

**Engineering 191/291b
Spring 2008**

Comprehensive Project - Part One

Market Size and Revenue Projections

(Will be Used for Final Take Home Exam)

Business Idea:

You may choose between the following two choices for an idea to use for this project:

a. Your own business/product idea.

If you are currently working on a business startup (or thinking about it) and would like to use your own data and product idea you may. Just run it past me first and be forewarned that it may be harder to get your market data;

b. College financial planning software (see Section following)

Objective:

1. Obtain market data (required) and industry information¹ for your business idea (or college financial planning software idea or email add-on program idea) to support an estimate of:
 - a) Potential market size,
 - b) Growth outlook -- ie is industry growing at 15%, declining, etc., and
 - c) demand to drive your revenue projections.

Where to obtain this data? Internet searches on keywords, government publications, government research, census information, trade publications for that industry (find by internet search), annual reports for other firms in similar industries, etc. (use FreeEdgar for the annual reports).

¹ In some instances industry information may be difficult to find – in which case talk to me.

2. Develop five year revenue projections (first year monthly, next four years can be yearly) based on your findings from part 1. above and also your estimated internal abilities to scale up the business – for example, the demand may be estimated for 1,000 units the first year, but you realized that the most you can handle well is 250 units that first year.

General Instructions

- a. Use Excel for the spreadsheet and MS word for any written portion. Please use PC and not Mac.
- b. Work individually or in groups of two. If you work in a group of two, both students will receive the same grade. If you work individually, your work must be unique from other students in the class.
- c. Please summarize and attach the market data information and industry information and cite the sources.
- d. Put changeable “Revenue Assumptions” input cells in the excel spreadsheet for the number of units and price per unit – you can expand it and/or run different scenarios.
- e. Please ask questions as you go or run drafts past me. This part one will count as 25% of your final take home exam. Presentation also counts. The spreadsheet should be designed and formatted so that it prints out neatly on pages without running over etc. and can be easily read (should look professional).
- f. Timing: Do not spend more than 6 hours on this portion of the project. Do the best you can within that time constraint.
- g. Additional work for final exam will build on this and will be handed-out next week.
- h. This will be handed-in together with the rest of the final take home exam.

Business Idea B: College Student Financial Planning Software

Background:

You are starting a firm that has developed a software product for college students to help them manage their finances. The software product ties together information from the student's charge cards, ATM accounts, saving accounts and checking accounts. The product sells for approximately \$19.95 each and there is the option to also enroll in an optional upgrade and maintenance agreement for a fee of 15% of the sales price per year (15% of \$19.95). You expect approximately 10% of all college students in your defined market will eventually use this software product. And you expect of those that purchase the product, 35% will opt for the annual upgrade and maintenance fee. You also expect that most of the students will purchase this during their freshman year.

Market Data and Revenue Projections:

Develop five year revenue projections based on actual research and facts on the number of college students in the US. (It is up to you to define the market as all colleges, only state colleges, only community colleges, etc... however you want – but you need to cite your source of information.) Keep in mind that once a college student purchases this product, even though they may still be in college for the next three years they will not purchase it again. For industry information, I would suggest looking at both the credit card industry and the expected growth in college students (or decline).

Be sure to clearly state all assumptions you make!!! For example, you may assume that it is marketed to only community colleges, and thus use those numbers for your projections. You may also assume that students only buy the maintenance and upgrade for two years (or one year). Lastly, you need to assume how quickly the revenue will ramp up – meaning that although you expect to get 10% of your defined market will buy the product, it will take several years to reach this potential and you need to assume how fast (or slow) that will ramp up. Do two sets of these projections – one for a \$19.95 per unit price and one for a \$29.95 per unit price.

End Product (for Business Idea a or b) Part One:

1. Estimated market in dollars and units or customers for five years (monthly for first year and yearly thereafter).
2. Estimated sales in dollars and units by month for the first month and then yearly thereafter for a total of five years.
3. All your market and industry data attached as backup data with sources cited.

Feel free to contact me with questions – I am happy to help guide you!