and the planet earth. Akün would be able to learn from them in an interactive relationship, where there is a mutual transfer of knowledge.

We want to create with a new concept of furniture, never merging modern, chic and eco friendly furniture, modern and accessible designs and a strong CSR agenda. As mentioned in the Operational Plan and the Human Resources plan, some of our measures will be:

- Replanting a number of trees on a yearly basis.

- Engaging the transfer of technology (to the community and society) and knowledge acquisition to the workers.
- Investing in educational programs for the community.
- Using recycled packaging.
- Maximizing our wood and materials to get the most out of them.
- Creating a recycle and waste management policy that will include the re-use of any additional materials to create new products.

5.2.1 Product line: Portfolio

As we are a startup company our portfolio of products will be small; we will start with four trendy designs of bedroom furniture. Below are examples of how our products will be designed:

Image 9- Bed

Image 10- Bed

Image 11- Bed side table and Dresser

Image 22- Bookshelf

5.2.2 Product warranty

As in line with our corporate values, **Akün** will have more than the product guarantee mandatory by the law 24.240 (in Spain), which assures a guarantee for damaged products, for a minimum of three months; this guarantee will be written with easy language and with legible script, and will include a clause for the repair and transportation of damaged products. Additionally we will also have what is called a “contractual” guarantee which insures the products for more than three months.

As a part of our guarantee, minimizing the time the customer waits for their purchase will be key to keeping them satisfied.

Additionally, we will provide a CSR report that will be delivered annually and will state the company´s efforts aimed to comply with green standards and certifications agreed to in the company.

5.2.3 Return policy

We will have a special feature on our websites specifically for customer recommendations, feedbacks or complaints. In order to drive the customer feedback, ideas and recommendations we will have an on-going promotion in which customers will get small discounts or offers when they provide us with their feedback.

5.2.4 Quality

***ISO 9000* -** ISO 9000 is a family of standards for quality management systems. ISO 9000 is maintained by ISO, the International Organization for Standardization and is administered by accreditation and certification bodies. Some of the requirements in ISO 9001 (which is one of the standards in the ISO 9000 family) include:

- a set of procedures that cover all key processes in the business
- monitoring processes to ensure they are effective
- keeping adequate records
- checking output for defects, with appropriate and corrective action where necessary
- regularly reviewing individual processes and the quality system itself for effectiveness
- facilitating continual improvement

A company or organization that has been independently audited and certified to be in conformance with ISO 9001 may publicly state that it is "ISO 9001 certified" or "ISO 9001 registered". Certification to an ISO 9001 standard does not guarantee any quality of end products and services; rather, it certifies that formalized business processes are being applied.

It is widely acknowledged that proper quality management improves business, often having a positive effect on investment, market share, sales growth, sales margins, competitive advantage, and avoidance of litigation. Indeed, ISO 9000 guidelines provide a comprehensive model for quality management systems that can make any company competitive. ISO 9000 also increases net profit.

Deloitte-Touche reported that the costs of registration were recovered in three years.

According to *the Providence Business New, ISO 9000 can:*

- Create a more efficient, effective operation
- Increase customer satisfaction and retention
- Reduce audits
- Enhance marketing
- Improve employee motivation, awareness, and morale
- Promote international trade
- Increases profit
- Reduce waste and increases productivity

Akün aims to be sustainable so it important to take care of management quality and eco responsibility.

5.2.5 Product prices

In order to decide the product prices, we have analyzed completely the different countries, competitors prices, purchasing power, income per capita, supply and demand, trends, etc.. As you will see below, we have included the product prices for the 3 main regions in Euros. The euro/dollar rate that have been used to calculate the final product price in Euros is the one included in the assumptions

PRICE PROYECTION IN EUROS	CURRENT PRICES Year 1		
Country	US	EUROPE	LATIN AMERICA
Currency	Euro	Euro	Euro
Bed	587,12 €	627,00 €	390,07 €
Dresser / Drawers	439,61 €	365,75 €	305,50 €
Night Table	116,69 €	207,96 €	175,50 €
Night Table	116,69 €	207,96 €	175,50 €
Bookshelf	256,87 €	287,38 €	273,00 €
Total - Stand Alone Piece	1.516,97 €	1.696,04 €	1.319,57 €
Complete Set	1.284,33 €	1.645,88 €	1.170,07 €

Table 1- Product Prices per region

5.2.6 Company logo

For our company logo we decided to use colors that are reflective of our eco- friendly mission. The u in the written name itself is unique, in order to make this a distinctive sign of our company. Below you can find our final logo:

Image 33- Preliminary Logo V1

The fonts used in this preliminary version of the logos are Arial Rounded BT, Berlin Sans FB and Gouty Stout. The colors used are directly taken from power point color pallet.

5.3 Promotion

The Akün communication plan has been made by taking into consideration the customer profile that identifies directly with our line of products, or our customer segment. Based on this, we have defined our communications plan in 3 different parts. The first part will be discussing "Below the Line" (BTL) strategies, afterwards we will move into the "Above the Line" (ATL) strategies and at the end we will be discussing all the supporting activities including Public Relations and Partnerships

5.3.1 BTL promotion

Our BTL strategy will be the core part of our strategy. For this we will use the following media channels that are explained in the following paragraphs:

Internet Social Groups and Platforms – we will create social groups and profiles in highly populated internet platforms such as Facebook, Tuenti, Youtube, etc. This will promote our company and our products while at the same the same time engaging consumers to learn and interact with our company culture and fellow customers. Below are the following websites we will target:

- Facebook – www.facebook.com – primary for the NA and SA markets. Membership up to date is around 50 million for NA and around 15 million for SA
- Tuenti – www.tuenti.es – primarily for the Spanish market. Membership up to date is around 5 million users in Spain
- Twitter – www.twitter.com - primarily for the NA market. Membership up to date is around 5 million users globally
- My Space – www.myspace.com - for the Global market. Membership up to date is around 110 millions globally
- Youtube – www.youtube.com – for the Global market. Monthly visits are around 375 million globally

These websites will allow us to reach a captive audience in different geographic locations without any additional cost. At the same time building we will be building up our customer brand and creating brand awareness. These efforts will be used at the same time in different markets, due to the fact that not all of our customers use the same social platform. To be able to see an example, please refer to the appendix illustration 14.

Email Drops – In the beginning we will be missing a customer database which will mean that we will not be able to connect to consumers unless we outsource a list; we have found the option of buying or renting a complete consumer database that matches with our customer profiles. The leasing or renting agreement means that Akün will not own the customer list; we will provide the customer profile that we are looking for to a company that will charge us for every email drop sent to these customers. This is a flat fee based on the amount of specifications we provide about the customer profile. On the other hand, buying a list means that we will provide the specific characteristics of our customer profile and the company will provide the information for a price. In the last case, we will own the list and will have to make the email drop from our own systems; in the first one we will not own the list, but they will provide the service. The cost of the leasing services is described below:

- Leasing or renting cost – From $500 to $700 based on our customer profile by market and country.

Renting an email list will help us connect with new customers while we start building our own mailing list through the websites. Once our guests visit our homepage, buy products or just join our customer club, our ERP will create a complete database and mailing list based on the information provided by the consumers. This will help us in the future in order to understand our customer, connect with them and to be able to talk to them. Below there´s a list of in-house records that we can use in order to gather data

- Sales receipts
- Membership Lists
- Registration Forms
- Contest Entries

For an example of an email drop please see the appendix, illustration 16 and 17.

Trade Events and Fairs – An important part of the marketing of our product line will take place in trade shows and fairs. These activities will be a way of showcasing own products to the rest of the public and as well as to other people within the sector: wholesalers, competitors, importers, or distributors. Based on information researched from www.expodatabase.com, we found that the following trade shows were important ones in the sector and had relevant factors like countries, visitors, etc. Some of the factors that we used to choose the trade fairs were: number of companies participating, number of visitors (national and international), number of booths, countries participating and location (1 in each market, America, Asia and Europe)

- Thailand: Thailand International Furniture Fair – includes 240 companies with 812 booths. Participating countries range from Thailand, Hong Kong, Malaysia, and others. Also has an average of 36,000 visitors from Japan, USA, EU, Asian, Middle East, Africa, Canada and Australia among others.
- Mexico: Expo Mueble Internacional – includes more than 500 exhibitors from 33 countries and around 80,000 persons showcasing their collections.
- Germany: Cologne International Furnishing Show – includes about 900 exhibitors and more than 100,000 visitors from different countries like Switzerland, Mexico, Germany, Spain, Italy, Turkey, Canada, US, UK, etc.

Social Groups Platforms				
Websites	**Unit Cost**		**Total Cost**	**Notes**
Facebook, My Space, Tuenti	N/A	N/A	N/A	Company Profile Created
You Tube, Twitter	N/A	N/A	N/A	Company Videos and Profile
Total Cost			- €	

Table 2- Social Group Initiative Cost Breakdown

Email Drops				
Application	**Unit Cost**	**Units**	**Total Cost**	**Notes**
USA Email Drop	500,00 €	12,00	6.000 €	500,000 persons p drop(125€)/4 Emails per Month/48 Drops yearly /4,800,000 persons
Argentina Email Drop	244,00 €	12,00	2.928 €	100,000 persons p drop(61€)/4 Emails per Month/48 Drops yearly /4,800,000 persons
Chile Email Drop	159,00 €	12,00	1.908 €	300,000 persons p drop(39,75€)/4 Emails per Month/48 Drops yearly /14,444,000 persons
Total Cost			**10.836 €**	

Table 46- Email Drops Initiatives Cost Breakdown

Trade Fairs			
Events	**Unit Cost**	**Units**	**Total Cost**
Thailand International Furniture Fair - Thailand	27.300,00 €	1	27.300,00 €
Expo Mueble Internacional - Mexico	22.200,00 €	1	22.200,00 €
Cologne International Furnishing Show - Germany	24.300,00 €	1	24.300,00 €
TIFF Total Cost			**73.800,00 €**

Table 47- Trade Fairs Initiatives Cost Breakdown

5.3.2 ATL promotion

Our ATL strategy will be concentrated in targeting customers through non-traditional media. As we have already discussed, our target market is one that spends a lot time in internet, is sophisticated, likes to travel and is a trend setter. Based on this info, we have decided to avoid traditional media channels like TV and Radio, and focus our marketing on internet based campaigns. This will include Search Engine Optimization (SEO), Cost per Click

(CPC) Ads, etc. This way we will be able to reach our consumer directly and be part of their daily use of the internet. Below we have described our ATL promotion channels:

Search Engine Optimization (SEO) – One of the ways we will market our brand will be Search Engine. SEO is the process of improving the volume or quality of traffic to our web site from search engines like Google, Yahoo or AltaVista. We will be targeting different regions therefore we will need to implement this strategy in different countries and on different portals. For example, for Google, we will target it in google.com (USA), google.es (Spain), google.cl (Chile), google.com.ar (Argentina). This has to be done by individual countries and will contain different information. This work will be done by Internet agencies in each country.

# Google Querys	Cost top 5	Cost 6 to 10	Cost 11 to 20	Objective Main Target	Fee Monthly Maintenance
Up to 100.000 Results	195 €	150 €	95 €	3 months	25 €
from 100.000 to 250.000	395 €	295 €	150 €	3 months	50 €
from 250.000 to 500.000	750 €	495 €	295 €	6 months	50 €
from 500.000 to 1 million	1.500 €	995 €	495 €	6 months	50 €
from 1 million to 2 millions	2.500 €	1.500 €	995 €	9 months	75 €
from 2 millions up to 2,5 millions	3.500 €	2.500 €	1.500 €	12 months	75 €

Table 48- Spanish Internet Agency Cost

Internet Initiatives	
Application	**Cost**
Google Positioning - Spain	4.325 €
Google Positioning - France	4.500 €
Google Positioning - Argentina	245 €
Google Positioning - Chile	1051
Google Positioning - USA	11500

Table 39- SEO Annual Cost per Country

Cost per Click (CPC) - *Cost* per Click is an innovative marketing tool that lets us advertise the ads in the regions, hours and websites that we want without paying for it unless people actually click on it. This way, we will be able to pay only for what really is working for us, to control when and where people see it, to track what people are doing in our website, and to control the budget by putting a daily or monthly ceiling to the amount of clicks paid. For example, we could advertise in Google, or in Gmail or even in other sustainable shopping websites or furniture ones, etc.

Internet Initiatives	
Application	**Cost**
Pay Per Click Google - Spain	1.200 €
Pay Per Click Google - France	1.200 €
Pay Per Click Google - Argentina	1.200 €
Pay Per Click Google - Chile	1.200 €
Pay Per Click Google - USA	1.200 €

Table 50- CPC Annual Cost per Country

Internet Directory and Listings – One of the options that we have to consider in order to be able to get brand exposure is advertising ourselves in the top internet search engines. Having a company name that starts with an A was one of the drivers that made us decide for Akün. It helps to be in the top of the listings, but that is not enough and that´s why we need to pay for advertising on new channels by purchasing interactive banners on various pages.

Partnerships - We would like to do a joint venture (JV) with other retailers. A JV is a contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking. Possible joint ventures are discussed below:

As we only sell wood furniture, we could do a partnership with a decoration company. We can make an agreement that we will advertise both our brand and their brand on both of our websites. For example, when a customer orders a piece of furniture, we can suggest that he buys some decorations and these companies would do the same for us. If a customer orders a chair, we can suggest that he takes pillows or tissue, for example, and vice versa. Below are some examples of partnerships like the ones we will have:

- http://www.antiki.com/
- http://www.thecompanystore.com/dept/Home+Decor/3700/

We would also want to have partnerships with famous designers (in the fashion industry and in interior design). We could for example work with Jerome Abel Seguin for a furniture collection

- http://www.jeromeabelseguin.com/furniture3_06.htm.

Public Relations

Press Releases - A press release is designed to be sent to journalists in order to encourage them to develop articles on a subject; it is generally biased towards the objectives of the author and is written to highlight an important event, program, or piece of information by an organization. A press release should succinctly describe the "who, what, where, when, why and how" of the story. This is a great way to generate a lot of free publicity.

Non Governmental Organization Support - As Akün is a sustainable company, we have to respect our environment and the people who are working for us. This image allows us to create partnerships with Non Governmental Organizations and makes us more credible. We will be working together hand on hand with different NGOs that fight against hunger and diseases in Chile and in South America.

5.4 Marketing Personnel

Based on our company structure, we have analyzed the idea of having a centralized marketing department in the beginning. We will have four employees working directly in the marketing department, which will be managed from the Headquarters (HQ) in Madrid. These 4 positions will be in charge of the following:

Marketing Manager Functions and Responsibility

- Responsible for the marketing of products and services to the right market whether B2B or B2C.
- Responsible of developing and annual marketing plan in conjunction with the sales department. This should detail the year's activity to meet agreed company objectives.
- Developing the marketing strategy that will be put into place.
- Identify the target market.
- In charge of developing a pricing strategy in order to be able to satisfy customers.
- Working collaboratively with product development specialists, sales, and other managers.

- To monitor trends in order to determine when new products or services should be introduced.
- To oversee all marketing, advertising and promotional staff and activities.
- To manage all aspects of print production, receipt and distribution.
- To manage the entire product line life cycle from strategic planning to tactical activities.
- To develop and implement a company –wide plan to push product, working with all departments for its execution.
- Developing partnerships with important partners in the industry.

Marketing Assistant Functions and Responsibility

- Assists the Marketing Manager in all the functions related to the department.
- Communicate to the Marketing Manager all the relevant information from new trends.
- Research new market trends and changes in different environments.
- Follow-up with media contractors, suppliers, corporate partners, and business partners.
- Follow the marketing guidelines of the company.
- In charge of supervising the Customer Service Rep and the Web Representative.
- Overall responsibility in company Website supervision.
- Reports directly to the marketing manager.

Customer Representative Functions and Responsibility

- Responsible of managing all the customer complaints, questions and feedback.
- Responsible of transferring any new ideas or recommendations to the marketing manager.
- Responsible of contacting on a daily basis the warehouse analysts to confirm if there´s any products return or complaints.
- In charge of updating all the complaints and feedback data into the ERP.
- Reports directly to the marketing assistant.
- Native Speaker in both languages – English and Spanish – Preferably US citizen.

Marketing Web Representative Functions and Responsibility

- Manage all the social networks marketing efforts (Facebook, Twitter, etc).
- In charge of making available all the data of the social networks to the Customer Representative.

- Communicate to the Marketing Assistant all the relevant information from new trends.
- Responsible of updating website with new promotions, info, etc.
- Responsible of managing the maintenance of the website and hosting.
- Responsible of supporting the Internet Campaigns jointly with the marketing assistant.
- In charge of communicating with webhosting, internet provider and technical suppliers.
- Manage the customer feedback database.
- Oversee internet promotional campaigns.
- Reports directly to the marketing assistant.

5.5 Placement

Point Of Sale: Internet Website

The only point of sale that we are going to have is an internet website. Indeed, the Internet is a very powerful platform that has changed the way we do business, and the way we communicate. The Internet, as with no other communication medium, has given an International and a "Globalized" dimension to the world. The Internet has become the universal source of information for millions of people, at home, at school, and at work.

The Internet is actually the most democratic of all the mass media. With a very low investment, anyone can have a web page in Internet. This way, almost any business can reach a very large market, directly, fast and economically, no matter the size or location of the business. With a very low investment, almost anybody that can read and write can have access to the World Wide Web.

To create the Internet website, we will ask the company *Asolution* to create our website with an original graphic design and an efficient ergonomic in order to let the internet user feel comfortable. We also want an original design to distinguish ourselves from our competitors. The technical development of the internet website is realized with both Xhtml / Php5 language with a MySQL5 database. This standard has become the most developed in the internet management.

The internet website will allow us to get text and graphs' statistics. These statistics will give us information concerning the audience of our internet website such as the number of visitors, the number of visits and the pages visited in the website. The hosting will be made by a server dedicated with a big performance in term of security.

5.6 Sales Plan

➔ Website creation:

Website Creation		
Application	**Unit Cost**	**Notes**
Graphic Design, mock-up of pages contents, of products files and search engines	3.900 €	One time charge
Products Integration (Excel Files Base)	400 €	One time charge
Multicriteria Search Engine	2.400 €	One time charge
Installation of Computer Terminals and means of payment	700 €	One time charge
Referencing Preparation	1.200 €	One time charge
Interface of products administration, customers, orders and contents	1.600 €	One time charge
Tool of administration formation (4h)	200 €	One time charge
Total Cost	**10.400 €**	

➔ Table 51- Website Cost Breakdown

5.6.1 Hosting, support and referencing

Hosting will be made with OVH (number 1 in Europe) and the features are as follow:

- Update tool (identifying and password) to manage and modify your website anywhere
- A technical support per e-mail and per phone will be made by their staff of Asolution
- Monthly Cost of €1,900

This subscription also includes

- Statistics: Access to detailed statistics in order to measure the impact or our operations
- Email Area: domain, create 15 emails, access to webmail, configurations codes for our Outlook e-mail and tool for developing email accounts in a fast and efficient way
- Legal Obligations: Asolution write down the legal mentions for our website

An additional service is the website analysis

- Referencing will be made by doing and optimization test of 1 month
- Proposition of a list of keywords and an announcement

- Put in place of test and optimization
- Yearly Test of €4,500 (optional)

This analysis and test will be essential in order to aim our future visitors in a good way and have the most pertinent impact for our website

5.6.2 Time and payment conditions

The development time is between 4 and 8 weeks after the contract is signed by the both parties. The development steps are divided like this:

- C+Creation of the specifications with mock-up, schema of database, research of solutions to optimize the ergonomics and the airworthiness.
- Validation of the technical specifications.
- Technical development, graphical integration.
- Creation of a PV formula with last points to modify.
- Delivery.

The payment policy will be: 50% at the order // 50% when the website is online. Below is an example of a website design that could be similar to ours:

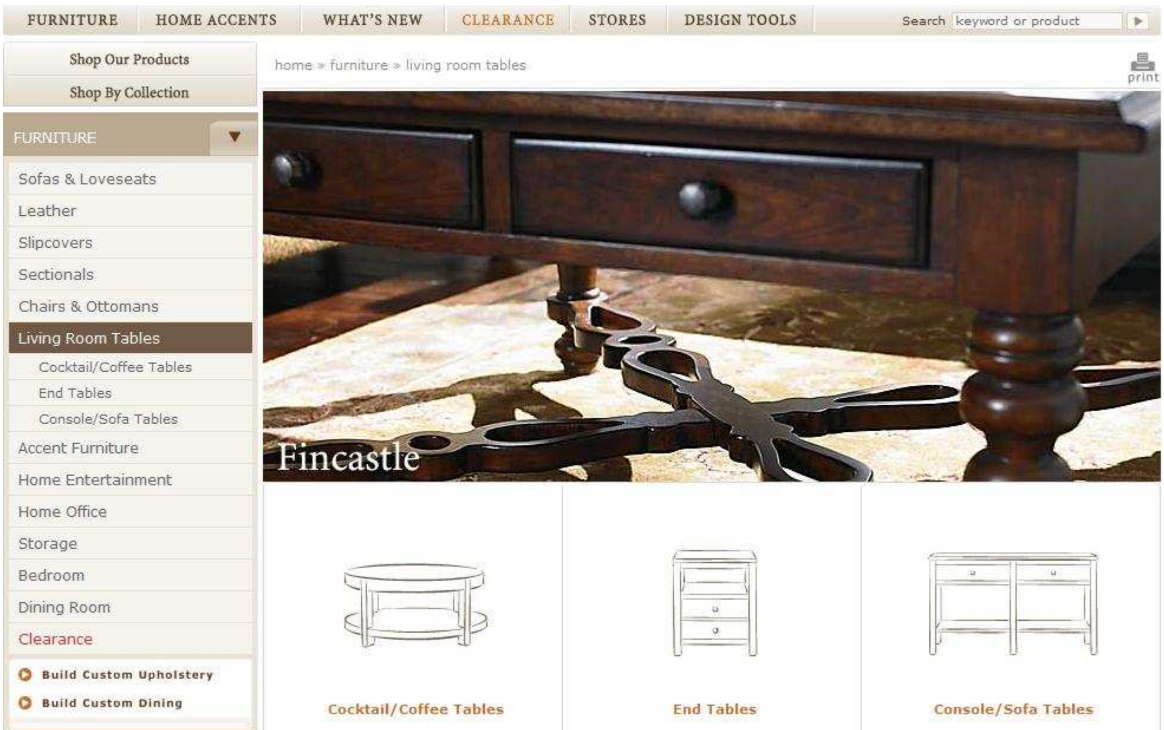


Image 44- Website Design Sample

5.6.3 The virtual room

To facilitate the sales through internet, we will also have a special design program in our web site to create a "virtual room". This feature will allow the customers to visualize their dream room, being able to match different pieces and match with their room's dimensions and colors.

Virtual Room				
Application	**Unit Cost**	**Unit**	**Total Cost**	**Notes**
Virtual Room Feature	20.000 €	1,00	20.000 €	One time charge
Administrative Cost	2.600 €	6,00	15.600 €	For the fist 6 months
Total Cost			**35.600 €**	

Table 52- Virtual room application

5.7 Post-Sales

Regarding post-sales service, we will have different tools that we will use to manage all the information, feedback and complaints. This tools will include, online help, "Do it yourself" manuals and FAQ sections in the website. Along with this, we will create different local phone numbers per market (Latin America, North America, and Spain) which will be rerouted to the Head Quarters in Madrid and handled by the Customer Representative.

The customers will have the option to consult online their doubts or fill their complaints and also if they prefer to talk to a representative they will have the option to call the "hot line". In the future, once we sell more in other European markets we will analyze the opportunity of hiring professionals with additional languages knowledge but for the moment this process will be handled by our customer service representative.

5.8 Future Plans

Mobile Furniture Tour

Not everyone may be attracted to the idea of buying furniture through internet without an initial physical experience. In order to reach these customers we have decided to make a mobile tour exposition, through the main cities of Europe in order to present AKÜN to our customers.

This exposition will take place in a truck especially made for the occasion for what we will call the "mobile tour" and will last 2 months. The tour will be travelling through the main capitals of Europe, coinciding with the key events happening in these cities. This will help us capture a captive audience in specific venues. Based on our sales forecast we have decided to start this plan on the 1st year with 10 cities and depending on the results, expanding it to 15 and 20 cities in the following years.

We will present our furniture in partnership with a furnishing or hardware companies like Descamps, Jardin Secret…etc. The cost will be shared with the partner company, in order to lower the costs. And also we will be able to offer a larger and more diverse range of products to the clients.

We will be covering the main events of the capitals for a major exposure of the possible clients. The cities will be: Madrid, Lisbon, Paris, London, Brussels, Zurich, Berlin, Vienna, Milan, and Roma.

Europe Mobile Tour - Preliminary - 1st year				
Costs	**Cities**	**Unit Cost**	**Total Cost**	**Notes**
Custom Made Mobile	10	10.000 €	100.000 €	One time charge
Fuel Cost	10	400 €	4.000 €	based on a rate of ,0982 €/l
Salary - Driver	10	240 €	2.400 €	€ 1.200 per person/month
Salary - Promoters	10	480 €	4.800 €	€ 1.200 per person/month
Hotel Expense	10	480 €	4.800 €	€40 per night/room - 60 days
Travel Insurance	10	120 €	1.200 €	
Total Costs		**11.720 €**	**117.200 €**	

Table 43- Mobile tour budget

5.9 Total Marketing Budget

Marketing Budget	Year 1	Year 2	Year 3	Year 4	Year 5
	Total	Total	Total	Total	Total
Total Website Development	61.200,00 €	38.400,00 €	39.084,00 €	39.788,52 €	40.514,18 €
Website Creation & Development	10.400,00 €	- €	- €	- €	- €
Web Hosting	15.200,00 €	22.800,00 €	23.484,00 €	24.188,52 €	24.914,18 €
Virutal Room Creation	20.000,00 €	- €	- €	- €	- €
Virtual Room Management	15.600,00 €	15.600,00 €	15.600,00 €	15.600,00 €	15.600,00 €
0	- €	- €	- €	- €	- €
BTL Marketing Initiatives	2.418,00 €	6.972,72 €	11.384,30 €	11.725,83 €	12.077,61 €
Internet Social Platforms Profiles	- €	- €	- €	- €	- €
US Email Drop Expense - Regional	- €	2.040,00 €	6.303,60 €	6.492,71 €	6.687,49 €
Argentina Email Drop Expense	1.464,00 €	2.986,56 €	3.076,16 €	3.168,44 €	3.263,49 €
Chile Email Drop Expense	954,00 €	1.946,16 €	2.004,54 €	2.064,68 €	2.126,62 €
0	- €	- €	- €	- €	- €
0	- €	- €	- €	- €	- €
ATL Marketing Initiavites	- €	75.276,00 €	77.534,28 €	79.860,31 €	82.256,12 €
Thailand International Furniture Fair	- €	27.846,00 €	28.681,38 €	29.541,82 €	30.428,08 €
Mexico Expo Mueble Internacional	- €	22.644,00 €	23.323,32 €	24.023,02 €	24.743,71 €
Germany Cologne International Furnishing Show	- €	24.786,00 €	25.529,58 €	26.295,47 €	27.084,33 €
Internet Initiatives	11.477,00 €	23.297,82 €	28.886,25 €	29.752,83 €	30.645,42 €
Google Adwords - Spain	3.875,00 €	4.411,50 €	4.622,64 €	4.761,32 €	4.904,16 €
Google Adwords - France	4.500,00 €	4.590,00 €	4.727,70 €	4.869,53 €	5.015,62 €
Google Adwords - Argentina	155,00 €	249,90 €	273,16 €	281,35 €	289,79 €
Google Adwords - Chile	547,00 €	1.072,02 €	1.192,43 €	1.228,20 €	1.265,05 €
Google Adwords - USA	- €	7.670,40 €	12.607,20 €	12.985,42 €	13.374,98 €
Pay Per Click Google - Spain	600,00 €	1.224,00 €	1.260,72 €	1.298,54 €	1.337,50 €
Pay Per Click Google - France	600,00 €	1.224,00 €	1.260,72 €	1.298,54 €	1.337,50 €
Pay Per Click Google - Argentina	600,00 €	1.224,00 €	1.260,72 €	1.298,54 €	1.337,50 €
Pay Per Click Google - Chile	600,00 €	1.224,00 €	1.260,72 €	1.298,54 €	1.337,50 €
Pay Per Click Google - USA	- €	408,00 €	420,24 €	432,85 €	445,83 €
Future Actions - Mobile Tour	14.800,00 €	17.096,00 €	27.840,00 €	36.480,80 €	45.122,42 €
Custom Made Mobile	100.000,00 €	- €	- €	- €	- €
Vehicle Maintenance Cost		2.000,00 €	2.040,00 €	2.080,80 €	2.122,42 €
Fuel Cost	4.000,00 €	4.080,00 €	6.000,00 €	8.000,00 €	10.000,00 €
Salary - Driver	2.400,00 €	2.448,00 €	3.600,00 €	4.800,00 €	6.000,00 €
Salary - Promoters	2.400,00 €	2.448,00 €	7.200,00 €	9.600,00 €	12.000,00 €
Hotel Expense	4.800,00 €	4.896,00 €	7.200,00 €	9.600,00 €	12.000,00 €
Travel Insurance	1.200,00 €	1.224,00 €	1.800,00 €	2.400,00 €	3.000,00 €
TOTAL COSTS PER YEAR	89.895,00 €	161.042,54 €	184.728,83 €	197.608,29 €	210.615,73 €

Table 54- 5 year marketing budget plan

6 ORGANIZATIONAL AND HUMAN RESOURCES PLAN

6.1 Structure of the Organization

Akün S.L. will be divided into the Board of Partners which would be formed by: Enza Iannelli, Katie Lytch, Lucía Portanet and Luis Alemán; with the same division of participations, and an executive team driven by a Single Manager Director. For a legal display consult the bylaws in the appendix index 6.1.

6.1.1 Organizational chart

As a start up company, Akün would not need a complex organizational model; we have divided the functions into three main departments: sales and marketing, and administrative departments, which would be located at the office in Madrid and the operational department, located in the factory in Chile. All three will be directed by the single managing director from Madrid. The organizational chart will be as shown below:

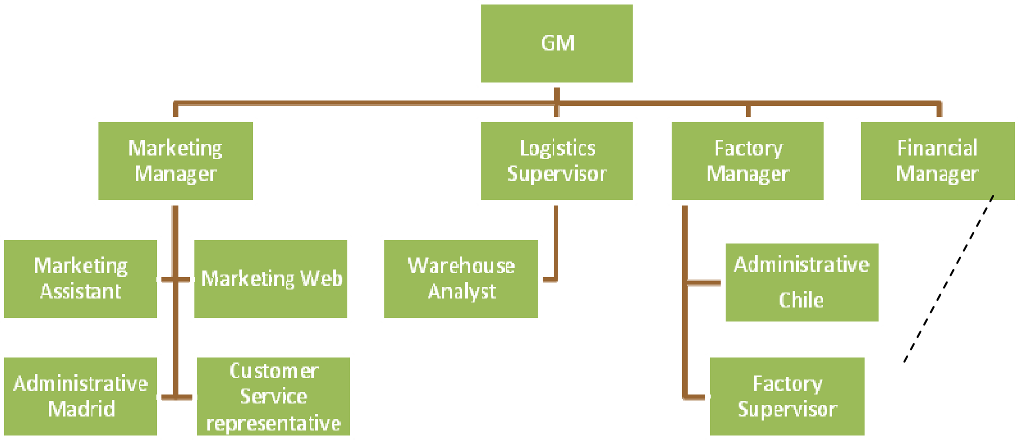


Image 15- Organizational Chart for Akün

Relationship between the posts:

- General Manager (GM) (1person): Is the one in charge of having the broad and overall responsibility for the organization. The marketing, factory and financial managers, and the logistics supervisor will directly report to him.

- Marketing Manager (1 person): This post profile has being already described in the marketing plan, and will be in charge of reporting sales, cost and promotions to the General Manager and also to the Financial manager. The marketing assistant, the marketing web assistant and the administrative will all report directly to the marketing manager.

- Financial Manager (1 person): Will report directly to the GM and will be responsible for the finances: sales, costs…etc. They will be in communication with the administrative analyst from the factory in Chile and helped by the administrative of Madrid.

- Factory manager (1 person): Will control all operations, from the raw materials to the final furniture distribution. This person needs to control, guide, supervise, and guarantee that all the operations work perfectly for the supply chain. Reports directly to the GM.

- Logistic supervisor (1 person): Will control the supplies of raw materials, the quality of the materials and the service received: program the workshop…etc. And it may control the distribution planning for the furniture, and the relationship with customs agents. It will report directly to the Gm, and the warehouse analyst will report to him.

- Warehouse analyst (4 persons): There we will be 4 people for these posts, one in each warehouse, in US, Spain and Chile for finished products, and one for the raw materials warehouse. Will report to the Logistic supervisor.

- Administrative analyst in Chile (1 person): This person will report to the factory manager, serving as a link between all the processes. They will be in communication with the administrative executive in Madrid to provide administrative support. Additionally they will be in charge of the HR recruitment with the factory manager agreement.

- Factory supervisor (1 person): This person is responsible for taking care of everything that goes on the manufacturing process, from the entrance of raw materials to the exit of the finished furniture. They are directly responsible for the machine operators, the lumber handlers and the assemblers in Chile.

- Administrative Assistant in Spain (1 person): The Administrative assistant primarily reports to and works with the Marketing Manager. They are also responsible to provide support to the financial manager as needed.

- Customer Service Representative (1 person): This person report to the marketing manager and work with the logistics manager to coordinate returns.

- Marketing web assistant (1 person): Is in charge of the website, apart from having a contract with a company to take care of the maintenance we will have this person who will report to the marketing manager.

Apart from these posts, for the work in the manufacturing we will need machine operators, handler lumbers, stock handlers and assemblers.

6.2 Job Profile

Most of the different job profiles needed for the company have been discussed already; in the operational and marketing plans respectively. Below you will find the job descriptions for the remaining posts:

General Manager (CEO)

- Functions
  - Overseeing the operational, financial and legal affairs of the corporation
  - Oversee preparation of annual budget, regular variance statements and annual audit
  - Provides leadership in maintaining a productive, cost effective, safe and legal workplace
  - Guides and advises the Board of Directors and it committees
  - Arranges new sources of finance for a company's debt facilities
  - Keeping abreast of changes in financial regulations and legislation
  - monitoring and interpreting cash flows and predicting future trends
  - formulating strategic and long-term business plans
  - researching and reporting on factors influencing business performance

    - developing external relationships with appropriate contacts e.g. auditors solicitors, bankers and statutory organizations

- Responsibility
    - Responsible for the hiring and supervision of, and administering benefits for, all other Akün staff(managerial), and provides leadership to assist staff in functioning as a team
    - Responsible for overseeing the management and maintenance of assets
    - In charge of the different departments that include the company
- Competences
    - Result and Action Oriented
    - Financial and Marketing Knowledge
    - Problem Analysis and Decision Making
    - Commitment and Availability
    - Effective Oral and Written Communication
    - Effective Delegation and Empowerment
    - Motivation and Integration of Teams
    - Training and Development of Teams
    - Multicultural Orientation
    - Global Approach
    - Innovation and Creativity
    - Analytical Skills
    - Knowledge in Consumer and Market Trends
    - Network Management
    - Bilingual

Financial Manager (Madrid):

- *Functions*
    - Reports directly to the General Manager (GM)
    - Ensures proper communication between Chile and Madrid
    - Provide other clerical support duties as requested
    - In charge of contacting the Administrative Analyst in charge of Chile
    - In charge of communicating with suppliers like IT and Business Center

- In charge of preparing manual forms, manifests, memos, etc.
- In charge of preparing bi-weekly report to GM of expenses and sales

- *Responsibility*
  - Responsible of screening profiles and CV´s for job positions
  - Responsible of following up on payments to customers- Account Receivable
- *Competences*
  - Strong verbal and written communications skills
  - Strong organization and time management skills
  - Ability to prioritize and change direction quickly
  - Ability to act in a cooperative and partnering fashion
  - Solution oriented individual that is self-motivated

<u>Administrative Assistant (Chile)</u>

- *Functions*
  - Ensures proper communication between Chile and Madrid
  - In charge of contacting the Financial manager and reporting important info to Headquarters(HQ)
  - In charge of communicating with suppliers like IT, Business Center
  - In charge of preparing manual forms, manifests, memos, etc.
  - In charge of preparing biweekly report to the Factory manager of expenses and sales
  - Provide other clerical support duties as requested
- *Responsibility*
  - Reports directly to the Factory manager
  - Responsible of the recruitment and selection process.
  - Responsible of screening profiles and CV´s for job positions
  - Responsible of following up on payments to suppliers- Accounts Payable
- *Competences*
  - Strong verbal and written communications skills
  - Strong organization and time management skills
  - Ability to prioritize and change direction quickly
  - Ability to act in a cooperative and partnering fashion

- Solution oriented individual that is self-motivated

Administrative Assistant Madrid

- *Functions*
  - Provides skilled office support services for assigned area.
  - Performs assigned duties efficiently and complies with instructions from supervisor to whom responsible.
  - Coordinates different activities and maintains good guest and working relations.
- *Responsibilities*
  - Working closely with financial and marketing managers
  - Planning and arranging business trips and meetings
  - Gathering correspondence and scheduling appointments
- *Competencies*
  - Experience: 2/5 years
  - Education: High school
  - Have experience in Microsoft Excel, Word, Outlook
  - Be able to prepare business letters for Administrator
  - Must be very detailed and customer service oriented

6.3 Taxes

6.3.1 Spain

In Spain both the employee and the company are taxed on an employee´s income. Both the employer and the employee must pay a percentage of the employee´s salary as a social security tax; the employer must pay 23,6% and the employee must pay 4,7% for normal work done—different taxes apply for additional hours worked. In addition to this tax there is a minimum amount and a maximum amount of employees can be taxed for social security.

Apart from the social security taxes, the employee must pay the IRPF tax (or Spanish income tax). This tax is subtracted directly from the employee´s pay check and discounts are applied to employees in function of their civil status and the amount of children they have. In our calculations we have considered that none of our employees will have this discount because it is impossible to anticipate if they will be qualified for exemptions and our company´s costs will remain the same either way. Below is a chart of the Spanish IRPF tax rates:

Tax rate		
min	max	
0	17.707	28%
17.708	33007	37%
33008		43%

Table 55- Spanish Income tax rates

6.3.2 Chile

In Chile all employees must pay income tax, or the secondary tax as it is called in Chile. As in Spain with the IRPF tax, this tax is subtracted directly from the employee´s paychecks. Below is a chart of the Chilean income tax rates.

if you earn	tax rate
0- 3305,66	0%
3305,66- 9916,97	5%
9916,97 - 16528,28	10%
16528,28 - 23139,59	15%
23139,59 - 29750,91	25%
29750,91 - 39667,88	35%
over 39667,88	45%

Table 56- Chilean Income tax rates

In Chile an employee can choose whether or not they want to pay into the national social security system, so this payment will be a decision of our individual employees. It is possible that in the future this social security system is revised and we may have to begin to pay social security taxes.

6.3.3 United States

In the United States payroll taxes are paid to the federal government, the state, and local municipalities. In the case of the federal government both employees and employers must pay social security tax; this tax is 6.2% for both employees and employers. The employee´s payment is withheld from their paycheck by the company. In addition to the social security tax employees must pay an income tax. This rate varies in function of their salary and their civil status. Below is a chart of the United States federal income taxes:

	Tax rate	Single		Married filing jointly or Widower		Married Filing Seperately		Head of Household	
		Min	Max	Min	Max	Min	Max	Min	Max
Income Tax	10%	- €	6.430 €	- €	12.859 €	- €	6.430 €	- €	9.202 €
	15%	6.430 €	26.142 €	12.860 €	52.283 €	6.430 €	26.142 €	9.202 €	35.035 €
	25%	26.142 €	63.333 €	52.284 €	105.529 €	26.142 €	52.764 €	35.036 €	90.437 €
	28%	63.333 €	132.094 €	105.529 €	160.815 €	52.765 €	80.407 €	90.437 €	146.454 €
	33%	132.094 €	287.172 €	160.815 €	287.172 €	80.408 €	143.586 €	146.455 €	287.172 €
	35%	287.172 €		287.172 €		143.587 €		287.172 €	

Table 57- American Income tax rates

Akün will have to pay an additional tax to the state of Texas on the employee's salaries. Although Texas is one of seven states in the United States that does not have an income tax, they still have an unemployment tax of 2,7% for new companies and a rate for older companies that varies from ,29% to 7,7% depending on the amount of unemployment claims from former employees.

More detailed information on tax rates can be seen in the excel spreadsheet ¨employee costs¨.

6.4 Salaries and Promotions

Salaries will be determined by the labor markets in Chile, Spain and the United States. Salaries will increase yearly with inflation. Promotions will be made at the discretion of the employee´s manager and the approval manager´s manager and will be determined by the employee´s performance. We have made a 3% salary provision in our calculation of salaries to account for potential promotions every year. Below is our salary band:

		General Manager		Department Manager		Operations Manager		Warehouse Analyst		Employees		Stock Employees	
Country	Department	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum		
Spain	General Manager	100.000 €	150.000 €										
	Administration			34.000 €	50.000 €					15.000 €	24.000 €		
	Marketing			37.000 €	55.000 €					18.000 €	25.000 €		
	Operations							25.000 €	40.000 €			15.000 €	22.000 €
Chile	Operations			24.000 €	45.000 €	14.000 €	19.000 €	10.000 €	13.500 €	6.000 €	10.000 €	4.500 €	9.000 €
	Administration									12.000 €	15.000 €		
USA	Operations							40.000 €	60.000 €			24.000 €	30.000 €

Table 58- Salary band

Our salaries will be as follows:

Function			Year 1		Year 2		Year 3		Year 4		Year 5	
Function	SS classification	Total cost to company	Yr. 1 No. Employees	Yr. 1 Total Cost	Yr. 2 No. Employees	Yr. 2 Yearly Cost	Yr. 3 No. Employees	Yr. 3 Yearly Cost	Yr. 4 No. Employees	Yr. 4 Yearly Cost	Yr. 5 No. Employees	Yr. 5 Yearly Cost
Headquarters- Madrid												
General Manager	1	113.400 €	1	113.400 €	1	113.400 €	1	115.668 €	1	119.138 €	1	122.712 €
Finance Manager	3	42.464 €	1	42.464 €	1	42.464 €	1	43.313 €	1	44.612 €	1	45.951 €
Marketing Manager	3	45.464 €	1	45.464 €	1	45.464 €	1	46.373 €	1	47.764 €	1	49.197 €
Marketing Assistant	5	26.399 €	1	19.799 €	1	26.399 €	1	26.927 €	1	27.735 €	1	28.567 €
Customer Service representative	5	28.399 €	1	21.299 €	1	28.399 €	1	28.967 €	1	29.836 €	1	30.731 €
Website Assistant	5	30.399 €	1	22.799 €	1	30.399 €	1	31.007 €	1	31.937 €	1	32.895 €
Administrative Assistant	5	23.399 €	1	13.649 €	1	23.399 €	1	23.867 €	1	24.583 €	1	25.320 €
TOTAL HQ		309.922 €	7	278.873 €	7	309.922 €	7	316.120 €	7	325.604 €	7	335.372 €
Warehouse- Valencia												
Warehouse Analyst	3	33.464 €	1	22.309 €	1	33.464 €	1	34.133 €	1	35.157 €	1	36.212 €
Stock Handlers	10	16.230 €	3	32.459 €	3	48.689 €	3	49.663 €	3	51.153 €	3	52.687 €
TOTAL WAREHOUSE SP		49.693 €	4	54.768 €	4	82.153 €	4	83.796 €	4	86.309 €	4	88.899 €
Factory		Total cost to company										
Factory Manager		24.000 €	1	24.000 €	1	24.000 €	1	24.480 €	1	25.214 €	1	25.971 €
Factory Supervisor (stock+productions)		14.000 €	1	9.333 €	1	14.000 €	1	14.280 €	1	14.708 €	1	15.150 €
Logistics Supervisor (supplyers/assembly/distribu		14.000 €	1	9.333 €	1	14.000 €	1	14.280 €	1	14.708 €	1	15.150 €
Finances- Chile		12.000 €	1	8.000 €	1	12.000 €	1	12.240 €	1	12.607 €	1	12.985 €
Warehouse Analyst		10.000 €	2	13.333 €	2	20.000 €	2	20.400 €	2	21.012 €	2	21.642 €
Lumber Handlers		4.500 €	2	6.000 €	2	9.000 €	3	13.680 €	3	14.090 €	3	14.513 €
Machine Operators		6.000 €	10	40.000 €	10	72.000 €	12	85.440 €	12	88.003 €	12	90.643 €
Stock Handlers		4.500 €	2	6.000 €	2	9.000 €	3	13.680 €	3	14.090 €	3	14.513 €
Assemblers		4.500 €	2	6.000 €	2	9.000 €	2	9.180 €	2	9.455 €	2	9.739 €
TOTAL FACTORY			22	122.000 €	22	183.000 €	26	207.660 €	26	213.889,80 €	26	220.306,49 €
Warehouse- USA		Total cost to company										
Warehouse Analyst		43.560 €	0	- €	1	25.410 €	1	25.918 €	1	26.696 €	1	27.497 €
Stock Handlers		26.136 €	0	- €	3	15.246 €	3	15.551 €	3	16.017 €	3	16.498 €
TOTAL WAREHOUSE USA			0	- €	4	40.656 €	4	41.469 €	4	42.713 €	4	43.995 €
Promotion Provision			33	0%	37	3%	41	3%	41	3%	41	3%
TOTAL COST				455.641,67 €		634.202,35 €		668.516,40 €		688.571,89 €		709.229,05 €

Table 59- Chart of the Akün salaries cost

6.4.1 Short term variable compensation- bonuses and extra payments

Bonuses and extra payments will be given to all employees. Bonuses will be given to the management and the extra payment option will be given to the eligible employees.

Ultimately the bonus amount will be a percentage of the profit. Until we are profitable the amount of bonuses paid each year will be determined by how successful we have been during the previous year e.g. more sales than predicted, costs being cut etc... This bonus amount will be decided by the board of directors as well as how to distribute bonuses among the three departments, this decision should be based on the department´s performance.

Additional payments will be made to employees around Christmas. The amount of money each employee receives will be determined by the employee´s manager and their manager´s manager (e.g. the additional payment for the Marketing associate will be determined by the Marketing Manager and approved by the general manager). The money will be subtracted from the total bonus package the department will be receiving. The remaining amount of money in the department´s bonus package will be for the manager.

6.4.2 Benefits

Healthcare

Private healthcare options will be available to all employees. In Spain the company will pay 50 Euros per employee per month for healthcare coverage. In Chile the company will contribute 2,1% of the employee´s salary to Isapre, the Chilean government´s private healthcare plan. In the United States we will not offer a company plan, but we will reimburse the money invested in a private plan by the employee. We will reimburse the employees $225 per year as this is the cost of the United Healthcare plan (it includes dental insurance). This policy will be followed in the United States until the company has enough employees to afford a group plan.

Scholarships

Another benefit that Akün employees will be able to have is the creation of a scholarship funds for the employee's children. The children of every employee of Akün will have the opportunity of applying to different scholarships that will be provided by the company. Scholarships will be focused on different programs, but mostly for undergraduate and graduate programs. They will include:

- Undergraduate Program Scholarships in Chile
- Undergraduate Program Scholarship Abroad
- Graduate Program Scholarships in Chile
- Graduates Programs Abroad

In the beginning the fund will be a 100% financed by Akün, with a yearly deposit of 30,000€

6.5 Recruitment and Selection

6.5.1 Objectives

The objective is to satisfy the necessities of personnel for the different areas of the company Akün. We will identify, attract, evaluate, contract and promote the personnel with the necessary competencies to achieve the role in a successful way by fulfilling the Policy of recruitment and selection of the company.

6.5.2 Scope

The office of Madrid, the manufacturing in Chile and warehouses in Chile, US and Spain

6.5.3 Policy of recruitment and selection of Akün

1. To be part of the Akün organization you need to accept the policies and values of Akün, and we should assure throughout by the recruitment and selection process.
2. The selection and recruitment process will start with the vacancy of a post.
3. No possible candidate shall be discriminated because of reasons as: sex, civil state, age, religion, race, nationality, political opinion, social class and economy, pregnancy, language/dialect, or disability neither physically nor intellectual.
4. The candidates should have the competencies needed for the fulfillment of the post. And should pass the recruitment and selection process; assuring the acceptance of our company culture.
5. The recruitment and selection process would be done by the administrative analyst for the factory and the office, and by the warehouse analyst in the United States. It will be done in agreement with the financial manager and the GM or Factory manager depending on the vacant post.
6. We should be careful not to consider for a post possible candidates that have family relations (blood or political family) with other workers that can coincide in a direct relationship at work.
7. For the contract of new personnel a vacancy is needed and the agreement of the GM and for technical positions from the Factory manager.
8. The re-contracting of the personnel that had already worked for Akün it is permitted only in the following cases:
    - When the person decided to resign on a voluntary basis and has no restriction of time for the admission.
    - Because of a leave attributable to the company, one year needs to pass before the employee is re-contracted.
9. The personnel that is going to be in contact with clients, suppliers or other companies needs to be tested for that purpose from the HR point of view before considering them as candidates.

10. The personnel to be contracted needs to comply with the legal and fiscal requires and the physical conditions necessary to develop the functions of their job.

11. The whole personnel before starting will need to participate in a program developed for the work in group, the company culture and the initiation for the post selected. This program should facilitate the quick integration of the company's culture and also to assure the integrity of the person by the knowledge of the facilities and the measures for security and hygiene.

12. It is forbidden to contract under age personnel, in the terms of the national legislation or derivative from internationals agreements ratified by the country where we operate.

13. The person in charge of the Human resources will do and document the interviews of exit of a person that wants to leave the company.

14. Inside the recruitment and selection process it would need to be considered first of all to the existing employees in equal similar jobs, motivating their development inside the organization and assuring their loyalty.

15. The person with the authority to contract an outside or inside candidate will be responsible for the Recruitment and Selection (in the case of the factory, the factory manager).

16. The responsible person for Recruitment and Selection needs to register in the system, all the information from each candidate, for each phase of the process.

17. The responsible for Recruitment and Selection needs to send a thank you letter to all the candidates that have participated in the process and were not selected.

18. The information from the candidates is confidential, and used just for the process of recruitment and selection. No other person outside this process should see this information.

19. The information from the test is only for that purpose and used by the person in charge of it. He should analyze the results and check with the interview to elaborate the corresponding report that will be given about the applicant.

20. The validity for the results of the recruitment tests will be of one year.

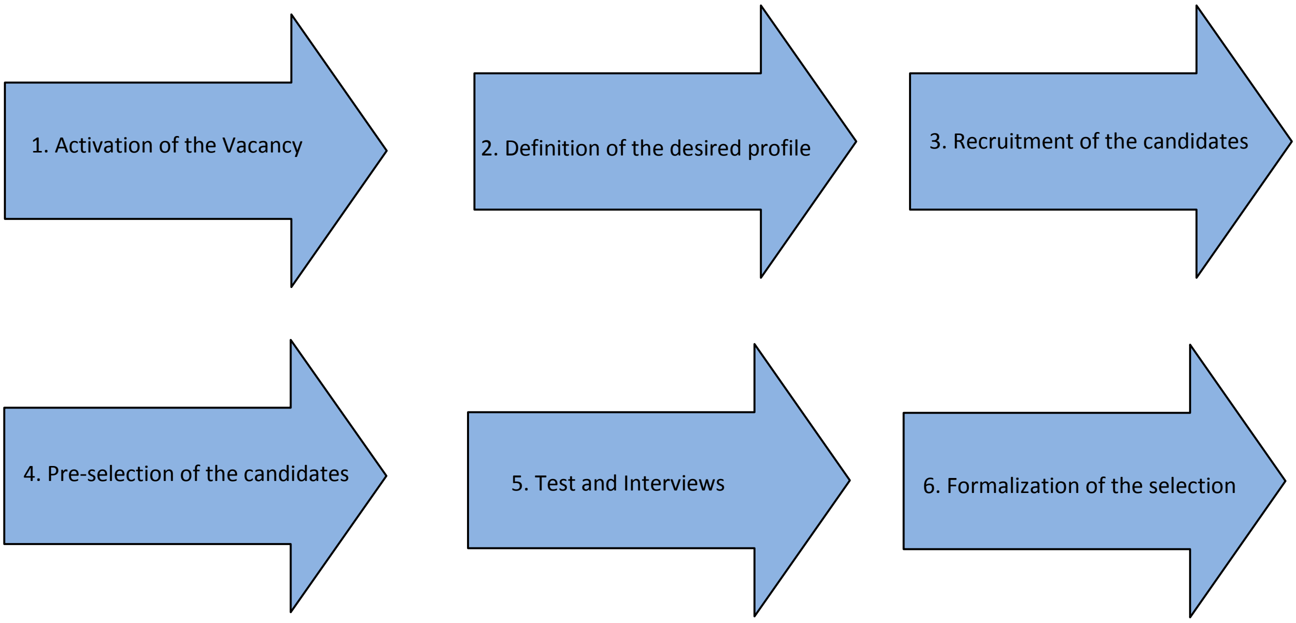


Image 16- Recruitment and Selection Chart

6.6 Training and Motivation

6.6.1 Seminars

Akün believes in the transfer of knowledge to its employees; this is why we have included in our benefit plan the seminars that will help employees in their professional and personal development. We will begin by having Financial Seminars about Investing, Savings, Etc… The cost of these seminars will be $100 US per 9 hour seminar/ employee (divided in 3 classes). We will evaluate the value of adding additional seminars based on the success of these initial seminars.

6.6.2 Monthly social events

We will also provide periodic events to encourage employees to socialize with each other. We will begin by having Monthly Breakfast Day in each of our offices. The cost of this activity will be € 3 / employee in Chile and € 4 / employee in Spain and the United States. Additional social events may be added in the future depending on the success of monthly breakfast.

7 FINANCIAL ANALYSIS

Our financial analysis includes Akün´s basic financing options, capital structure, cash policies and the three scenarios that we have included (pessimistic, most likely and optimistic). Aside from this, you will also find the Balance Sheet, Profit and Loss, Cash Flows and the most important economic and financial ratios.

7.1 Sources of Basic Financing

Capital

Akün will be a SL Company. Consisting of 30,000 shares, with a value of 71,79 euros/share. There will be five shareholders with a total of 4,050 of shares each one (20,250 total which represents 67.5%) and the participation of a venture capital firm with an amount of 9,750, that represent 32.5% of the company share.

Capital Structure

In the beginning, our capital structure will be divided into 5 parts. The 5 partners will be contributing as a group a total amount of 250.000 € in the first month, a business angel will contribute with 1.000.000 € in the twenty- first month and finally we will be requesting a bank loan of 1.200.000 €.

Loan

Is a long term loan from Caja Madrid, to finance the rest of capital needed to develop the business beginning in the month 5th we will need a loan of 150.000 €, until we will ask a maximum amount of 1.200.000 € in the twenty fourth month (this is because we need to finance ourselves when we open in the United States), to be paid in 72 months, with an interest rate of 5,82% the first year, and Euribor+0,5% the following years.

Credit Line

Akün will have a revolving line of credit with Caja Madrid, this with help us with any unexpected expense or cost that we need to pay as well as with short term loans, the conditions of the credit line are: revolving a credit line only paying interest for the amount of money used at an interest rate of 5%.

7.2 Polices of the Company

Payment Policy

Our company payment terms will be net 30 days, and this will apply to all of our suppliers like raw materials shipping, utilities, marketing, etc. In the beginning there will be exceptions like trade fairs and new suppliers were we will need to pay invoices upon receipt, but these will be limited and will be only in the beginning of the service because we don't have a relationship built up with the suppliers.

Cash Policies

Regarding the cash policies, we will maintain in the bank a 10% of our monthly fixed costs to ensure the availability of cash in our accounts.

Collection Period

Our collection period will be 5 days. Every day at midnight our PayPal account will transfer all the transactions made by the customers during that day. This process takes around 5 days to clear and for us to have the money in our account. On the other hand, PayPal makes a hold of approximate 10 % (ranges from 6% to 15%) of monthly earnings in order to create a reserve fund for returns, exchanges, etc. This fund will be given back to the company after 6 months of collecting it.

Treasury (Short Term)

As a short term deposit, we will use a financial product offered by Caja Madrid, which will let us do multiple deposits on a monthly basis, without penalization. We will have the option of withdrawing money every month and we will get 80% of the interest accrued. The remaining 20% will stay in the account. The interest rate for this product will be of Euribor + 3% depending on the amount of money of the deposit.

Dividend Payment

We will finance our company with bank loans and begin to pay dividends in the third year, the policy will be retain 500.000 € per year, and pay the rest of the net profit of the year as dividends. We want to be sure we have enough cash saved to pay our expenses before we begin to issue dividends.

Depreciation

We are using standard depreciation times and they can be seen in the chart below:

Depreciation	
Building Services	10 Years
Business	5 Years
Computer	3 Years
Furniture	10 Years
Scientific	7 Years
Shop & Maintenance	7 Years
(Includes machine tool and wood working equipment, lawn mowers and tractors)	
Trucks-Heavy	7 Years
Vehicles	5 Years

Image 17- Depreciation times

7.3 SCENARIO 1: most likely

Assumptions

- Euro/ Chile / USA exchange currency, constantly thought the year
- Not several changes in the exchange rate $/euro/Chilean peso (considering constant value).
- Initial month (September) sales will be 50% of the monthly forecasted demand.
- Monthly sales will increase by 10% for the next month (October) and afterwards 5% until reaching a 100% demand.
- USA industry growth rate will grow at a 5%, 2% per Latin America and 3% per EU.
- Start up selling in Europe and Latin America market, and in the second year introduce our products in USA market

AKUN LLC

Most likely scenario

		STARTUP	Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
MARKET SHARE ACCUMULATED			0,17%	0,48%	1,06%	1,25%	1,31%
	United States		0,00%	0,86%	0,93%	1,10%	1,16%
	Latin America		2,29%	3,17%	3,48%	4,24%	4,66%
	Europe		1,58%	2,10%	2,17%	2,51%	2,64%
MARKET SHARE GROWTH RATE				0,31%	1,06%	0,18%	1,31%
	United States			0,86%	0,07%	0,17%	0,05%
	Latin America			0,88%	0,31%	0,76%	0,42%
	Europe			0,52%	0,07%	0,34%	0,13%
SECTOR GROWTH RATE			4,57%				
COMPANY GROWTH RATE				4,88%	5,63%	4,75%	5,88%

PROFIT AND LOSS ACCOUNT		Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
SALES		171.673 €	1.538.785 €	3.600.045 €	4.425.595 €	4.861.032 €
	Yearly Sales variation		199%	134%	23%	10%
FIXED OPERATING COSTS		- 96.458 €	- 107.589 €	- 96.669 €	- 97.938 €	- 99.245 €
VARIABLE OPERATING COSTS		- 205.494 €	- 383.131 €	- 588.813 €	- 564.740 €	- 382.589 €
	operating margin	- 130.278 €	1.048.069 €	2.914.564 €	3.762.917 €	4.379.198 €
	op margin %	176%	32%	19%	15%	10%
FIXED COST		- 493.667 €	- 771.430 €	- 793.835 €	- 817.774 €	- 875.708 €
VARIABLE COST		- 13.895 €	- 84.356 €	- 143.233 €	- 438.834 €	- 475.534 €
EBITDA		**- 637.840 €**	**192.281 €**	**1.977.496 €**	**2.506.309 €**	**3.027.957 €**
AMORTIZATION INTANGIBLES		- €	- 28.733 €	32.067 €	42.400 €	38.733 €
DEPRECIATION TANGIBLES		- €	35.016 €	35.016 €	38.712 €	38.712 €
EBIT		**- 637.840 €**	**198.564 €**	**2.044.578 €**	**2.587.422 €**	**3.105.402 €**
FINANCIAL EXPENSES		- 33.029 €	- 71.663 €	- 4.096 €	- 1.619 €	- 100 €
FINANCIAL INCOME		3.267 €	242 €	- €	- €	8.249 €
EARNINGS BEFORE TAXES		**- 667.601 €**	**127.143 €**	**2.040.482 €**	**2.585.803 €**	**3.113.551 €**
INCOME TAXES				- 453.008 €	- 833.031 €	- 1.017.743 €
NET PROFIT		**- 667.601 €**	**127.143 €**	**1.587.474 €**	**1.752.772 €**	**2.095.808 €**
to retained earnings			127.143 €	500.000 €	500.000 €	500.000 €
to dividends		- €	- €	1.087.474 €	1.252.772 €	1.595.808 €

Table 60- Income Statement most likely scenario

BALANCE SHEET		Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
ASSETS		Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
NET INTANGIBLE FIXED ASSETS		**122.400 €**	**103.667 €**	**81.600 €**	**49.200 €**	**20.467 €**
Accumulated Fixed Assets		122.400 €	132.400 €	142.400 €	152.400 €	162.400 €
Accumulated Amortization		- €	- 28.733 €	- 60.800 €	- 103.200 €	- 141.933 €
Website		30.400 €	30.400 €	30.400 €	30.400 €	30.400 €
Accumulated Amortization		- €	5.067 €	10.133 €	15.200 €	20.267 €
MRP		42.000 €	42.000 €	42.000 €	42.000 €	42.000 €
Accumulated Amortization		- €	7.000 €	14.000 €	28.000 €	35.000 €
Design		50.000 €	60.000 €	70.000 €	80.000 €	90.000 €
Accumulated Amortization		- €	16.667 €	36.667 €	60.000 €	86.667 €
NET FIXED ASSETS		**190.704 €**	**155.689 €**	**120.673 €**	**81.961 €**	**72.820 €**
Accumulated Fixed Assets		190.704 €	190.704 €	190.704 €	190.704 €	220.276 €
Accumulated Depreation		- €	- 35.016 €	- 70.031 €	- 108.743 €	- 147.455 €
Machinery		109.374 €	109.374 €	109.374 €	109.374 €	109.374 €
Accumulated Amortization		- €	18.229 €	36.458 €	65.669 €	94.880 €
Factory		49.126 €	49.126 €	49.126 €	49.126 €	49.126 €
Accumulated Amortization		- €	5.458 €	10.917 €	16.375 €	21.834 €
Computers		14.571 €	14.571 €	14.571 €	14.571 €	29.142 €
Accumulated Amortization		- €	7.286 €	14.571 €	14.571 €	14.571 €
Furniture		2.633 €	2.633 €	2.633 €	2.633 €	2.633 €
Accumulated Amortization		- €	293 €	585 €	878 €	1.170 €
Vehicle		15.000 €	15.000 €	15.000 €	15.000 €	30.000 €
Accumulated Amortization		- €	3.750 €	7.500 €	11.250 €	15.000 €
Promotional tour vehicle		100.000 €	100.000 €	100.000 €	100.000 €	100.000 €
Accumulated Amortization		- €	25.000 €	50.000 €	75.000 €	100.000 €
INVENTORY		**249.764 €**	**1.146.031 €**	**1.018.944 €**	**1.052.795 €**	**1.054.166 €**
Raw Materials		5.789 €	16.572 €	20.444 €	21.778 €	23.149 €
In production		212.315 €	502.384 €	502.384 €	502.384 €	502.384 €
Finished Product		31.661 €	627.075 €	496.116 €	528.633 €	528.633 €
ACCOUNTS RECEIVABLE		**26.909 €**	**164.222 €**	**314.232 €**	**334.351 €**	**356.093 €**
CASH/BANKS		**59.012 €**	**87.902 €**	**89.050 €**	**91.571 €**	**97.495 €**
SHORT TERM FINANCIAL INVESTMENTS						**178.355 €**
TOTAL ASSETS		**648.790**	**1.657.511**	**1.624.500**	**1.609.879**	**1.779.396**
LIABILITIES						
EQUITY		**582.399 €**	**1.425.631 €**	**1.525.631 €**	**1.525.631 €**	**1.725.631 €**
Share Capital	**250.000**	250.000 €	1.250.000 €	1.250.000 €	1.250.000 €	1.250.000 €
Retained earnings		- €	127.143 €	627.143 €	1.127.143 €	1.627.143 €
Accumulated losses		- €	- 667.601 €	- 1.151.512 €	- 1.151.512 €	- 1.151.512 €
Losses of the year		- 667.601 €	- 483.910 €	- €	- €	- €
LONG TERM LOANS		1.000.000 €	1.200.000 €	800.000 €	300.000 €	- €
ACCOUNTS PAYABLE		**19.506 €**	**11.492 €**	**47.388 €**	**45.453 €**	**30.343 €**
SHORT TERM BANK CREDITS		**46.885 €**	**220.689 €**	**51.881 €**	**39.281 €**	**23.995 €**
TOTAL LIABILITIES		**648.790**	**1.657.813**	**1.624.900**	**1.610.366**	**1.779.970**

Table 61- Balance Sheet most likely scenario

CASH FLOW CALCULATION		Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
		Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
NET PROFIT (INTEREST EXPENSES EXCLUDED)		- 667.601	127.143	1.587.474	1.752.772	2.095.808
interest paid		33.029	71.663	4.096	1.619	100
AMORTIZATION/DEPRECIATION		-	- 6.282	- 67.082	- 81.112	- 77.446
NET INVESTMENTS IN FIXED ASSETS		- 313.104	- 10.000	- 10.000	- 10.000	- 39.571
INVESTMENTS IN NOF		- 257.167	- 1.041.595	12.973	- 55.905	- 38.223
	C0	C1	C2	C3	C4	C5
FREE CASH FLOWS	- 50.151	- 1.204.844	- 859.071	1.527.461	1.607.373	1.940.669
				1020769		
RISK FREE INTEREST EXPENSE	4,7%	4,7%	4,7%	4,7%	4,7%	4,7%
RISK PREMIUM	5,3%	3,0%	3,0%	3,0%	3,0%	3,0%
discount rate	10,0%	10,0%	10,0%	10,0%	10,0%	10,0%
ANUAL CASH FLOWS	- 50.150,77					
NPV	1.595.025					
IRR	39,47%					
PAY BACK	16,6	Year	6,58	Month		
accumulated cash flows	- 50.151 €	- 2.459.838 €	- 4.199.169 €	- 2.671.708 €	- 1.064.335 €	876.334 €
discounted cash flows	- 50.151	- 1.095.313	- 709.976	1.147.604	1.097.858	1.325.503
accumulated discounted cash flows	- 50.151	- 1.095.313	- 1.805.288	- 657.685	440.173	1.765.676
Discounted paid back	1,62	Year	7	Month		

Table 62- Cash flow calculation most likely scenario

STATEMENT OF CASH FLOWS		Year 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
	Inital (Start)	Year 1	2007	2008	2009	2010
PROFIT		- 667.601	127.143	1.587.474	1.752.772	2.095.808
+ DEPRECIATION/AMORTIZATION		-	- 6.282	- 67.082	- 81.112	- 77.446
+VARIATION IN NOF		- 257.167	- 1.041.595	12.973	- 55.905	- 38.223
OPERATING CASH FLOW		- 924.768	- 920.734	1.533.364	1.615.755	1.980.140
VARIATION IN CAPITAL		-	1.000.000	-	-	-
variation in LOANS AND CREDITS		1.000.000	422.612	- 568.809	- 512.600	- 315.285
-DIVIDENDS PAID		-	-	- 1.087.474	- 1.252.772	- 1.595.808
-financial investments		-	-	-	178.355	- 178.355
FINANCIAL CASH FLOW		1.000.000	1.422.612	- 1.656.282	- 1.587.017	- 2.089.448
-VARIATION IN FIXED ASSETS		313.104	10.000	10.000	10.000	39.571
INVESTMENT CASH FLOW		313.104	10.000	10.000	10.000	39.571
VARIATION IN CASH ACCOUNTS		388.336	511.878	- 112.918	38.738	- 69.738
BEGINNING OF YEAR CASH		7.603	9.567	87.902	89.050	91.571
END OF YEAR CASH		395.940	521.445	- 25.016	127.788	21.834
DIFERENCE IN CASH		388.336	511.878	- 112.918	38.738	- 69.738

Table 63- Cash flow most likely scenario

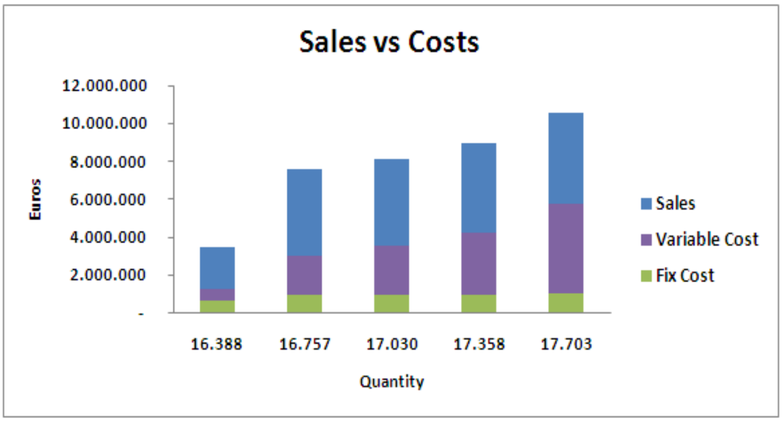


Image 18- Sales VS Costs most likely scenario

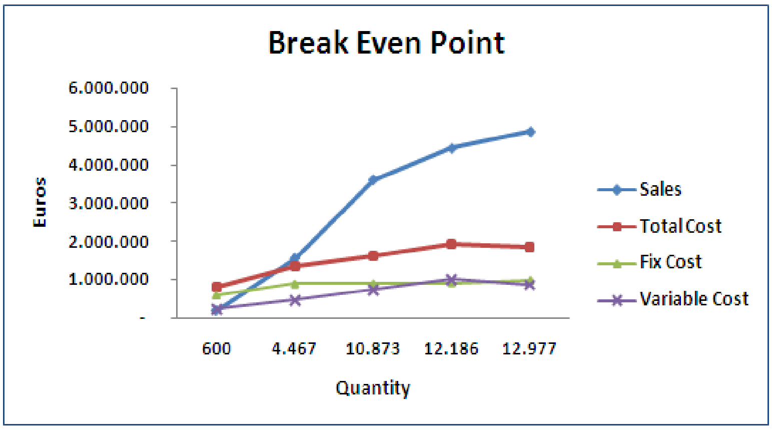


Image 19- Break even most likely scenario

	Year 1	Year 2	Year 3	Year 4	Year 5
sales	171.673,38 €	1.538.785,13 €	3.600.044,73 €	4.425.594,87 €	4.861.031,87 €
fix cost	590.124,48 €	879.018,95 €	890.503,42 €	915.711,92 €	974.952,70 €
variable cost	219.388,59 €	467.486,80 €	732.046,81 €	1.003.573,78 €	858.122,57 €
total cost	809.513,07 €	1.346.505,75 €	1.622.550,23 €	1.919.285,70 €	1.833.075,27 €
Quantity	600	4467	10873	12186	12977

Table 64- Sales in Euros and in number, costs in Euros of most likely scenario

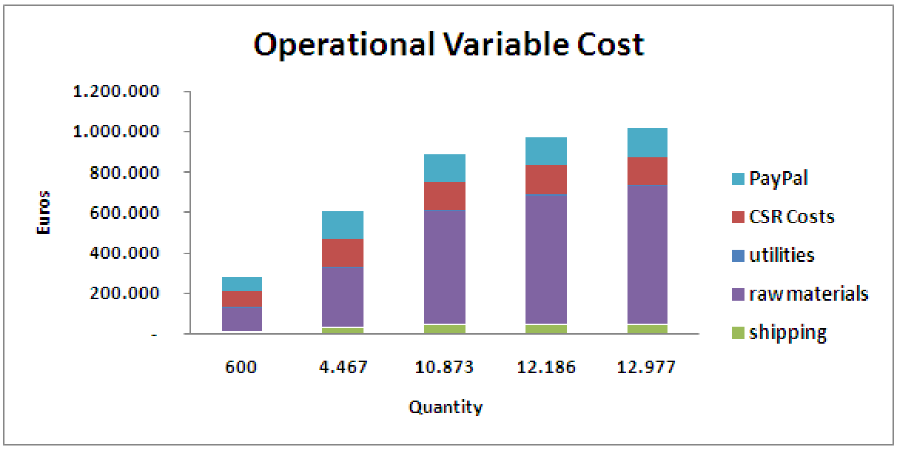


Image 20- Operational Variable cost outline most likely scenario

Financial Ratios Most likely scenario:

	YEARS				
FINANCIAL RATIOS	1	2	3	4	5
liquidity Ratio					
Current Ratio	5,06	6,02	14,33	17,45	31,03
Acid Test	1,29	1,09	4,06	5,03	11,63
Cash Ratio	0,89	0,38	0,90	1,08	5,08
Account Collect Period	57	39	32	28	27
Account Payable Period	41	3	5	4	2
Inventory Turnover	0,16	0,04	0,08	0,07	0,04
Solvency Ratio	1,0000	0,9998	0,9998	0,9997	0,9997
Leverage Ratio					
Debt Ratio	1,11	1,16	1,07	1,06	1,03
Time Interest Earned Ratio	19	3	483	1548	-
Debt Structure Ratio	15,06	5,17	8,06	3,54	0,00
Structure Ratio	0,48	0,16	0,12	0,08	0,05

ECONOMICS RATIOS	1	2	3	4	5
Margin	**-3,70**	**0,13**	**0,57**	**0,58**	**0,64**
Return on assets (Roi)					
ROA (Economic Profitability)	-1,08	0,03	0,97	1,09	1,18
Return on Equity					
Roe (Financial Profitability)	-1,15	0,09	1,04	1,15	1,21

Table 65- Financial Ratios most likely scenario

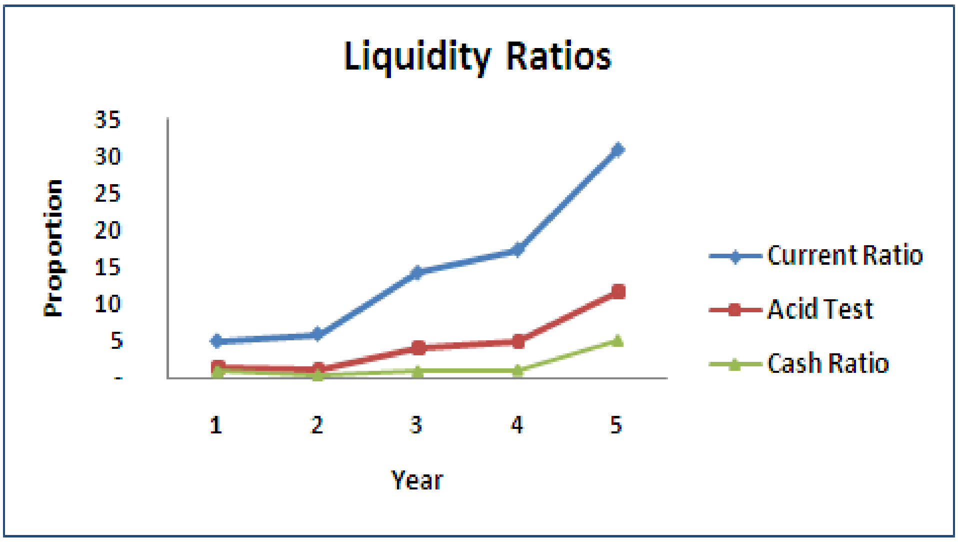


Image 21- Liquidity ratios graph

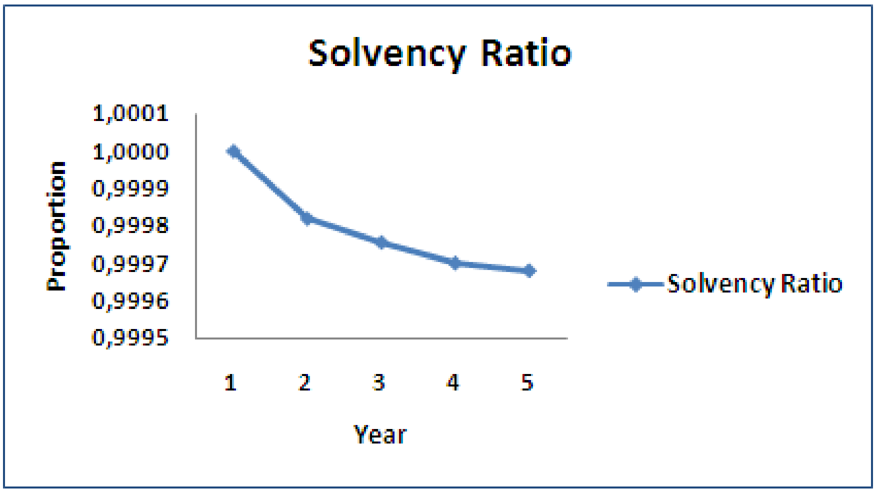


Image 22- Solvency ratio most likely scenario

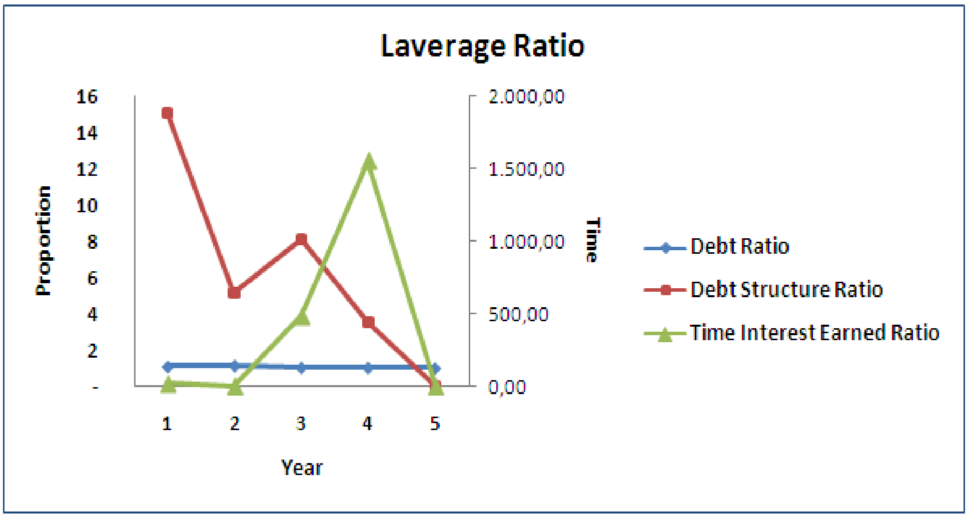


Image 23- Leverage ratio most likely scenario

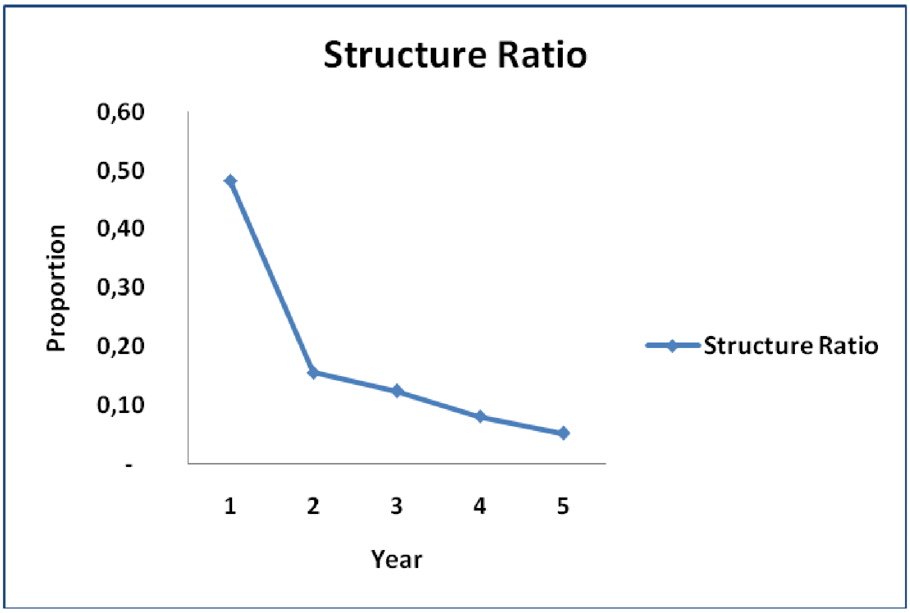


Image 24- Structure Ratio

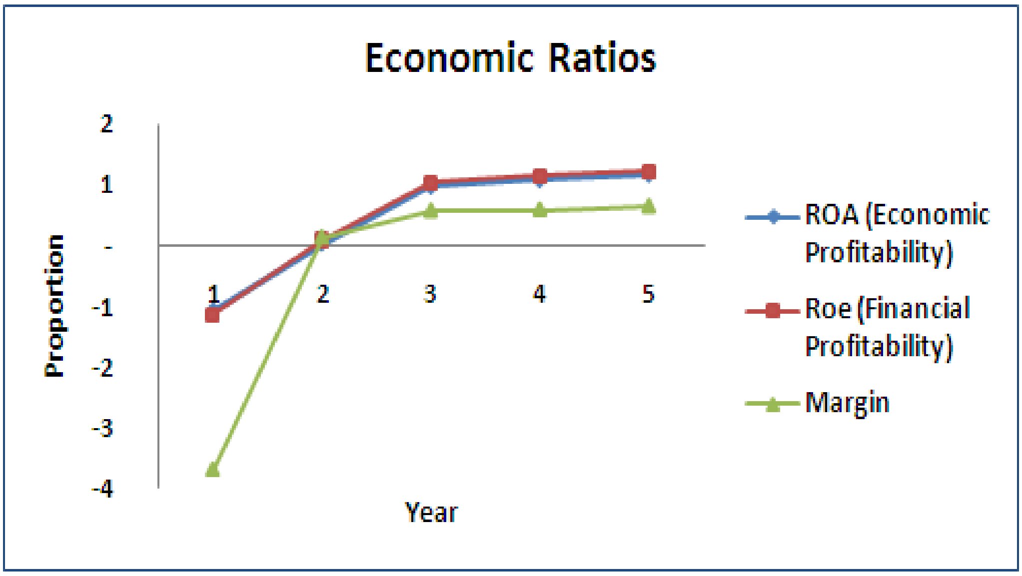


Image 25- Economic Ratios

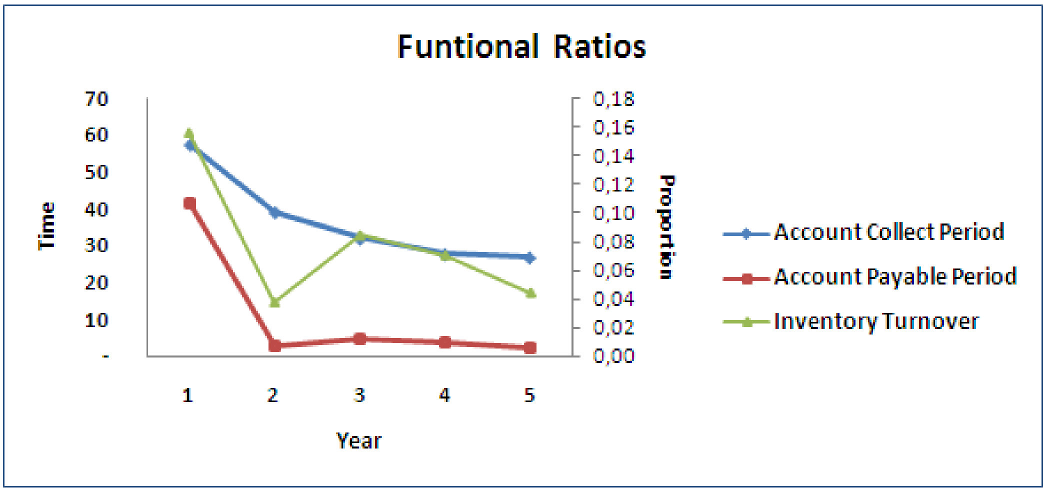


Image 26- Functional Ratios

7.4 SCENARIO 2: Pessimistic

Assumptions

- Increase the cost of the product considering with the increase of the inflation rate each year in 2% for Chile
- Decrease our initial market share by 50% in comparison with the most likely scenario
- Decrease in 1% the growth of or sales each year in each market
- Decrease exchange rate euro/$ to 1,20 dollar per euro
- Initial month (September) sales will be 50% of the monthly forecasted demand
- Monthly sales will increase by 10% for the next month (October) and afterwards 5% until reaching a 100% demand
- Industry growth rate will grow at a 2,5% in USA, 1% in Latin America, 1,5% in EU.
- Start up selling in Europe and Latin America market, and in the second year introduce our products in USA market

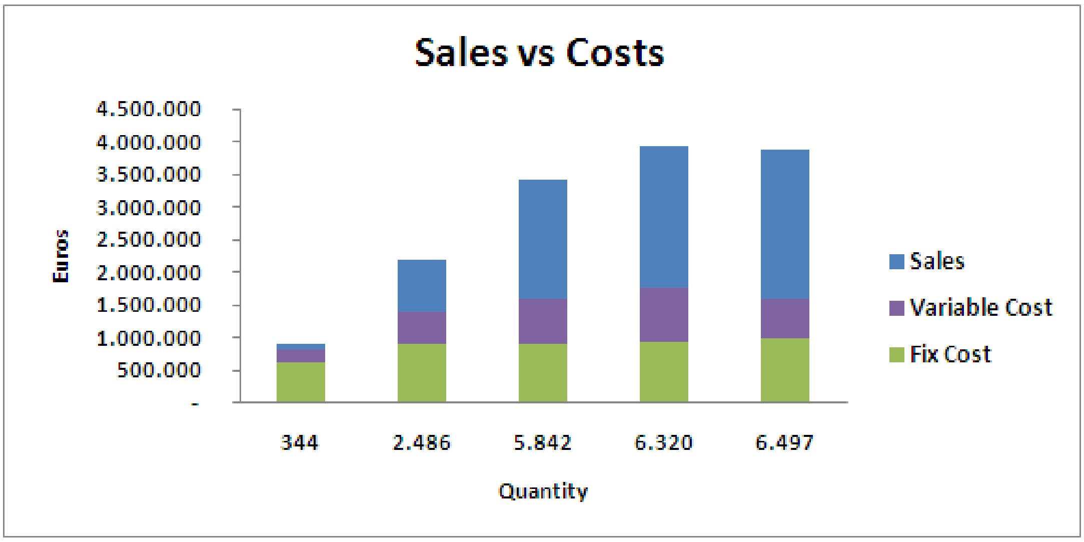


Image 27- Sales VS Costs Pessimistic scenario

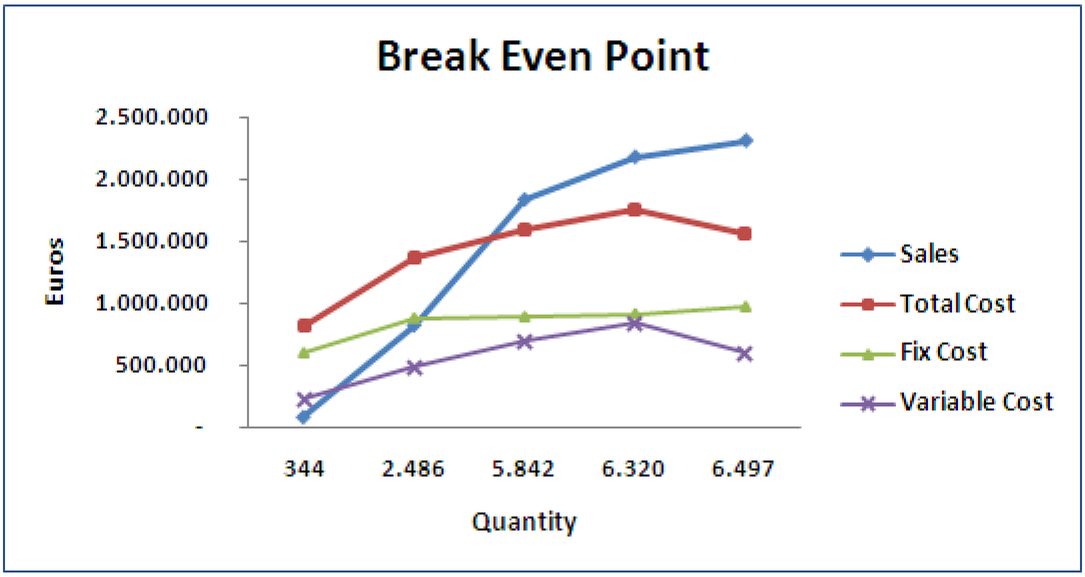


Image 28-Break Even for the pessimistic scenario

	Year 1	Year 2	Year 3	Year 4	Year 5
sales	85.494 €	821.308 €	1.831.582 €	2.174.560 €	2.305.209 €
fix cost	590.124 €	879.019 €	890.503 €	915.234 €	974.467 €
variable cost	220.667 €	487.217 €	696.326 €	840.386 €	590.552 €
total cost	810.792 €	1.366.236 €	1.586.830 €	1.755.620 €	1.565.019 €
Quantity	344	2486	5842	6320	6497

Table 66- Sales in Euros and in number, costs in Euros of pessimistic scenario

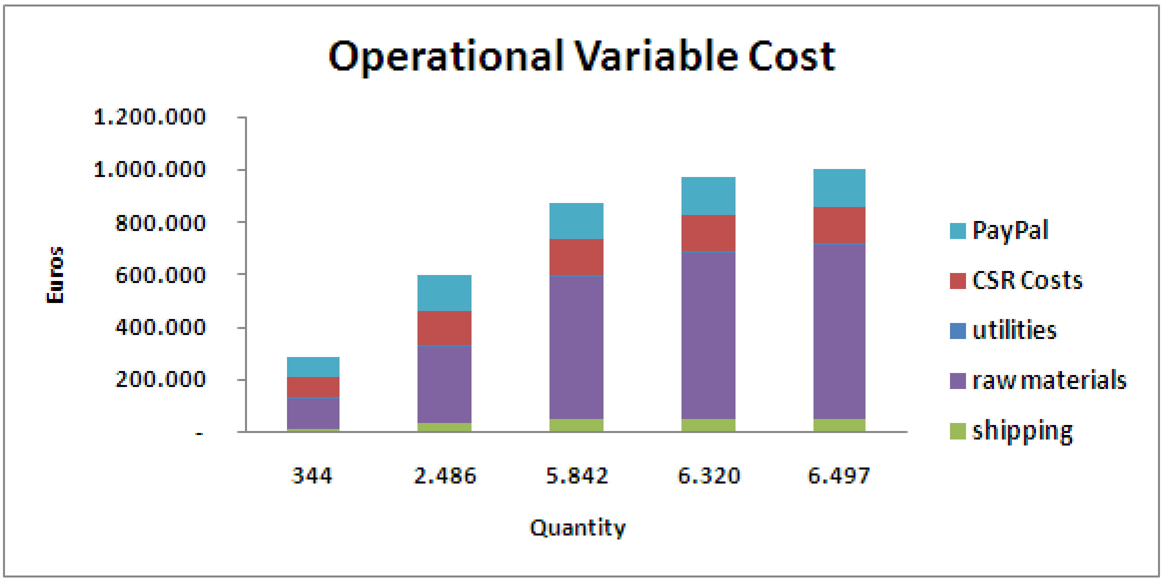


Image 29- Operational Variable cost pessimistic scenario

Financial Ratios Pessimistic scenario

	YEARS				
FINANCIAL RATIOS	1	2	3	4	5
liquidity Ratio					
Current Ratio	2,28	1,11	1,29	1,24	1,59
Acid Test	0,52	0,15	0,25	0,24	0,32
Cash Ratio	0,42	0,07	0,09	0,09	0,12
Account Collect Period	60	39	32	28	27
Account Payable Period	83	6	9	8	5
Inventory Turnover	0,16	0,04	0,09	0,07	0,05
Solvency Ratio	1,0000	1,0000	1,0000	1,0000	1,0000
Leverage Ratio					
Debt Ratio	1,29	4,05	3,00	3,75	2,42
Time Interest Earned Ratio	21	-7	32	74	-
Debt Structure Ratio	7,05	1,01	0,82	0,28	0,00
Structure Ratio	0,49	0,16	0,14	0,09	0,07

ECONOMICS RATIOS	1	2	3	4	5
Margin	-8,45	-0,66	0,17	0,23	0,35
Return on assets (Roi)					
ROA (Economic Profitability)	-1,24	-0,44	0,51	0,27	0,42
Return on Equity					
Roe (Financial Profitability)	-1,53	-1,58	1,53	1,02	1,03

Table 67- Financial Ratios pessimistic scenario

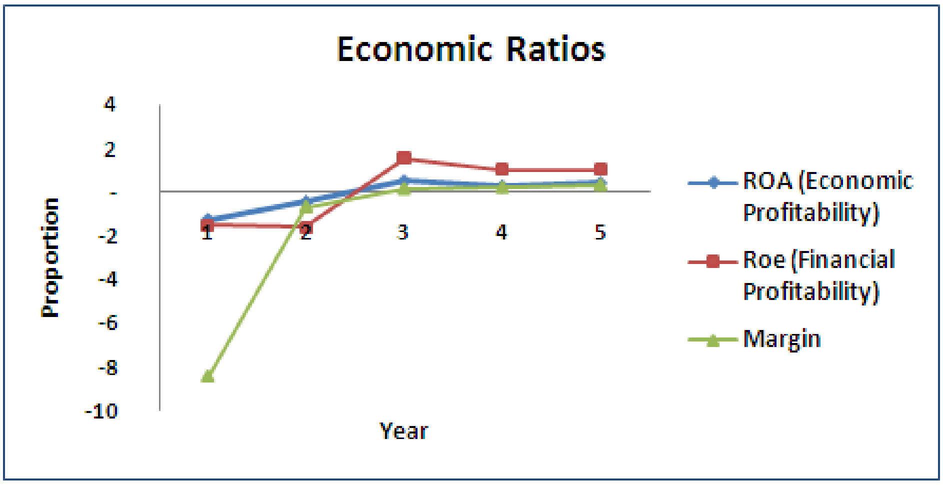


Image 30- Economic Ratios pessimistic scenario

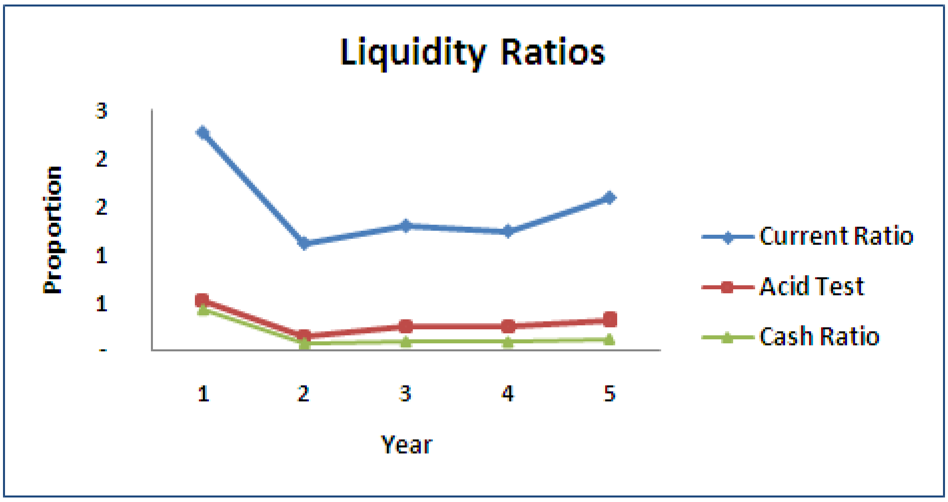


Image 31- Liquidity Ratios pessimistic scenario

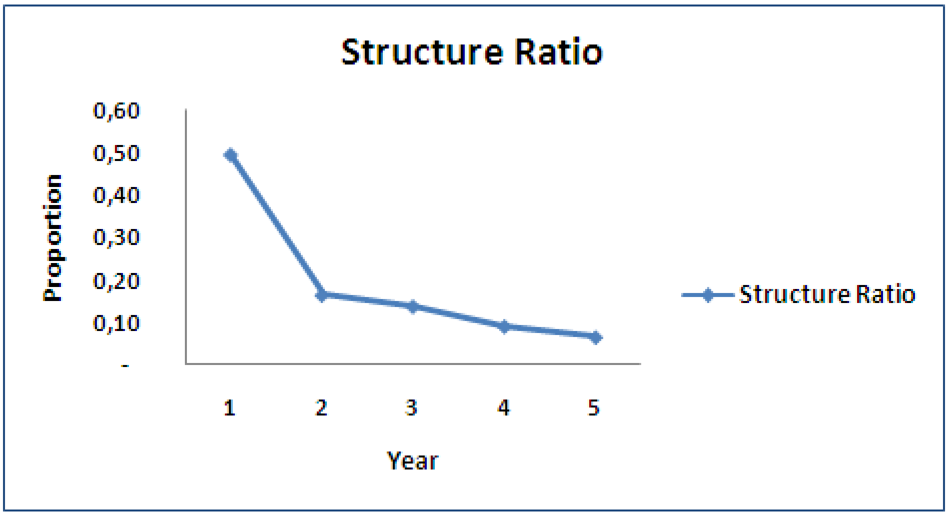


Image 32- Structure Ratio pessimistic scenario

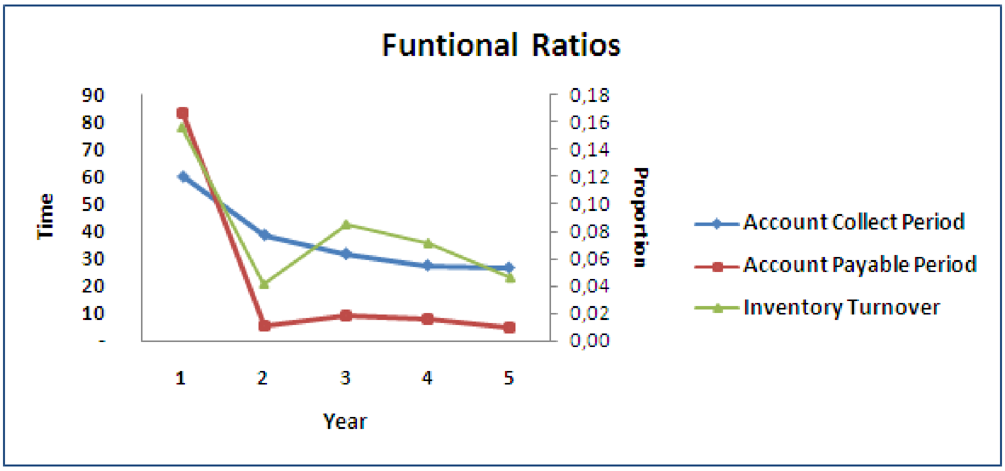


Image 33- Functional Ratio pessimistic ratio

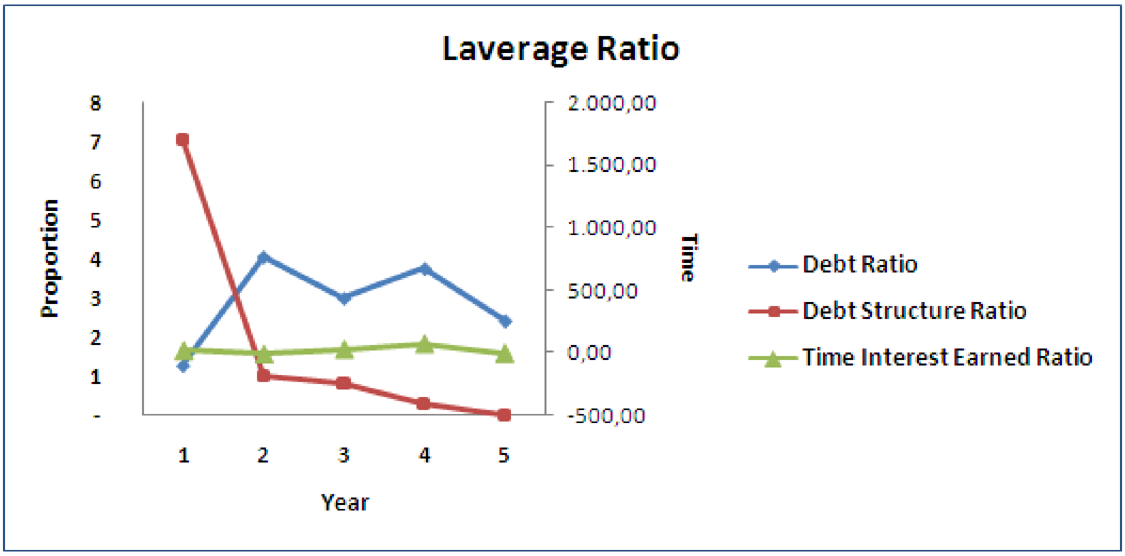


Image 34- Leverage Ratio pessimistic ratio

7.5 SCENARIO 3 – Optimistic Scenario

Assumptions

- The inflation rate in Chile stays the same.
- Increase our initial market share by 50% in comparison with the most likely scenario.
- Increase in 50% the growth of or sales each year in each market.
- Increase exchange rate euro/$.
- Initial month (September) sales will be 50% of the monthly forecasted demand.
- Monthly sales will increase by 10% for the next month (October) and afterwards 5% until reaching a 100% demand.
- Industry growth rate will grow at a 7,5% in USA, 3% in Latin America, 4,5% in EU.
- Start up selling in Europe and Latin America market, and in the second year introduce our products in USA market

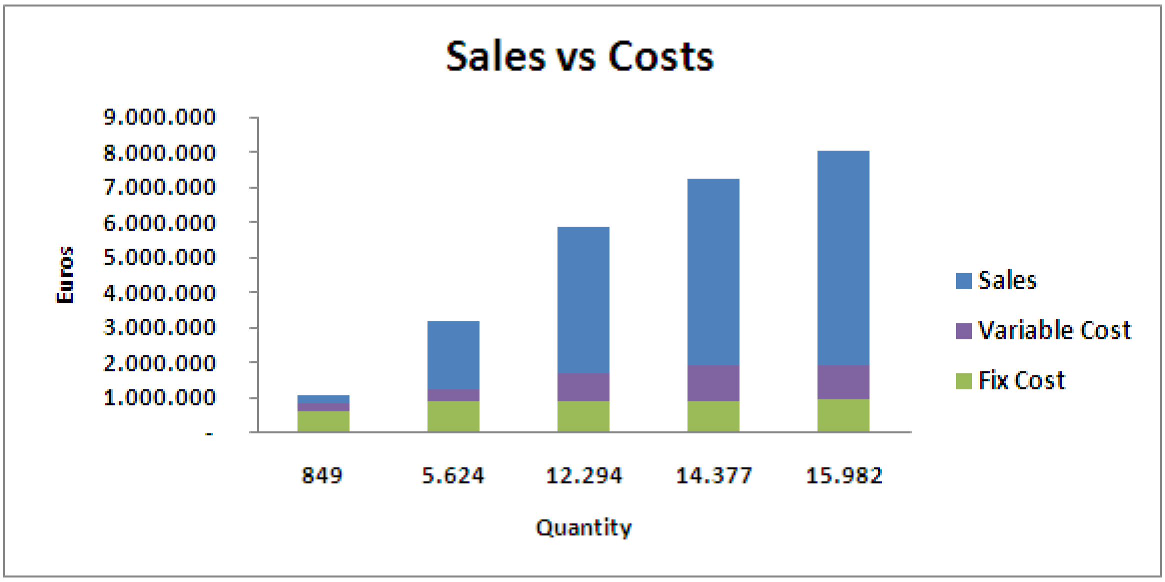


Image 35- Sales VS Costs optimistic scenario

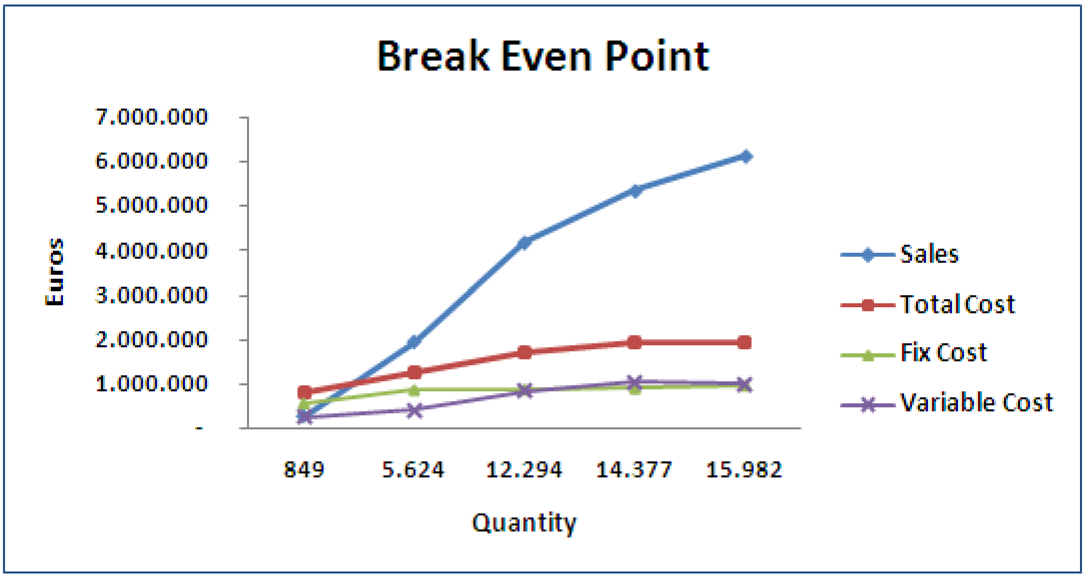


Image 36- Break even optimistic scenario

	Year 1	Year 2	Year 3	Year 4	Year 5
sales	242.998 €	1.919.868 €	4.146.277 €	5.316.613 €	6.102.882 €
fix cost	559.408 €	840.619 €	851.897 €	875.931 €	934.446 €
variable cost	220.667 €	380.412 €	824.491 €	1.031.042 €	984.326 €
total cost	780.076 €	1.221.031 €	1.676.389 €	1.906.973 €	1.918.772 €
Quantity	849	5624	12294	14377	15982

Table 68- Sales in Euros and in number, costs in Euros of optimistic scenario

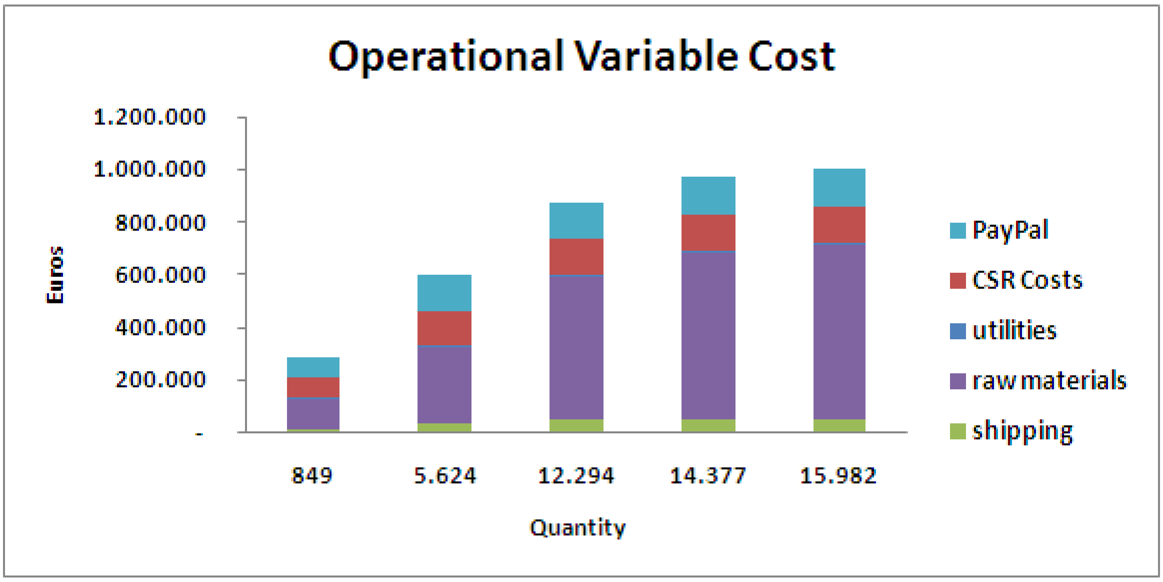


Image 37- Operational Variable Cost optimistic scenario

Financial Ratios Optimistic Scenario

	YEARS				
FINANCIAL RATIOS	1	2	3	4	5
liquidity Ratio					
Current Ratio	2,76	151,54	44,59	46,73	76,80
Acid Test	0,41	79,29	20,35	29,08	50,38
Cash Ratio	0,25	63,45	12,67	20,41	36,01
Account Collect Period	57	38	31	27	26
Account Payable Period	29	2	4	3	2
Inventory Turnover	0,16	0,04	0,09	0,07	0,05
Solvency Ratio	1,0000	1,0000	1,0000	1,0000	1,0000
Leverage Ratio					
Debt Ratio	1,33	1,01	1,02	1,02	1,01
Time Interest Earned Ratio	16	10	637	2343	-
Debt Structure Ratio	4,39	96,28	17,19	6,55	0,00
Structure Ratio	0,31	0,11	0,08	0,05	0,03

ECONOMICS RATIOS	1	2	3	4	5
Margin	**-2,19**	**0,37**	**0,62**	**0,66**	**0,71**
Return on assets (Roi)					
ROA (Economic Profitability)	-0,66	0,27	0,75	1,05	1,18
Return on Equity					
Roe (Financial Profitability)	-0,83	0,30	0,77	1,07	1,19

Table 69- Financial Ratios optimistic scenario

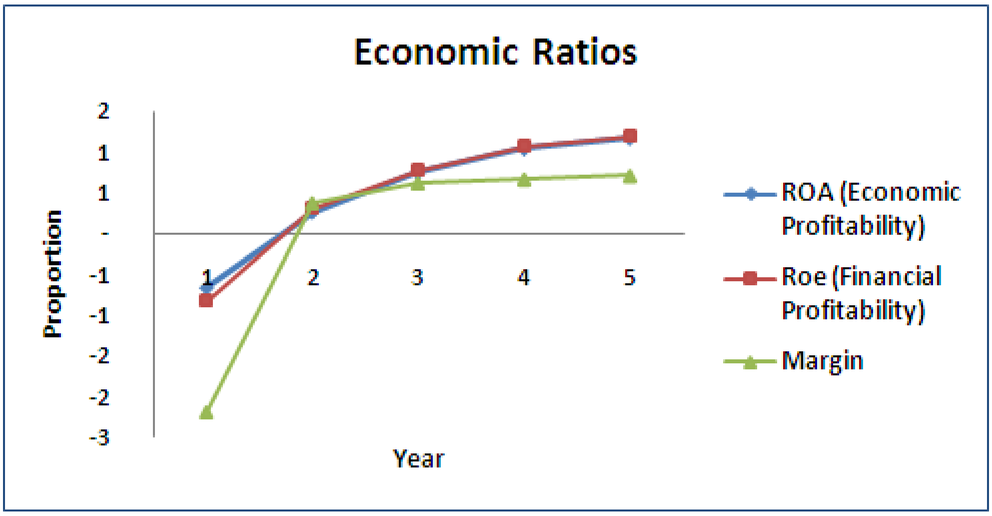


Image 38- Economic ratios optimistic scenario

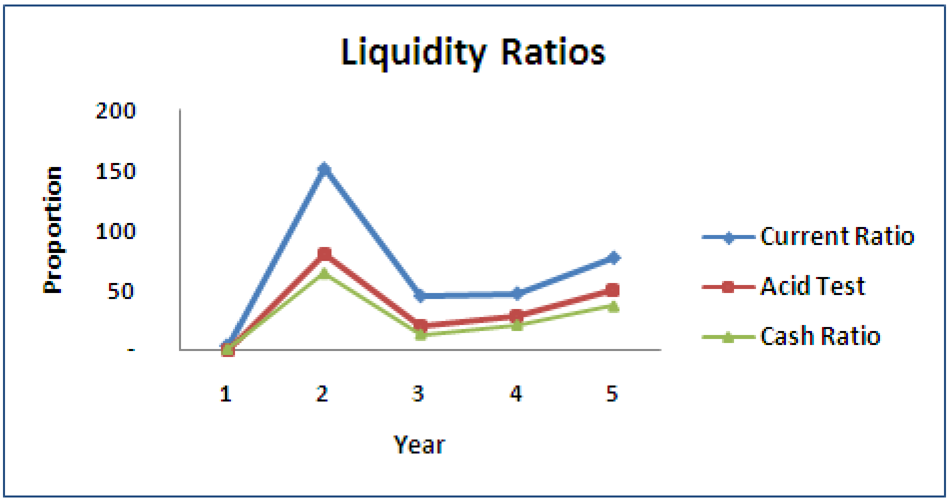


Image 39- Liquidity ratio optimistic scenario

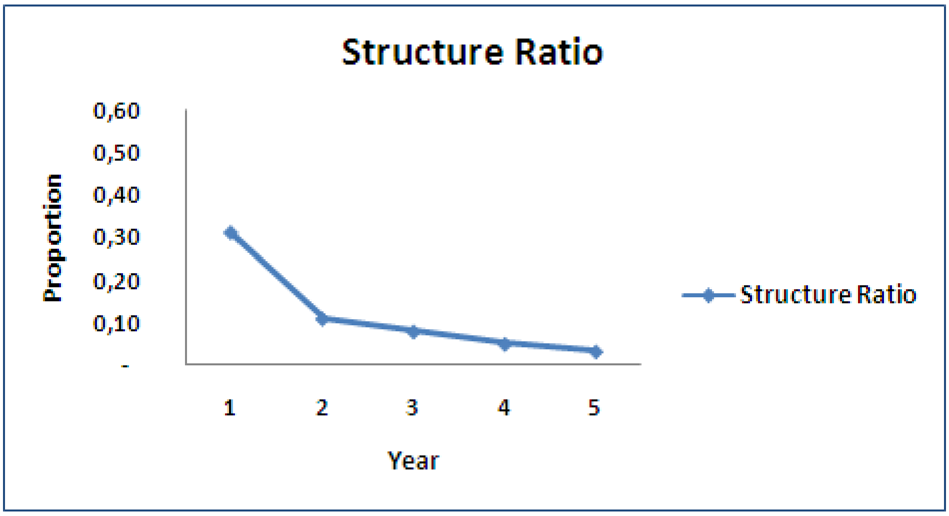


Image 40- Structure ratio optimistic scenario

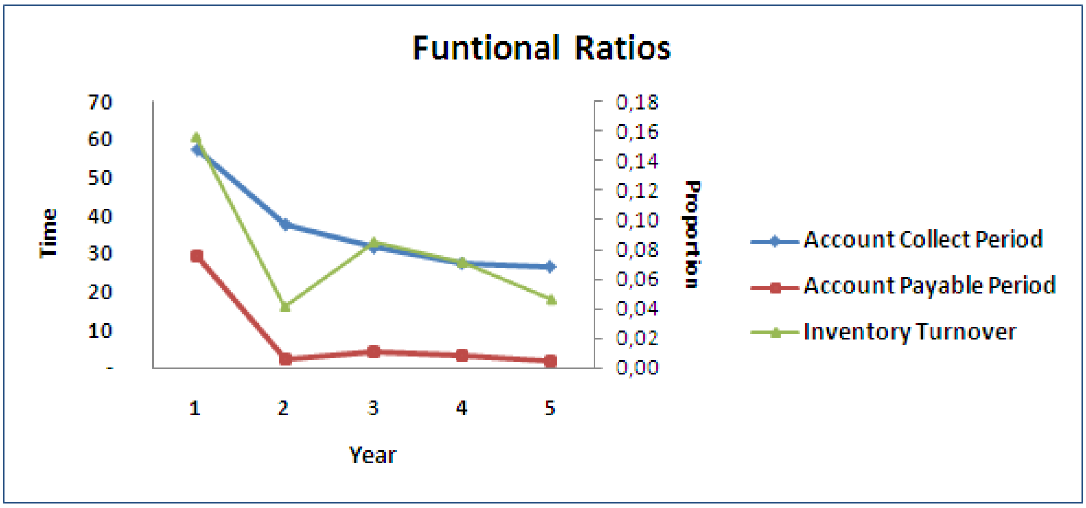


Image 41- Functional ratio optimistic scenario

7.6 Assessment of the Project

Project Assesment	Pesimistic	Most Likely	Optimistic
PNV	- 1.426.793,00	1.595.024,81	3.221.247,00
IRR	-	39%	67%
Pay back	4,28	1,62	1,21

Table 70- Comparison scenarios

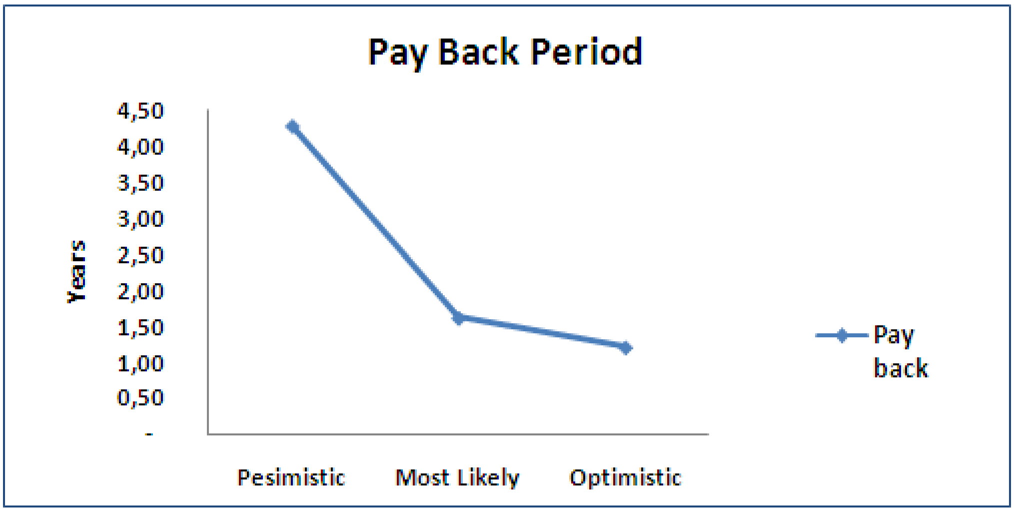


Image 42- Payback period for the three scenarios

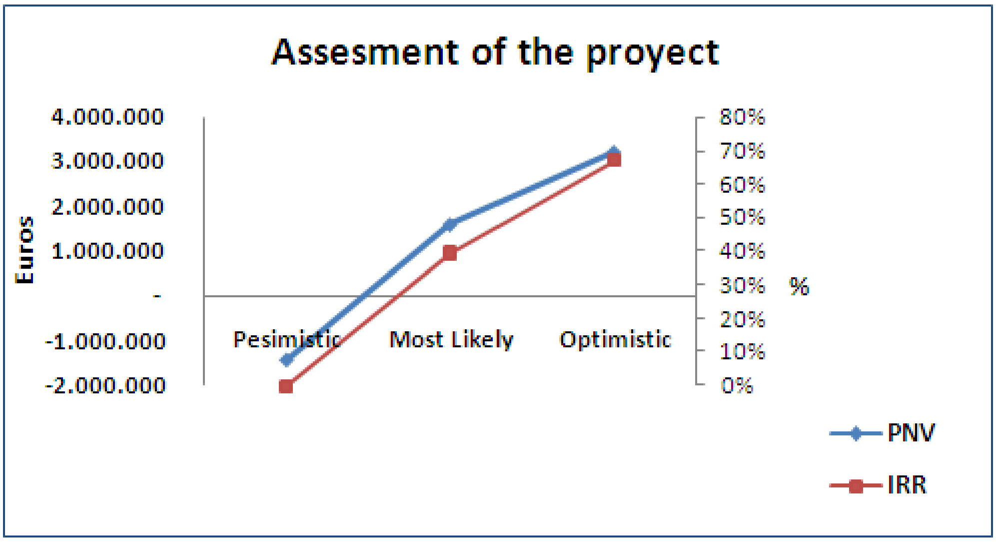
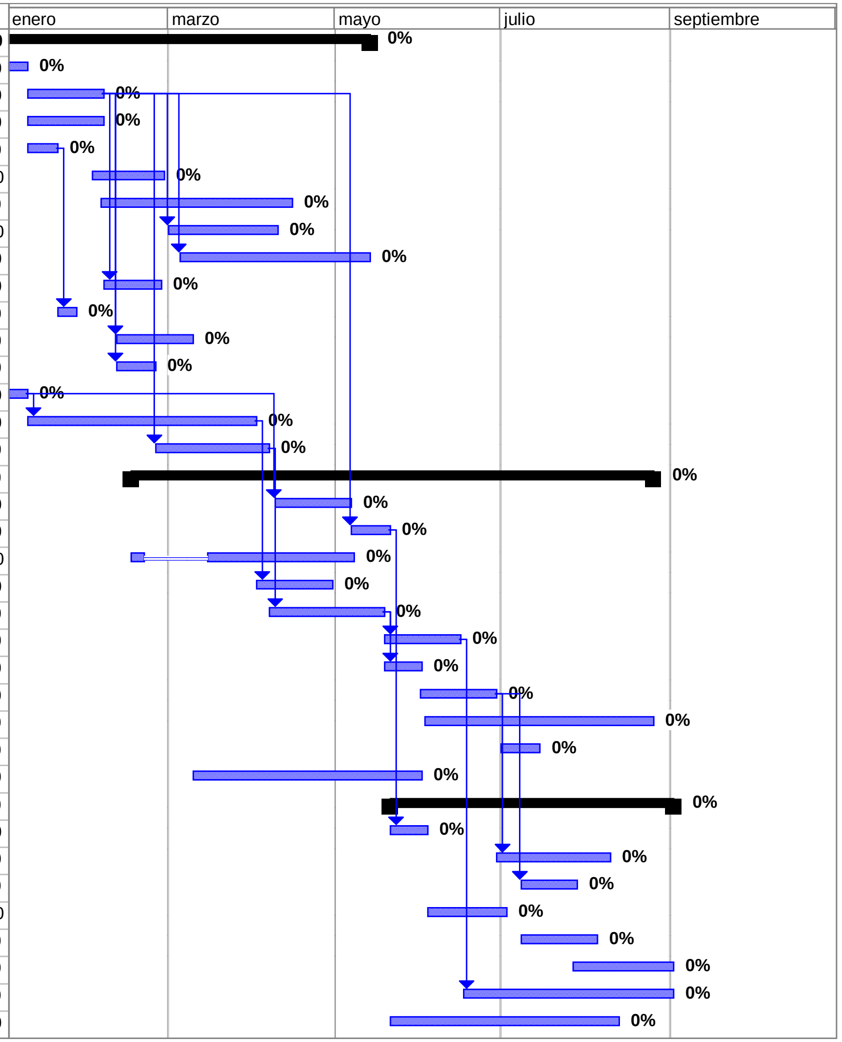


Image 43- Comparison of the NPV and IRR of the project

7.7 Implementation Plan

Because we have to establish a company and set up a factory in Chile it will take us 6 months before we can start to produce furniture and 9 months before we can begin to sell the furniture. Initially, we will just be selling furniture in Latin America and Europe because we wanted to gain experience gradually before getting involved in the American market; additionally we have a physical presence in these regions. We will enter in the American market in month 9 of the second year. A table of our implementation plan can be seen below:

Id	Nombre de tarea	Duración	Comienzo	Fin
1	**Phase 1**	**95 días**	**vie 01/01/10**	**jue 13/05/10**
2	To Open Bank accounts / Registration of the Name of the	5 días	vie 01/01/10	jue 07/01/10
3	To Register the company	20 días	vie 08/01/10	jue 04/02/10
4	To Register the name of the product/Logo	20 días	vie 08/01/10	jue 04/02/10
5	To rent the office of Madrid/ Registration of subsidiary in c	7 días	vie 08/01/10	lun 18/01/10
6	Design the launching product strategy	20 días	lun 01/02/10	vie 26/02/10
7	To ask for The Aval from Aval Madrid / Credit and pepare	50 días	jue 04/02/10	mié 14/04/10
8	Search/ Buy for the warehouses/factory's land in chile	30 días	lun 01/03/10	vie 09/04/10
9	Buy the machines (negotiation, transportation)	50 días	vie 05/03/10	jue 13/05/10
10	Negotiation with the suppliers conditions of the raw materi	15 días	vie 05/02/10	jue 25/02/10
11	Purchase of computers required	5 días	mar 19/01/10	lun 25/01/10
12	Contact and negotiate with the suppliers the instalation of	20 días	mié 10/02/10	mar 09/03/10
13	Contact and negotiate with the developers of the Website	10 días	mié 10/02/10	mar 23/02/10
14	To Prepare the Job offers to be published and to find the s	5 días	vie 01/01/10	jue 07/01/10
15	Start the evaluation and selection of the candidate	60 días	vie 08/01/10	jue 01/04/10
16	Development of the Website - Front End	30 días	mié 24/02/10	mar 06/04/10
17	**Phase 2**	**138 días**	**lun 15/02/10**	**mié 25/08/10**
18	Instalations and utilities needs in Chile's warehouse and f	20 días	vie 09/04/10	jue 06/05/10
19	Instalation of the machines	10 días	vie 07/05/10	jue 20/05/10
20	Ordering/reception of the raw material required to begin p	45 días	lun 15/02/10	vie 07/05/10
21	Training of the new employees	20 días	vie 02/04/10	jue 29/04/10
22	Development of the Website - Back End	30 días	mié 07/04/10	mar 18/05/10
23	To Test and adjust the internet sales period	20 días	mié 19/05/10	mar 15/06/10
24	Contact the suppliers and ordering (advertisement)	10 días	mié 19/05/10	mar 01/06/10
25	To rent Europe's warehouse	20 días	mar 01/06/10	lun 28/06/10
26	Negotiation/Design of the Mobile Tour Bus	60 días	jue 03/06/10	mié 25/08/10
27	Preparation of the warehouse utilities based on the needs	10 días	jue 01/07/10	mié 14/07/10
28	Implementation of the ERP	60 días	mié 10/03/10	mar 01/06/10
29	**Phase 3**	**74 días**	**vie 21/05/10**	**mié 01/09/10**
30	Testing and Adjusment production period (speed, measur	10 días	vie 21/05/10	jue 03/06/10
31	Furniture (delivered + Assambled) container for safety St	30 días	mar 29/06/10	lun 09/08/10
32	Furniture ready to sale (delivered + assambled the first co	15 días	jue 08/07/10	mié 28/07/10
33	Furniture safety stock chile (Produced + assambled)	21 días	vie 04/06/10	vie 02/07/10
34	Furniture ready to sale in chile (Produced + assambled)	20 días	jue 08/07/10	mié 04/08/10
35	Reciving the first sales order Chile/EU	27 días	mar 27/07/10	mié 01/09/10
36	Promotional Period Starts in all regions - ATL & BTL Initia	55 días	jue 17/06/10	mié 01/09/10
37	Adjustment and testing period ERP	60 días	vie 21/05/10	jue 12/08/10



7.8 Future Plans

As you can see, we are quite profitable in year 5. This will be a good point for us to begin to consider entering into additional markets or offering new products. As mentioned in the sector analysis, it may be attractive for us to begin to offer furnishings for other types of rooms in a house; such as the dining room or the living room. It may also be attractive to begin to offer home accessories, like sheets or pillows. We could also re- enforce our marketing plan in order to gain market share. It will be useful to examine all these possibilities once the company is established and we know better our market and what they demand.