

PromenAID Handrail

ORT Consulting Group

Agenda

- ▶ Situation
- ▶ Complication
- ▶ Problems
- ▶ Key question
- ▶ Analysis
- ▶ Alternatives
- ▶ Suggested solutions
- ▶ Implementation
- ▶ Financials
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Situation

- ▶ Young company with positive results
- ▶ Family company
- ▶ High quality product, differentiated (interior and exterior use)
- ▶ Adjustable and personalized product
- ▶ Ease of installation
- ▶ Experienced and varied founders and board.
- ▶ ADA compliant

- ▶ Best and cheapest product



Distribution channels

- ▶ 120 stores in Canada
- ▶ 100 Stores in USA
- ▶ E commerce (Amazon)
- ▶ Home medical equipment dealers

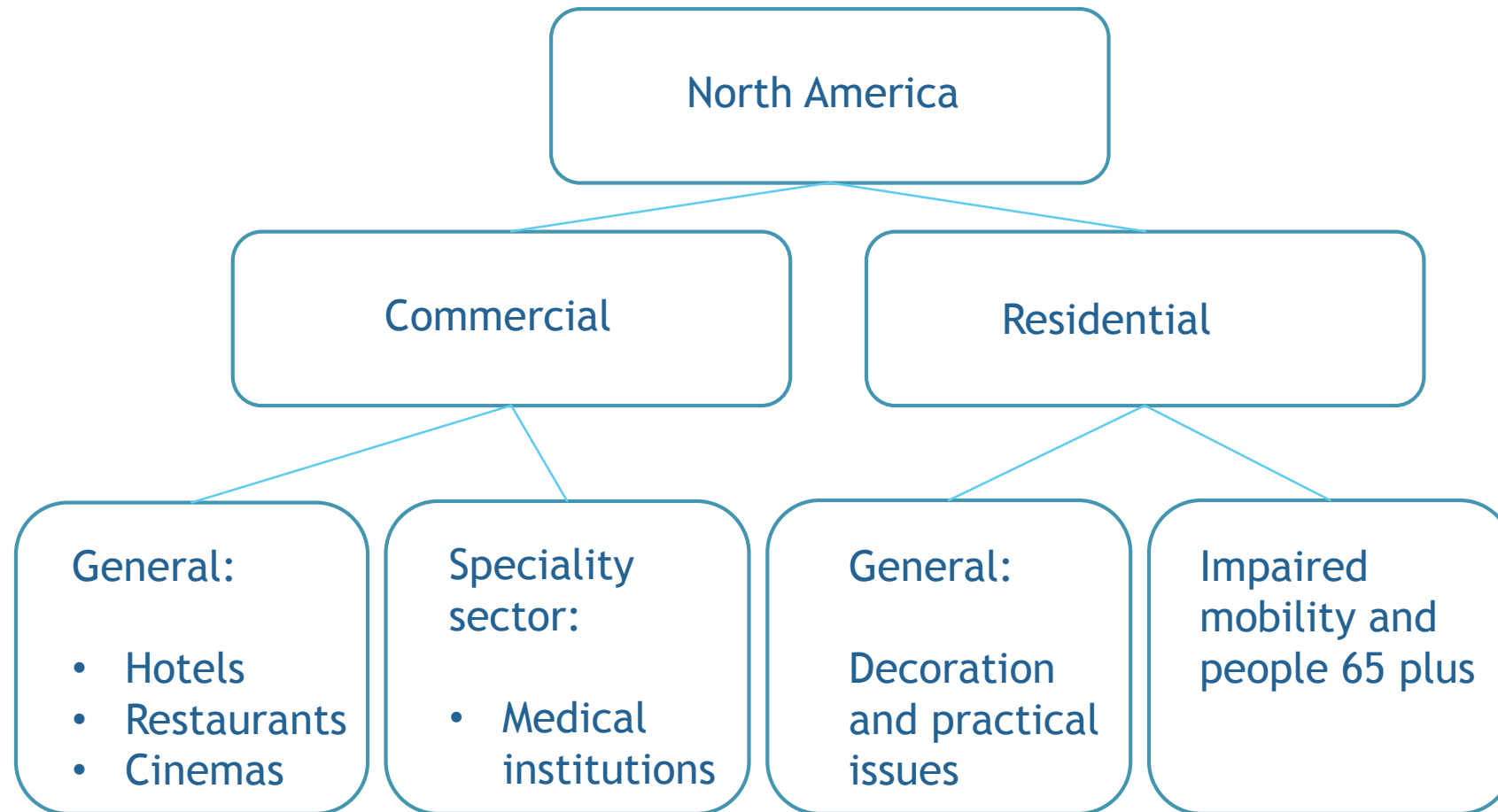
Complication

- ▶ Fast growth
- ▶ Small structure vs. company growth
- ▶ How do you stimulate demand?
- ▶ Low brand market positioning
- ▶ Poor knowledge of customer's needs
- ▶ Growth of credit payment
- ▶ Cash flow decreasing in the near future

KEY QUESTION?

- ▶ Does PromenAid know who its customer is?

Current Market Segmentation



Analysis

	Actual markets	New markets
Actual Product	Satin-Anodized handrail US & Canada	High income countries with similar elder people characteristics (Europe)
New Product	Sell license and allow third party production	Sell license and allow third party production

Analysis

P - Governments demand usage of handrails for people's safety

E - Similarity between prices, low fluctuation (25 -60)

S - Growing market, in higher income countries (like US & Canada), population is aging
Growing awareness of elders and impaired needs

T - Innovative design and features

L - Risks in institutions that lack safety elements

S

- ▶ Attractive, durable, for inside & outside
- ▶ Meets standards of International Building Code
- ▶ Ease of installation with many pieces and connector types
- ▶ Aesthetics

W

- ▶ Lack of product recognition
- ▶ Restricted lengths that FedEx can ship

O

- ▶ Innovative product, that meets many requirements, flexibility, many uses
- ▶ Possibility to sell license for others to start selling
- ▶ Growing awareness of hazards in falls

T

- ▶ Low entering barriers for new competitors

Alternatives

1. Focus on Commercial market
2. Focus on Residential market
3. Licencing franchise- externalization

Alternative	PROS	CONS
1.Remaining in Current market (not an option maintain status quo)	<ul style="list-style-type: none"> • Growth in potential sales 	<ul style="list-style-type: none"> • One option for different types of clients • Higher selling costs • Higher investment in marketing.
2.Focus on Commercial market	<ul style="list-style-type: none"> • Mass product sales • Higher impact • More brand recognition • ADA compliant 	<ul style="list-style-type: none"> • Government regulations
3.Focus on Residential market	<ul style="list-style-type: none"> • Helping older people • Family focus aligned with company values foundation. 	<ul style="list-style-type: none"> • Customers don't value ADA compliant • Customers don't understand the product pros.
4.License franchise-externalization	<ul style="list-style-type: none"> • Market growth • Product expansion 	<ul style="list-style-type: none"> • New business model adaptation

Suggested solutions

- ▶ Change Market focus:
 - ▶ Focus on Commercial Market (Restaurants, Movies, large scale clients, hospitals)
 - ▶ Expand business with franchise licensing

Implementation

STRATEGY

Phase 1

- Incorporate **new sales office** in US in most prominent markets like Florida, California, Upper East Coast (NYC, Boston)
- Maintain Residential focus only in **online sales**

Phase 2

- Focus in selling **licenses** to other distributors in other countries to expand company and **internationalize**

COMMERCIAL DEPLOYMENT

Phase 1

- Recruit **sellers** in different states (commission driven)
- Invest in **advertisement** in e-channels

Phase 2

- Scouting in Europe, for possible **partners** (linked with production facilities and distribution)

Implementation

	2018	2019	2020
PHASE 1			
New sales offices in US	X	X	
Recruit sellers for new offices	X	X	
Residential online sales	X		
Advertisement in e-channels	X	X	X
PHASE 2			
Sell licences to other countries			X
Scout for partners in Europe		X	

Assumptions

- ▶ US market growth due to population size
 - ▶ (Canada 36 million vs. US 300 million)
- ▶ Margin decrease 5% due to exporting expenses
- ▶ Canada sales growth increases 10% per year
- ▶ Canada reduce margin decreases marketing and staff costs

Financials Canada

	2016	2017	2018	2019	2020
Forecast Canada	\$ 197,000.00	\$ 216,700.00	\$ 238,370.00	\$ 262,207.00	\$ 288,427.70
unit cost	30	30	30	30	30
Total unities	6566.67	7223.33	7945.67	8740.23	9614.26
Growth		1.10	1.10	1.10	1.10
Margen	70%	65%	65%	65%	65%
Gross margin	\$ 137,900.00	\$ 140,855.00	\$ 154,940.50	\$ 170,434.55	\$ 187,478.01

Financials USA

Forcast USA					
Units		50000.00	55000.00	60500.00	66550.00
		\$	\$	\$	\$
Total Sales		1,500,000.00	1,650,000.00	1,815,000.00	1,996,500.00
Margen	65%	65%	65%	65%	65%
Utilidades brutas	\$	\$	\$	\$	\$
	-	975,000.00	1,072,500.00	1,179,750.00	1,297,725.00
		\$	\$	\$	\$
Net profit		500,000.00	590,000.00	689,000.00	797,900.00

Costs USA					
		\$	\$	\$	\$
General Managers		120,000.00	120,000.00	120,000.00	120,000.00
RRHH +		\$	\$	\$	\$
Accounting		80,000.00	80,000.00	80,000.00	80,000.00
		\$	\$	\$	\$
Office Leasing		50,000.00	50,000.00	50,000.00	50,000.00
		\$	\$	\$	\$
Sales man Fix		120,000.00	120,000.00	120,000.00	120,000.00
Sales man		\$	\$	\$	\$
variable		75,000.00	82,500.00	90,750.00	99,825.00
		\$	\$	\$	\$
Marketing		30,000.00	30,000.00	30,000.00	30,000.00
		\$	\$	\$	\$
		475,000.00	482,500.00	490,750.00	499,825.00

Financials Europe

Forcast Europe					2020
Units					20000
Total Sales					\$ 600,000.00
Margin					20%
Utilidades brutas					\$ 120,000.00

Total Forecast

	2017	2018	2019	2020
Total Sales	\$ 1,716,700.00	\$ 1,888,370.00	\$ 2,077,207.00	\$ 2,884,927.70
Total Income	\$ 640,855.00	\$ 744,940.50	\$ 859,434.55	\$ 1,105,378.01

Conclusions

- ▶ Better understanding of your customer
- ▶ Focus in commercial markets
- ▶ Develop company structure to fit company growth
- ▶ Maintain product features
- ▶ Open to European market with a franchise option