

2015

Business Plan on product distribution in the RF territory

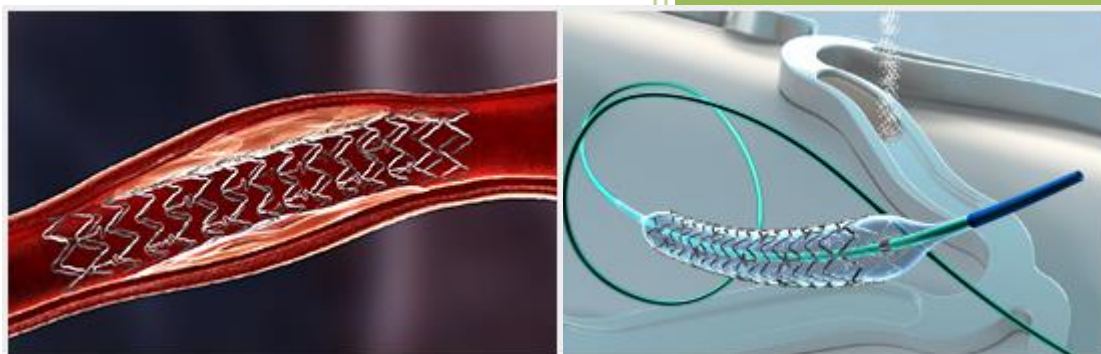



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1. Executive Summary

The present business plan is to present a development project for distribution of Coronary Stents manufactured by XXX, in the territory of the Russian Federation. The distribution project under discussion is supposed to be performed by a group of companies engaged in the supply of modern medical equipment and consumables to the market of the Russian Federation (hereinafter, the Company).

Following the conducted analysis of the market itself and the Company's resources, we have drew up a sales plan and, as a consequence, a procurement plan for a *-year period coming:

	**** year	**** year	**** year	Total
Purchase Plan, ExWorks China, thousand \$	****	****	****	** ***

To implement this plan, the Company asks the Manufacturer XXX, to provide the following distribution terms and conditions:

1.

Arguments for the above mentioned conditions necessary for successful distribution are given in the proposed business plan.

2. Background and History of the Company

This section presents information about the initiator of the project. The Group of companies consists of * legal entities:

1.

The Company relies on the support of the professionals in the medical market. Our partners are leaders of urban health committees, senior physicians, heads and specialists of large medical institutions. Among the Company's friends you'll find:

.....

We are trusted by leading brands of the medical equipment market. Of these, you'll find:

.....

Support of customers and suppliers has enabled the Company to increase rapidly its sales volumes:

.....

The Company's employees are constant participants of all significant events in the industry. Only in recent years, we have contributed to the work of the following forums:

.....

A special role in the development of the Company is played by one of its owners, whose name is

.....

We would also like to make an effort to display the products of XXX on the Russian market, and our objectives in this area are very ambitious:

.....

For this project the Company is ready to use all its existing structure.

***. Market Analysis and Marketing Concept**

***.* Market Analysis**

The optimistic plans for distribution of the XXX products are based on the high coronary stent market dynamics in the Russian Federation:

.....

It should be noted that the use of coronary stents occurs throughout the whole territory of the Russian Federation, and it's evidenced by regional distribution of tenders:

.....

In this regard, we ask

At the moment, the potential demand for these products significantly exceeds the quota allocated by the public administration. Development outlook for this market is to establish clinics through Public-Private Partnership and to create insurable budget sources for operation financing.

Despite the import increase in the year of **** because of dramatic geopolitical events, the number of market participants has decreased:

Period	Volume, thousand \$	Number of Russian suppliers	Number of manufacturers	Number of Foreign suppliers
**** year	** ***	**	**	**
**** year	** ***	**	**	**

* months of **** year	** ***	**	**	**
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There was even no import in the *th quarter of ****:

.....

Thus, the period of stability gave way to the period of market redistribution associated with the latest geopolitical events.

The RF buyers of

. Marketing Concept

The main tool of promotion on the Coronary Stents market is personal talks with specialists using these products, as well as with leaders of medical institutions. At the initial stage, this work will be taken up by the Company's leader personally. The development activity will be performed in the North-West Federal District and Moscow using the available administrative resources.

Having accumulated experience and enlisted support of the leading experts and reputable health service organizers, the company will hire staff for promotion in the regions. The RF regional work will be organized in * forms:

-

Decision on the form of promotion will be made individually for each region, depending on the competitive environment.

. Objectives and Sales Forecast

As indicated previously, the Company plans to occupy **% of the Russian market with the brand XXX in the year of ****. Taking into account our forecast of market development, we are planning the following sales volume in case if the Company has exclusive rights on the territory of the Russian Federation:

Period	****	****	****	****
Market volume, million \$	***	***	***	***
MicroPort production ratio, %	*	*	*	**
Volume in sales prices, thousand \$	*	****	****	****

. Pricing

Considering the competitive nature of the market, the Company will price their services based on the competitors' price monitoring. The estimated price level is in the price-list below:

.....

It should be noted that budget financing in the RUSSIAN FEDERATION has its seasonality. The products will be consumed by medical centers throughout the year almost evenly, while the funding of the budget would come mostly in the second half of the year. Moreover, budgetary financing is characterized by additional delays associated with budget pump-up lag. As a result, we will need to provide customers with a payment deferral from * up to ** months.

In connection with the above said, we ask

***.* Organizational Plan**

In case of a distribution contract between XXX and the Company, the following organizational steps will be taken:

1.

***.* Advertising and Promotion**

The company is planning the following activities on promotion of XXX products on the Russian market:

.....

2. Financial Plan

The economics of the distribution project was modeled based on the following assumptions:

1. The dollar exchange rate is assumed equal to ** roubles that correspond to RF CB exchange rate at the time of business plan drafting.

2. Purchase prices

The following purchase prices were used in calculation:

.....

3. We plan about **% of ExWorks on transportation costs referring to product delivery to the Company's warehouse.

4. Customs duty

March **, ****, the Board of the Eurasian Economic Commission set a zero rate of import duty on Coronary Stents until April **, **** onwards during its meeting. The calculations assume a prolongation of this rule for the entire planning period.

5. Inventory is planned on the basis of the average turnover of * year.

6. Deferred payment by clients is accepted as equal to * months since the date of product shipment from the Company.

7. Deferred payment to supplier is accepted as equal to * months from the date of product shipment to the address of the Company.

8. Investment costs

.....

.....

9. Indirect costs

.....

10. Samples XXX production line are provided free of charge.

11. Personnel expenses

.....

12. Budget for advertising and promotion

.....

During the model building it was found out that the project has a high resistance to the risks of sales plan failure, market price reduction and other adverse circumstances.

The estimated value of the investment required by the Company to finance the project is *** thousand dollars. It should be noted that such investment is the maximum limit for the Company. The Company cannot allocate more capital funds for this project without causing substantial prejudice to the other Company's activities. It is also not possible to raise a bank loan, because the real credit rate in Russia is **% and higher for today. The use of such a loan will result in the loss of the project.

Taking into account all these circumstances,

***. Project Risks**

***.* Organizational and Managerial Risk**

The basic organizational and managerial risk is considered to be a sales plan failure.

To minimize this risk in the field of advertising and promotion the Company should:

-

To minimize this risk in sales the Company should:

-

***.* Financial Risks**

Financial risk is associated above all with the possibility of late payment by clients. To minimize this risk in sales the Company should do the following:

-

***.* Economic Risks**

Economic risks of the project are connected with the possibility of reducing quotas for the purchase of coronary stents. However, in view of the statements made by the leaders of the country and Government, saying that social budget items will not be reduced under any circumstances, we regard this risk as unlikely.

However, it is necessary to monitor the economic situation in the world and in the country, to keep a close watch on decisions made by the country leaders in order to reduce procurement when signs of trouble appear.