

# Gifters

## **Business Plan**

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## Executive Summary

After a thorough look into the electronic gift card industry, our team found several companies that provide a gift card management service in the United States. With a global electronic gift card industry CAGR of 19.6% per year into 2027, and a total available market size of 1.03 billion and 13.9% growth rate in the U.S., our team believes there is room for our service to compete, especially when it comes to providing a compatible application that can help customers customize, transfer, and check balances of their gift cards. Gift Card Granny, a company that provides a similar service to what our team is proposing, claims they have 13.9 million website visits per year. Not only does this information provide evidence this type of service is desired, but also provides our team an initiative to create a service that can match, if not exceed the service they provide by focusing on the compatibility of the application. This will in turn give our team the confidence to make an ROI for investors within the first 3-5 years. Taking the initiative into creating a compatible application/website within the first year, and gaining traction within the second and third year will give us the experience to understand how the electronic gift card management market works, and will ultimately help us determine if our company should pivot into other channels such as the NFT and Cryptocurrency industry. Overall, our mission at Gifters is to give customers the ability to connect, share, and embrace the gift of giving in the most compatible way possible.

## Product/Service Offering

### **Overview**

The service we are planning to create is an app designed to help organize, transfer, and customize the gift card buying and receiving experience in the most compatible way. Gift cards are a popular gift idea, especially when it is last minute or when someone is feeling spontaneous. With our app, we are planning to create a tech-friendly experience for anyone with a smartphone, computer or tablet. Our app acts as a wallet to store gift cards virtually by simply scanning the card and uploading it into the app by taking a picture of the card with a smartphone, or by manually entering in the information from a computer or tablet. Furthermore, we want to give our customers the opportunity to transfer gift cards to another store or restaurant if the receiver doesn't plan on using the gift at a specific location, or feels like they would rather use a virtual credit card for any type of purchase. One of the issues of owning a physical, or electronic gift card is knowing the remaining balance. With our app, we will also provide our customers the ability to see the remaining balance, and give customers push notifications when they are near one of their gift card stores, or when they haven't used a gift card for a long period of time. Overall, Gifters is a place where customers can connect, share, and embrace the gift of giving in the most compatible way possible.

### **Desirability**

Our product is definitely something consumers, especially those ages 18-65, will get excited about. A lot of individuals struggle with keeping track of items and balancing their time throughout the day and with our service, we can solve that when it comes to gift giving. With looking at the marketplace, it would be able to solve the problem of efficiency and updated technology. Technology essentially runs our world, and with our product, it can make last-minute gift giving much easier. One of the companies we will be competing against, which provides a similar service, is Gift Card Granny. as stated on their website, they have over 13.9 million visitors each year. This shows that there is a desire for gift card management softwares. Even though they provide a similar service to ours, we will differentiate ourselves with compatibility and by exploring other channels of service they don't provide. Apple wallet, PayPal and Venmo, haven't branched out to expand the ability for gift cards/gifts to be put on there, so with our design, we would be able to fix that for

consumers. When looking back on a few of the interviews we did, a few of the main things the interviewees liked about our idea was that it didn't take up any unnecessary space in their wallet, and efficiency of scanning, customization, and transferring gift cards.

## **Demand**

The five interviews that we conducted helped prove why we came up with this product. In nearly every interview, the interviewees brought up the same points such as that they tend to lose track, or forget about their gift cards because they don't have room in their wallet after holidays such as Christmas or their birthdays. Another popular topic that was brought up was that since they forget or lose their gift cards, they end up expiring and go to complete waste. After hearing this problem, we decided to add in notifications to our application so it will alert you when you have one month left on the giftcard until it expires. While doing research on giftcards.com, we found lots of interesting statistics that helped prove why our application needs to become a thing. Around 91% of people have bought a gift card, so that just shows how large the market is for our product. In 2019, there was right around three billion dollars left on gift cards in the United States. Like we have mentioned above, these statistics back up our product but also help us improve it at the same time.

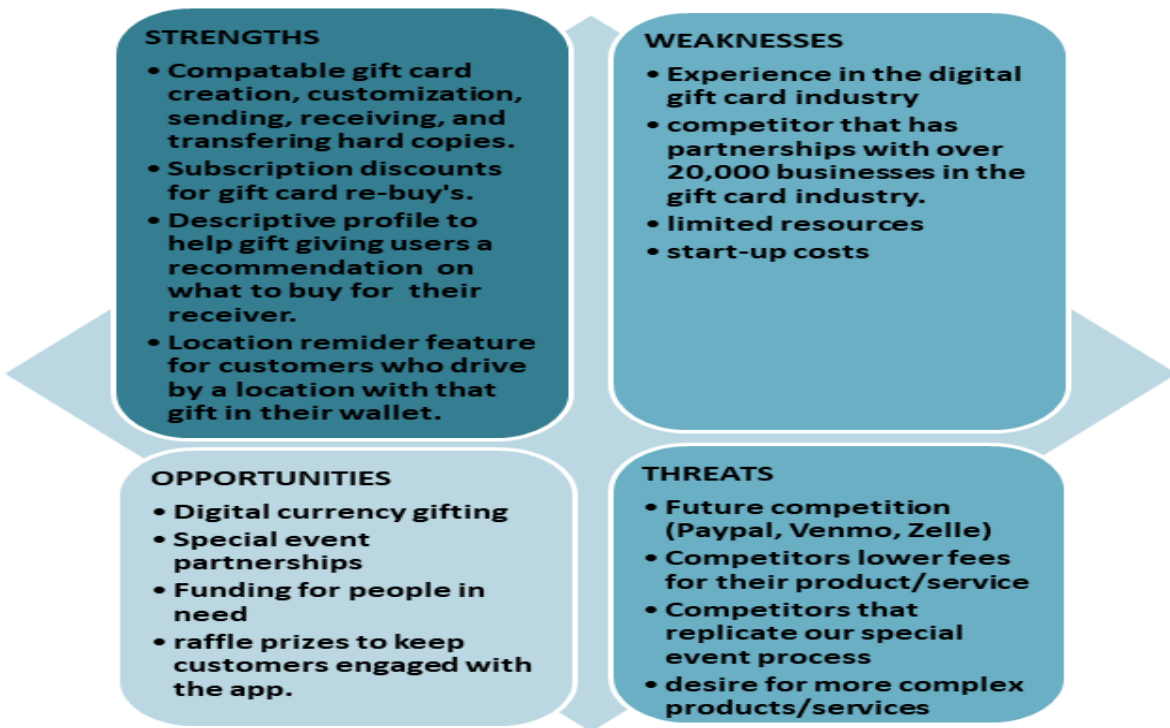
## **Industry/Market Analysis**

### **Industry Overview**

The Industry our application will be entering is the gift card and Electronic gift card industry. In 2020, the global size of the Gift card industry was 278.8 billion and is expected to be 608.1 billion by the year 2027 with a growth rate of 18.9%. In the Global restaurant closed loop segments a 13.7% CAGR and combined market size for US 193.7 Billion in 2020.

## Industry Attractiveness and Competition

This industry looks attractive because of how much it is expected to grow by the year 2027. If our application were to have half a percent of market share for the restaurant closed loop section by the year 2027, we would have the chance to be a part of 968.5 million in market share. Using the 80/20 rule for the competitive analysis, we analyzed the most recommended, and highest rated gift card management applications. Cardsmash, Gyft, Santa's Bag, Gift card Granny, and Egifter. Most of these competitors have the same goal as our application which is managing, sending and receiving gift cards. Furthermore, Xoxoday is a gift card management software that focuses on B2B sales with corporations to help with tracking and sending employees gift cards. Even though these competing applications have a similar platform as to what we are proposing, we plan on differentiating ourselves in the industry by having the most compatible software and exploring into other avenues such as helping special event managers, corporate foundations, raffle ticket events, and crypto currency NFT space. Essentially, as our application plans to grow over a 5 year period, we will be an all-in-one solution for all of these channels.



## **Target Market Overview and Segmentation**

Since our application can be used by just about anybody, we actually have a very large target market. If we wanted to break it down even further, we decided that we would focus on certain age groups. A very large amount of people that use gift cards are older people such as grandparents, and then the younger generation. A large part of the giftcard market has to do with older people buying gift cards for the younger generation because it is a very easy way to give them a present. If we went with this plan, we would focus on ages 18-65.

Like we mentioned above, our market for the demographic segmentation would be focused on the age group of 18-65 year old people. Since gift cards are used by just about anybody around the United States, there is no reason to specifically focus on selling our application to a certain religion, ethnicity, or marital status. For the geographic segmentation, we came together and decided it would be best if we released the application in just the midwest for the first year so then we would be able to get back lots of data and feedback. Then in the second year we would focus on the East coast because of the population density. Then if everything is going to plan and running smoothly, we would open up the application to the whole United States. We believe this is the best plan because we won't override our systems right away and we will be able to make changes depending on the feedback we get from the first two years. The behavioral segmentation will play a pretty large part in our application because if our consumers use gift cards very often, then they will pay the fee to use the app with no hesitation. Our consumers' brand loyalty is huge because of reward systems in our application such as buying a certain dollar amount of gift cards for a specific place. Lastly, the psychographic segmentation will play a large role in our company because a lot of the factors relate to how much people will buy gift cards. For example, the middle class tend to buy a large amount of gift cards because they have the money to do it, and it is still looked at as a thoughtful gift within their social class. Also, if people happen to be trendy, that usually means more shopping which can lead to purchasing gift cards.

Like we have mentioned before, we don't have a specific target market because of how broad our application is. Our consumers will start off with friends and family, and then grow

into anybody that uses gift cards. Our consumers are currently located all over the United States, but we are going to start off in the midwest, then east coast, and finally open it up to the whole nation. Gift cards are used in every single state by nearly all ages of us humans, so that means there is no specific place that the target market is located. The main reason consumers will use our application will be because of how easy it is to operate it and send/receive gift cards. The reminders before gift cards expire is also a huge bonus compared to just having a stack of gift cards in your wallet or sitting at home.

**Target Market Breakdown**

	<b>Year 1 Midwest</b>	<b>Year 2 East Coast</b>	<b>Year 3 All of the U.S.</b>
<b>TAM</b>	<b>\$794.1 million</b>	<b>\$904.48 million</b>	<b>\$1.03 billion</b>
<b>Industry Growth Rate</b>	<b>3.9%</b>	<b>3.9%</b>	<b>13.9%</b>
<b>SAM</b>	<b>\$1,232,000,000</b>	<b>\$2,959,208,000</b>	<b>\$3,370,537,912</b>

Sources:  
<https://www.globenewswire.com/news-release/2020/07/09/2059937/0/en/Gift-Card-Industry-Will-Reach-2-7-Trillion-by-2027-Despite-COVID-19.html>

When looking at the Target Market Breakdown, there were several considerations that went into why we segmented the way we did. For the first year, although it is an app that will be placed in the app store for anyone, we wanted to promote and advertise within the Midwest because that is where we are located and know a significant amount of people.



For the second year, we plan to expand our knowledge and advertising out to the East Coast and finally reach the whole U.S. in year 3. When looking at the numbers, we first looked at all of the people ages 18-65 in the U.S., which was 201,098,093. We then narrowed that down to 44,000,000 of them to be located within the Midwest. We took a third of that number and got 14,666,666 people. From there, we took a third of that number who would be online users of gift cards and got 8,213,333 people. We multiplied that number by 150, which is about the average spendage on gift cards a year and came out to \$1.232 billion. We repeated this process for each year, also including the Gift Card Industry Growth Rate at 13.9% and climbing.

## **Marketing Plan**

Our marketing strategy consists of an ongoing process of trial and error with App Store Optimization, conducting research for our target market, taking the opportunity of advertising through social media and initial contact during the early stages of the application, user acquisitions, and the expenses involved in the first couple months of our marketing plan. A couple of sale processes for our gift card app would be meeting customer objections, initial contact in the early stages of marketing with our community, such as family and friends, about the application. After that, as a company we would target the most likely buyers for the app, a population that understands technology such as smartphones and mobile apps (ages of 30-60 especially). Our company will be using public relations (social media, event sponsorship and blogging) and other promotion-related activities (creating word-of-mouth advertising) starting for our promotion mixes and presenting more advertising once the gift card app becomes more popular.

Marketing channels for our app would consist of incentivized CPI, non-incentivized CPI and search marketing (Google Adwords). These channels will show a high lifetime value and higher quality which translates to more monthly active users and better monetization. To distribute our mobile app we will have to configure or generate our app package (IOS or Android) in Service Studio customizing and editing the mobile app development. These tasks will lead our mobile gift card onto platforms such as Apple or Android app stores

where consumers can download our app for their convenience. The expenses for our app development would need to pay for ASO (App Store Optimization) service which could cost anywhere from \$1,000-\$25,000 per app for a base startup. Finally, our costs of content marketing for our app would be estimated at \$1,500-\$10,000 per month. This includes research and development of content ideas, creation, content distribution and promotion, and link building.

## Organizational Feasibility and Operations

### **Resource Requirements**

When looking at what our service entails, there are several non-financial resources we may need to obtain in order to create our first sale. From a human resource perspective, we need strong employees that understand what our ultimate end goal is. We also need family and friends that can support us through obstacles and rely on for possible help or advice in the beginning. When looking at produced asset resources, a building where we can work on our product and the right equipment in order to do so is highly necessary. We wouldn't need a massive warehouse, but we would need to find a building with a section for us and our team to develop. Equipment wise, we would look to start out developing on our own computers because we don't have all the money to start by purchasing our own technology system and computers. A couple more non-financial resources we would look to obtain would be intellectual property and possibly a patent. Due to no one else having a design or product similar to ours, we want to make sure it stays ours in the long run. By being able to obtain these resources, it would lead us to complete development of our product and app, along with taking us to our first sale within the app.

### **Management Requirements**

In order to get our product seen on the market, there are a few different strategies we will be looking to do. First, we would look at ways to advertise our product online or in stores. We would look to advertise our app specifically in stores that sell gift cards in order to catch consumers attention. Another way we would look to get customer awareness would be advertising our app with the ability to get emails about our app. By being able to send out emails with our product information, it could lead them to more details of the app and

even take them to the app store and have them download it. Brand partnership would also be a highly beneficial way of getting our product seen by possible target customers. By being able to partner with a store or restaurant that sells gift cards, it will show consumers a much easier way to purchase and use them all through their smartphone, computer or tablet. Lastly, we want to share how our business differentiates from other similar products or businesses. Although there is nothing similar to our product, Apple wallet would be our closest competitor. We want to share and advertise the benefits and differences of our product to attract that awareness.

### **Distribution Channels, Partners and Suppliers**

In order for our company to operate an application on Android's play store, or Apple's App store, a once-per-year payment is required. Apple charges \$100 per year and Microsoft charges \$12-\$100 per year depending on the app type. Another fee our company must consider is how much each "in-App purchase" we have to split with Apple and Android. Within our first year of business in the phone app market, Apple and Android require 30% of the total revenue our company produces. After the first year of operating on both of these platforms they reduced their amount to around 15%. These costs are essentially a license agreement to operate on Apple and Android's platform. Not only will these fees be in consideration for launching our Application, but also the split agreement between the company partnerships we plan to acquire, Such as subway, Buffalo Wild Wings, Ect. Another license agreement cost will be paying for a lawyer to write an in-app agreement for our customers to read and accept while using our app. This license agreement will keep us safe from any lawsuits that could arise in the future. Other costs that our company will have to think about is if we file for an LLC or partnership agreement. Finding a lawyer to see if our idea is patentable would be the first step, while also creating a copyright would be the second step for building our application logo. Within the license agreement with our customers, it will ensure that we are legally allowed to collect their data, and promise that we are not sharing personal information. As a company we expect to first hire our employees when our app hits a certain amount of downloads on mobile devices.

**Financial Feasibility**

**Total Start-Up Cash Needed**

<b>Employment and Office Space</b>	<b>Cost per Year</b>
<b>Office Space 699 Walnut Street, Des Moines Per Year</b>	<b>\$ 17,280</b>
<b>Projection Hub: 14 employee cost average of office furniture Per year</b>	<b>\$ 21,000</b>
<b>Starter Story: Average technology office equipment per year with all 9 employees Computer ect.</b>	<b>\$ 9,000</b>
<b>CEO (First 3 months)</b>	<b>\$ 24,016</b>
<b>CFO (First 3 months)</b>	<b>\$ 24,016</b>
<b>COO (First 3 months)</b>	<b>\$ 24,016</b>
<b>Accountant</b>	<b>\$ 49,530</b>
<b>Software Developers, Applications</b>	<b>\$ 56,590</b>
<b>Marketing Managers</b>	<b>\$ 58,240</b>
<b>Sales Managers</b>	<b>\$ 40,280</b>
<b>Web Developer</b>	<b>\$ 44,840</b>
<b>Bookkeeping, Accounting, and Auditing Clerks</b>	<b>\$ 27,250</b>
<b>Total Start-up Costs</b>	<b><u>\$ 396,208</u></b>

In the first year of our startup, our team concluded that we wanted to produce our first sale within the first year. All Executives will execute this goal with the help of a Web developer, Software developer, Marketing Manager, and Sales manager. Our web developer will be responsible for setting up the website and working directly with our marketing manager to build a website that can reach out to our specific target market, and be able to have a site customers can get information from and download the application. The Software developer will have the responsibility in producing a compatible application that all users can easily work with. Our sales manager will initially start off alone in the first year to acquire partnerships and reach out to event planning services as well as corporations. The Cost per

year for each employee is based on the average salary from Texas for employees that work in an office of 30 people or less. Our team felt that hiring a human resource manager for the second year would not only save money for the first year, but also help determine if other employees are needed for future years. Overall, this table is a baseline for how much start-up cash is needed for the first year. Other miscellaneous costs such as 401k, insurance, and data storage can't be determined until our executives make an actual decision.

## **Revenue Model**

The revenue model we decided to go with is the subscription/recurring revenue model. We believe this made the most sense for us because it will look reasonable to our consumers but it will also keep them locked in for a year after they pay. For the question about how many revenue drivers will be utilized, we came up with two. The first one is the total number of subscriptions. This will be our main source of revenue because in order for someone to use our product/service, they will need to pay the subscription fee to get access for a whole year. The second revenue driver is the number of gift cards bought. With every gift card that is purchased through our application, we will make a small profit on it.

For the question about our product/service price, we came to a conclusion that 25 dollars per year was the best price. We chose that our customers pay for the service of the year ahead instead of doing a monthly subscription. We chose this because when they pay that 25 dollars, they are locked in and so is our profit. This will also make customers want to use our service/product more because they know that they are paying for it. We came up with 25 dollars per year because two dollars per month for a subscription is perfect, but since we went with the year instead we got to 24 dollars and then added one more dollar to make it an even 25.

1. The venture will be selling both a product and a service. The product is the application itself, while the service is what is within the app once you purchase your year long subscription.
2. As talked about above, our company will have two revenue drivers. They are the total number of subscriptions and then the total number of gift cards bought.
3. Venmo is an app that is very similar to ours but their start up story was a lot different then how we plan ours to go. They made profit almost immediately after it

was released and just a few months later they sold it for 26.2 million dollars. We are starting off with a slower way such as starting in Iowa, then expanding to the midwest, etc.. We expect it to take around 2-3 years until we pay off our deficits and start making profit.

4. The subscription will be a recurring payment that will happen after a customer's 12 months.
5. Like stated up above, we are planning to go with a slower startup so that means the average customer for our first year will be very low such as 5 people a day. Once we expand throughout the years that number will steadily increase.
6. With our company creating an application, we really don't have margins because instead of making multiple products, we are just making one. The product/service costs around 250,000-300,000 to create because we need to make sure everything is running smoothly and is well protected. In addition to that, there will be some extra costs for hiring workers and professionals that can help develop our product before hitting the markets. We are going to sell the year long subscription for 25 dollars.

### **Financial Performance of Similar Businesses**

When looking at Venmo, PayPal and Apple Wallet, these are all possible competitors similar to the venture we are looking to develop. Although our venture is more focused on gift cards specifically, it is a way to transfer and use money through an application that is highly organized and efficient to use, similar to those other businesses. Venmo has a high profitability and is used by millions of users within the United States. Looking deeper into Venmo, the company is able to process revenue through a 2.9% transaction fee for the business, as well as a 1% fee for users who want to withdraw money directly linked to the card users have connected to the application. Another similar company would be PayPal, which generates around \$17 billion annually, with it increasing significantly than the year prior. Venmo is now owned by PayPal, starting in 2012, which is essentially when they hit their break-even point after being created in 2009 by college students.

We were able to find this information by diving into websites regarding and discussing these applications, as well as looking at a business model for Venmo and PayPal that went

over their revenue projections and PayPal's interest in partnering with another company that could grow their business, as well. When looking at the initial sales for other similar businesses, the first 1-2 years were rough. For example, Venmo started with a smaller community where you had to be invited into in order to make money transactions. Eventually it got sold to PayPal for \$800 million, making a huge investment.

When looking at our venture, we look to start small, building up our financial revenue over a 3-5 year period and eventually hitting our break-even point, similar to other money transaction applications. After doing some research, the money transfer app industry is continuing to boom. With users becoming more experienced with technology and travel being so high, these types of applications have become much more popular because of the convenience of them. With consumers getting access to these types of applications, they are more likely to continue using them because of the efficiency and organization abilities of their money. The most important costs would be the team and people you are hiring to help create the app like a designer or technology developer, along with a marketing person to get your app out to the public. Although these may be a little pricey, it can and will benefit the product and application down the line once the revenue is at a higher peak.

### **Overall Financial Attractiveness**

The overall financial attractiveness of gifters is through customer acquisition costs, the lifetime value of a customer, and break even point for the company and investors. Our team calculated the customer acquisition cost by dividing sales & marketing spend by customers acquired ( $\$98,520 / 1,825$ ) to equal \$53.98. We calculated the lifetime value of a customer by dividing the company's total revenue (in one year) by the number of purchases over the course of a year ( $\$45,625 / 1,825$ ) to equal \$25. The break even point was calculated by dividing the fixed costs by unit price minus the variable unit cost ( $\$275,000 / (\$25 - 7.50)$ ) to equal \$15,714.29. \$7.50 equals the 30% commission of Apple inc. receives our company's app to be placed in the Apple Store mobile app for an example. \$275,000 equals the products/services cost (ongoing costs).

<b>Total first year Expenses:</b>	<b>\$396,208</b>
<b>Total first year Revenues:</b>	<b>\$45,625 (\$25 per unit x 5 new customer per day x365 days)</b>
<b>Total first year profit:</b>	<b>-\$494,535</b>

**The Ask**

When taking into consideration our initial funding, investments and the projected ROI, our business would be a great fit to invest in when looking to expand the potential of the Gift Card Industry and expansion of technology as a whole. Our total start-up costs are around \$540,000, and we would ask for \$200,000 for 12% of our company. Each of us are willing to take out money to take care of the ther \$340,000, but we do need some more help with technology development and potential hires in the future. If you invest into our company, you would recoup your investment by the second year of business, as we are on track to break \$3 million in sales by year five.



## Appendices

### Value Map

The pains our sought after customers are experiencing is taking the time to drive and get a physical gift card, losing track of the physical gift card, the amount of space physical gift cards take up in a purse or wallet, and knowing how much money is left on the card.

Through our app, we are going to relieve these pains by; sending gift cards through the app to save time, storing all gift cards in one space on the app, making it easier to keep track of the gift cards, setting up a place in the app where people can see how much money is left on each gift card, and potentially giving customers the option to transfer their gift card from one company to another.

### Business Model Canvas

<p><u>Key Partners</u> Partnering with event planners that plan to give out prizes. School events, Raffle companies, Bingo, Trivia, After Prom. We will help these organizations with the simplicity of our app and they will help us with revenue.</p> <p>Partnering with contractors. While developing the mobile app, we will have to sign contracts with companies that will perform different aspects of the work: software development company, marketing agency, law and account firm, etc...</p>	<p><u>Key activities</u> For our business/company, the most important things we could do would be to organize people's gift cards and money, along with lowering the risk of customers losing track of their cards and transactions.</p> <p>Another key thing for our business would be our platform and networking. As there is nothing really comparable to our product, getting our product out into the market and advertised is huge. Making those connections with businesses who are notorious for selling gift cards will be massive for our production.</p>	<p><u>Value Propositions</u> With our business, some of the bundle of products and services that create value are that it's something new. The only other similar "app" would be the wallet apps on the iPhone that only store your credit or debit card and tickets. Another thing would be easy accessibility. With our app being easy to download on any smartphone, tablet or computer, customers have the ability to access their gift cards from almost anywhere with just a few clicks.</p>	<p><u>Customer Relationships</u> After our interviews, we realized that our attention needs to focus on advertising to a younger and older crowd. If we can gain awareness how the relationship of younger people interacts with other people of a similar age it will help with feasibility. -Calendar reminders when birthdays and special events are coming up. -Location reminders when the customer is close to a store with their gift card.</p>	<p><u>Customer Segments</u> With our gift card storing app, we look to reach those who have smartphones, making our target audience very wide and broad. Narrowing it down, we might also focus on people looking to give gift cards frequently, those who like to shop and even those looking for a more efficient way to store cards without losing track of them.</p>
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	<p><u>Key resources</u>  Board of Advisors:  VP/Founder of GolfLogix,  Owner/founder of Golflogix,  Founder of Shootit</p>		<p><u>Channels</u>  -Future channels of NFT and cryptocurrency.  - Future channel of sponsored events  -Corporate events</p>	
<p><u>Cost Structure</u>  Fixed Costs: Data storage, Internet servers  Operation costs: customer service, CFO, Data Entry.  Variable costs: Profit share with current partners and contracts with future partners.(human resources)  Unknown costs: Testing compatibility with users. Design and structure of the app for all countries.</p> <p>Also other costs include:  Office, necessary equipment. Marketing and advertising</p> <p>Costs can be separated into: fixed and variable</p> <p>Cost structure can focus on cost-driven (reducing costs) or value-driven (higher costs but producing greater value)</p> <p>Other considerations: economies of scale and economies of scope</p>		<p><u>Revenue Streams</u></p> <ol style="list-style-type: none"> <li>1. Usage Fee: A 5% fee will be charged for the service of sending a gift. 15% fee for helping special events organize their gift giving opportunities.</li> <li>2. Optional subscription fee per month to get a discount on sending gift cards to others.</li> <li>3. Advertising (we can use our platform to post ads possibly)</li> <li>4. Brand usage (when our app becomes a recognizable brand with a registered trademark, we will be able to charge for use of the brand)</li> </ol>		

## Customer Discovery Analysis

The Initial Hypothesis of our customer discovery analysis was closely aligned with our final hypothesis in that people have problems with storing, managing, and knowing how much is left on the gift card. One of our interviewees expressed the inconvenience of having to go out and drive to pick up a gift card. Along with that, she talked about how she tends to wait until the last minute, so it causes her a lot of stress when having to pick out what kind of gift card and the balance that should be put on it. When receiving gift cards, she talked a lot about how when storing them, it makes her wallet very cluttered and they take up a lot of unnecessary space that she could be using for something else. Lastly, something she said that would be helpful is that if there was a way she could transfer the money from a gift card to a place she knows she doesn't go to, to another store or restaurant that she would use.

The final hypothesis our team came up with about the customer discovery analysis was slightly different from the initial hypothesis in terms of people wanting to transfer credit from one card to another. The discovery of this pain serves a challenge for our overall direction of the application. With experience in negotiation skills, our team plans to incentivize companies (Target, Wal-Mart, Texas roadhouse) by charging 25% of the value of the credit on the gift card to the customer. This 25% credit value of the card, each customer is willing to give up to transfer for another gift card, will go straight to the company gift card holder. The remaining 75% of credit, which will have to be given out as credit eventually, will be given back to the customer to transfer the remainder into another company gift card holder. The key point our team wants to express in negotiating with company gift card holders is that 52% of gift cards go unused. If companies can receive 25% of credit that will more than likely go unused, they will have the ability to turn that 25% into a debit, and be able to spend that money towards whatever the company pleases. In the end, the customer will be happy with being able to spend most of their credit towards another company they choose, and the company gift card holder will be happy to turn a credit into a debit. These percentages might fluctuate depending on what company gift card holders want to receive, but our team believes that this could be a great pain reliever for both the customer and company holding credit for that customer.

Select at least 2 of 9 BMC blocks	Value Proposition	Key Activities	ex: Distribution Channels
Initial Hypothesis (BMC I):	With our business, some of the bundle of products and services that create value are that it's something new. We look to be a valuable app that doesn't have any other competitors besides, the Apple Wallet that stores tickets and debit/credit card information. Our app would be easy to download and user friendly.	Our app will be designed to help people store their gift cards virtually, organize the stores you have gift cards for and also lower the risk for customers who may lose or misplace their gift cards often. Networking and advertising our app is highly important.	Our app is designed to provide customers awareness with Youtube Ads, QR codes next to physical gift cards.
Final Hypothesis (BMC II):	Our app will be available for any smartphone, tablet or computer users. You don't need to be super tech-savvy to be able to use the app. Along with that, you would be able to easily purchase/transfer gift card information to yourself or others, easily be able to track how much money is left on the card and even be able to transfer money to a different store or restaurant if you don't go to it.	When thinking about our app, the most important things that we could do for our customers would be making the process of purchasing gift cards virtual (meaning you can look up gift cards within our app and purchase them through it with a lower service fee), make it more time efficient than having to leave your house to get one and help with organization and decluttering of cards. Our app also offers the ability to transfer and exchange gift cards if the recipient them.	With the interview analysis we think Ads, QR codes and also app notifications are important. Also, app notifications/reminders when special occasions are coming up will support our companies success of channeling with customers.
<b>Summary of Key Findings</b>			
1 Most people want a more time efficient way of getting gift cards			
2 Being able to visually see the balance on the gift card is important to customers			
3 Having a lower service fee or having it built in to the price allotted on the gift card would be much more beneficial			
4 Having app reminders of gift card expirations and notifications of special occasions will help benefit both the customer and our comp.			
5			
6			
7			
8			
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10			

## **Porter's Five Forces Analysis**

Competition in the industry: Based on the highest rated gift card management application services, our application will be directly competing against Cardsmash, Gyft, Santa's Bag, Gift card Granny, and Egifter. These applications/websites are all similar in regards to providing a service that helps consumers purchase, send, and receive gift cards, but show the tremendous desirability from customers looking for a gift card management service.

Potential of new entrants into the industry: PayPal, Apple Wallet, Venmo, and other money transferring applications have not shown interest in the electronic gift card management services, but could pose a risk for our application in the future if they decided to disrupt the industry. With brand loyalty and a potential of setting lower prices to beat competing services could ultimately disrupt our application in the start-up stages. One potential reason these applications aren't competing in this industry is because they don't have the necessary resources, or time, to fulfill a compatible gift card application that links with their current services. With that being said, these companies could be looking for a company they can buy out that fits their application as a whole.

Power of suppliers and customers: The key suppliers for our application will be local restaurants, retailers, and other companies that are willing to give credit out to our application. These suppliers are important for the early stages of our application because the more suppliers we have, the more revenue we will generate. In preparation for generating as many suppliers as possible, we included a sales manager for our startup costs to obtain partnerships with big and local companies. Key customers are going to be everyone from the ages of 18-65. Customers that have the most power, in regards to liking and sharing our application with others, will be customers of older age. If our application is difficult for older people to use, it could lead to low retention rates. As a team, our goal for this application is to be extremely compatible with all ages. Through the design process, it will be very important to obtain feedback from people of older age to make sure everyone can use our app with ease. Instructions for each feature in our application will help us with high retention rates and ultimately be able to deal with the power of customers keeping our application for a long time.

Threat of substitutes: When it comes to threats of substitutes, Venmo, PayPal, and Apple Wallet are the substitutes to electronic gift card management services. Customers that don't feel like buying a gift card can easily use venmo to send money with a headline "merry

christmas". This could be the reason why these applications aren't exploring the electronic gift card industry because it is essentially faster to use their services compared to our direct competitors.

## Income Statement

In our income statement, we decided to go with an annual subscription for our mobile app transaction sales. Along with the number of subscriptions our revenue is also driven by the total number of gift cards purchased. We believe this app's revenue will rapidly increase because of the efficient organization the app delivers and the app relating to a broad range of ages eighteen to sixty-five-year-olds. The main factor for our transaction sales is during Christmas and consumers' birthdays with the exchanges between both older and younger generations. Our cost for executives and employees will maintain consistency through our five-year plan since it's an up-and-coming app for consumers. Lastly, our projected break-even mark would be after year two with the beginning of our mobile app in the midwest and expanding to the east coast, following that the app will expand to the entire United States.

- 5 Year Summary -					
	1,000 's				
	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income statement</b>					
Units/Transactions sales	49	118	337	1,228	1,749
Net sales	\$ 616	\$ 2,959	\$ 8,426	\$ 30,712	\$ 43,727
Gross profit	\$ 604	\$ 2,959	\$ 8,426	\$ 30,712	\$ 43,727
General & Administrative Expenses	\$ 206	\$ 387	\$ 387	\$ 387	\$ 387
Sales & Marketing Expenses	\$ 110	\$ 110	\$ 110	\$ 110	\$ 110
Research & Development Expenses	\$ 50	\$ 50	\$ 50	\$ 50	\$ 50
Production & Manufacturing Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Income (loss) from operations (EBITDA)	\$ 366	\$ 548	\$ 548	\$ 548	\$ 548
Net income (loss)	\$ 158	\$ 1,588	\$ 5,196	\$ 19,603	\$ 28,063
Gross margin	98%	100%	100%	100%	100%
Operating margin	59%	19%	6%	2%	1%
Net margin	26%	54%	62%	64%	64%
<b>Balance sheet</b>					
	Year 1	Year 2	Year 3	Year 4	Year 5
Cash & cash equivalents	\$ 176	\$ 1,770	\$ 6,972	\$ 26,581	\$ 54,649
Other current assets	\$ 3	\$ 3	\$ 3	\$ 3	\$ 3
Fixed assets	\$ 25	\$ 19	\$ 14	\$ 8	\$ 3
Total assets	\$ 203	\$ 1,792	\$ 6,988	\$ 26,591	\$ 54,654
Short term debt	\$ 12	\$ 12	\$ 12	\$ 12	\$ 12
Long term debt	\$ -	\$ -	\$ -	\$ -	\$ -
Shareholders equity	\$ 191	\$ 1,779	\$ 6,976	\$ 26,579	\$ 54,642
Working capital*	\$ 167	\$ 1,760	\$ 6,962	\$ 26,571	\$ 54,640
<b>Cash flow statement</b>					
	Year 1	Year 2	Year 3	Year 4	Year 5
Net cash from operating activities	\$ 173	\$ 1,594	\$ 5,202	\$ 19,609	\$ 28,068
Net cash from investing activities	\$ (30)	\$ -	\$ -	\$ -	\$ -
Net cash from financing activities	\$ 33	\$ -	\$ -	\$ -	\$ -
Net increase (decrease) in cash	\$ 176	\$ 1,594	\$ 5,202	\$ 19,609	\$ 28,068
Free Cash Flow	\$ 143	\$ 1,594	\$ 5,202	\$ 19,609	\$ 28,068
<b>Employees</b>					
	Year 1	Year 2	Year 3	Year 4	Year 5
Number of payroll employees at year end (fte)	7	7	7	7	7

## **Start-Up Budget**

As a team, we expect higher start-up costs due to the complexity of creating a mobile application for both Android and Apple IOS. Team expenses, as well as hires for the first year and beyond. These include office space, high management positions such as CEO, CFO, and COO. Other employee wages would include an accountant, software developer, marketing and sales managers, and web designer. All of the executives will execute this goal with the help of a web designer, software developer, marketing manager, sales manager, and accountant. Our web designer will be responsible for setting up the website and working directly with our marketing manager to build a website that can reach out to our specific target market, and be able to have a site customers can get information from and download the application. The Software developer will have the responsibility of producing a compatible application that all users can easily work with. Our sales manager will initially start off alone in the first year to acquire partnerships and reach out to event planning services as well as corporations. Our accountant will keep track and adjust our financial statements by maintaining a successful company for the future. Other miscellaneous costs would be employee 401k, insurances, also mobile app testers data storage facilities, licenses, patents, and equipment.

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