

2010

Business Plan of distributor of immunohematology products



Piter-Consult

Piter-Consult

18.11.2010

1. Summary	3
2. Background and History of the Project	3
3. Market Research and Concept of Marketing	6
3.1 Market Research	6
3.2 Concept of Marketing	8
3.3 Goals and Estimate of Sales	9
3.4 Price Setting	9
3.5 Company's Sales Service	9
3.6 Promotion	9
4. Organizational Plan	10
4.1 Service-centre	10
4.2 Staff Employment	10
4.3 Trainings	10
4.4 Conferences and Exhibitions	10
4.5 Advertisement	11
4.6 Shipment Aspects	11
5. Financial Plan	11

1. Summary

This business plan presents a development project of distribution of immunohematology products manufactured by YYY (Spain) on the territory of the Western and Ural Federal Districts by XXX, Ltd. (hereinafter referred to as Company).

Market: medical and preventive treatment facilities of the Northwestern and Ural Federal Districts.

Product: medical equipment, immunohematology study supplies produced by YYY (Spain).

Project financial solvency and economic efficiency figures:

Indicator	2011	2012	2013	TOTAL
Sales revenues, EURO				
Marginal profit, EURO				
Net income, EURO				

Funding sources:

As far as funding sources are concerned it is suggested to use proprietary resources of the Company, and supplier's credit to a small extent *(please refer to page 12).

2. Background and History of the Project

This section contains information about project's initiator - XXX, Ltd. (hereinafter referred to as Company).

As legal entity the Company was established in 2004 with 100% Russian commercial capital for wholesale distribution of medical equipment and supplies in the medical and preventive treatment facilities on the territory of the RF.

The Company's staff successfully cooperated previously with the leading healthcare institutions of the Northwestern and Ural Federal Districts since the DiaMed gel technology had appeared in Russia in 1995. From 1995 to 2002 we were a part of DiaMed Company which introduced gel technology in Russia. During this period the number of users increased to 150, including 70 in the Northwest branch.

Having been founded the Company has been maintaining deliveries over the whole territory of the RF. If to consider the Northwestern region only, more than 100 medical and preventive treatment facilities became the clients of the Company. They are: Research Institute of Hematology and Transfusiology, Blood Transfusion Stations, Clinico-diagnostic and Biochemical Departments, EIA (enzyme immunoassay) and PCR (polymerase chain reaction) Laboratories, Hemostasis Study Laboratories, Multi-field hospitals, Public Health Centres and Polyclinics, Maternity Welfare Centres, Perinatal and Birthing Centres, Hospitals at the Defense Department and Ministry of Emergency Situations.

In 2002-2004 we started working with YYY Company and this partnership helped to break DiaMed and Bio-Rad monopoly in this field.

The number of users for the period from 2002 to 2008 was about 140 all over Russia, including about 40 in the Northwest branch.

Today there are 51 clients in the Northwest region using YYY equipment:

- 51 Centrifuges;
- 7 Incubators;
- 1 Reader;
- 1 Processor;
- 2 Wadianas.

Company is going to install the following equipment in October-November 2010:

- 6 Centrifuges;
- 1 Incubator;
- 1 Reader

Territories where Company works:

- Saint-Petersburg;
- Leningradskaya Region;
- Kaliningradskaya Region
- Karelia;
- Komi;
- Murmanskaya Region;
- Arkhangelskaya Region;
- Pskovskaya Region;
- Vologodskaya Region;
- Novgorodskaya Region;
- Kirovskaya Region;
- Tyumenskay Region;
- Krasnoyarskiy Krai;
- Nenets Autonomous District;
- Khanty Mansi Autonomous Area;
- Yamal-Nenets Autonomous District.

The population in these regions is about 70 million people.

Principal areas of the Company's activity are urgent, planned, and complex supply of blood banking medical institutions and laboratories with the necessary equipment and expendable materials. In the Northwestern branch the Company supplies immune monitoring gel kits produced by YYY (Spain) for typing of donors, pregnant women, patients, and newborn babies (according to ABO antigens, A2-subgroup, Rh (Du), blood compatibility, screening of antibodies). The Company also provides liquid monoclonal reagents for ABO/Rh (Antitoxin, Germany) as well as short-term tests for blood group determination "at the patient's side" (Trol-forte and MD card) for the intensive care and surgical departments.

Moreover, on a small scale the company distributes products of the leading world and Russian manufacturers of analyzers, expendable materials, and test-systems: ROCHE (Germany), BioRad (the USA), HUMAN (Germany), Vector-Best (Russia), Biograd (Israel), BioSan (Latvia), BioHit (Finland), BioVitrum (Russia), Vital Diagnostics (Russia), J.T.BAKER (the Netherlands), MEDICA (the USA), DREW Scientific (Great Britain), R-BIOPHARM (Germany), EUROIMMUN (Germany), TRINITY Biotech (Ireland). Equipment of the listed companies is the basis of clinico-biochemical, hematological, immunological, microbiological and express- laboratories.

Pic.1. Sales volume in 2008-2010

.....

The Company is taking on lease an office space of 250 square metres and warehouse of 200 square metres with possibility of later extensions.

Since 2004 company's team went from 3 up to 10 persons, 5 of them are active sales managers for today. Organizational structure of the Company is presented by Pic. 2.

Pic. 2. Organizational structure of the Company

.....

Company's motto: increasing sensitization by knowledge we decrease sensitization of patients.

Company's goal: to progress and increase the level of blood banking and laboratory diagnostics by way of distributing advanced technologies.

Company's priority: patients' life, to make blood transfusion safe by means of high quality diagnostics.

Company's traditions: to propose only high-quality immunohematological products of well-tried certified manufacturers, and therefore, to promote development of world diagnostics and safe transfusion level at medical and preventive treatment facilities in Russia.

Timeliness: despite the fact that safe transfusion technologies are constantly developing and being implemented as a whole, the level of population sensitization in Russia is growing. The reason of this is that medical personnel are poorly aware and trained of immunohematology, as well as the fact that laboratories are inadequately equipped with the last and the most sensitive and specific diagnostic technique.

Nowadays situation

Since 2008 Medicom has been experiencing increasing difficulties with supply and distribution of YYY products, thus halting the growth of a client base and severely decreasing demand.

On one hand – YYY is a well-known company with excellent reputation and high-quality products.

On the other hand, Medicom is not reliable in advertising and distributing your products, due to the delays with the products; no quality service for clients; complaints go unanswered; Medicom does not participate in the exhibitions and conferences for the past 3-4 years; advertising is non-existent.

All this creates complaints and decline in a number of potential clients.

XXX has an excellent team of specialists who are ready and willing to promote your company's products in the Northwestern region of Russia.

Our clients still trust us and believe that these are Medicom problems that have nothing to do with the quality of your products.

Now there is a chance to change situation but soon it will be too late since Ortho Company came on the Russian market in 2009 in addition to DiaMed and Bio-Rad.

We would like to receive the distributional rights in the following territories: **1. Northwestern Federal District including:** Saint-Petersburg, Leningradskaya Region, Kaliningradskaya Region, Karelia, Komi, Murmanskaya Region, Arkhangelskaya Region, Pskovskaya Region, Vologodskaya Region, Novgorodskaya Region, Nenets Autonomous District **2. Ural Federal District including:** Tyumenskaya Region, Khanty Mansi Autonomous Area, Yamal-Nenets Autonomous District, **3.** as well as Kirovskaya Region, Krasnoyarskiy Krai due to 2-year period of cooperation with these regions.

3. Market Research and Concept of Marketing

3.1 Market Research

In the Northwestern and Ural Federal Districts there are potentially 350-380 medical and preventive treatment facilities that can purchase YYY technology, 60 of them have already become YYY users.

Nowadays the leadership all over the Russian Federation is kept by DiaMed company as this company was the first to reach the Russian market in 1995. According to experts' evaluation DiaMed occupies 50% of the market among the counterparts, further goes Bio-Rad with about 30%, then YYY with about 20%, and the last one in the market in 2008 is Ortho with 1-2% at least for today.

As far as Northwestern and Ural Federal Districts are concerned, the picture is the same except of the fact that YYY here is more common and approved in comparison with the Central District. YYY' part in these regions is about 30%. Furthermore, up to 40% of SPb medical and preventive treatment facilities are equipped with YYY technologies.

The report proceeds with information about principle competitive companies of YYY within the RF's market and their trading partners.

DiaMed

The exclusive distributor of DiaMed products in Russia is Delrus company having received ready-made customer base and rights in 2002 when DiaMed team and official representative body in Russia had been disintegrated.

Delrus company is international research and production holding having partnership with manufacturing companies of medical goods from 20 countries. It was established in 1991. Nowadays it is one of the leaders in the Russian market of medical equipment and expendable materials. Delrus company is the largest company within this market segment according to number of clients and sales managers, as well as development of own sales and service network.

The company gave employment to more than 1500 people. They are specialists with higher education, doctors with health care service experience, engineers trained in companies manufacturing medical equipment and having relevant certificates, 15 PhDs, 2 Professors. Regional divisions of Delrus company are founded in 50 largest cities of Russia, Kirghizia, Kazakhstan, and Ukraine.

The list of customers supplied with medical equipment by this company contains over 10 thousand enterprises and institutions.

Service stations of the company function in Moscow, Yekaterinburg, Saint Petersburg, Samara, Ufa, Orenburg, Perm, Chelyabinsk, Krasnoyarsk, Novosibirsk, Vladivostok, Rostov-na-Donu, Tyumen', Omsk, Kazan', Ulan-Ude, Bishkek, Pavlodar. Delrus service engineers are top-ranked specialists constantly trained by manufacturing companies in Russian and abroad.

The site www.delrus.ru is considered to be the most reputable and frequently visited; about 500 people visit the site per working day.

Bio-Rad

In Russia Bio-Rad is one of the leaders to supply reagents and appliances for laboratory screening of blood, immunodiagnosics of infectious diseases, PCR, quality control, and diabetes studies. Main loyal customers of the company are Ministry of Health and Welfare of the Russian Federation, Blood Supply Service, AIDS Study

Centre, Dermatovenerologic Dispensary, diagnostic and scientific centres, hospitals, official and private laboratories. Using its high scientific and technological potential Bio-Rad lays an emphasis on those spheres of clinical and laboratory practice where the problems can be solved only by implementation of advanced high technology study methods.

Bio-Rad's principal partners in the RF:

PROMIX company with headquarters in Novosibirsk and branches in Barnaul and Moscow. The company's site www.promixlab.ru is enough reputable on the Internet, page traffic is about 100 people per day.

HELICON Company with headquarters in Moscow and branches in Novosibirsk and Saint Petersburg. Site www.helicon.ru is very developed in the network, page traffic is about 400 people per working day.

In SPb Bio-Rad is also represented by LABORAMA Company that lacks functional site on the Internet.

Ortho

At the current moment this company is only approaching the Russian market and represented by several partners:

ZAO "Laboratory Diagnostics", site - www.ld.ru,

ZAO "Sage", site is www.sagedmed.ru,

ZAO "Galen Company", site is www.galen.ru,

ZAO "EFF", no reference on the Internet.

Demand for diagnostic equipment grows annually and is kept down only by factor of significantly high price in comparison with the traditional reagents and doctors' psychological barrier to everything new.

For the last 2-3 years the Russian Government has carried out a set of major projects targeted to equip medical and preventive treatment facilities and develop high-technology healthcare (please refer to the site of the Federal Bio-Medical Agency - <http://www.fmbaros.ru>, and their volume of purchases). As it was warranted by Prime Minister Putin V.V., the rate of additional commitment for medical and preventive treatment facilities will compose 450 milliards rubles in 2011. (11 milliards Euro).

Taking into consideration Government's program, experts predict 10-15% annual market growth in Russia, and 20% growth in case of positive development of macroeconomic situation.

XXX would like to receive the distributional rights in the following territories: **1. Northwestern Federal District including:** Saint-Petersburg, Leningradskaya Region, Kaliningradskaya Region, Karelia, Komi, Murmanskaya Region, Arkhangelskaya Region, Pskovskaya Region, Vologodskaya Region, Novgorodskaya Region, Nenets Autonomous District **2. Ural Federal District including:** Tyumenskay Region, Khanty Mansi Autonomous Area, Yamal-Nenets Autonomous District, **3.** as well as Kirovskaya Region, Krasnoyarskiy Krai due to 2-year period of cooperation with these regions.

The number of clinics in these territories (in total 360-380):

- Saint-Petersburg (< 50)
- Leningradskaya Region (20)
- Kaliningradskaya Region
- Karelia (25)
- Komi (30)
- Murmanskaya Region (15)

- Arkhangelskaya Region (30)
- Pskovskaya Region (12)
- Vologodskaya Region (30)
- Novgorodskaya Region (15)
- Kirovskaya Region (25)
- Tyumenskay Region (40)
- Krasnoyarskiy Krai (15)
- Nenets Autonomous District (15)
- Khanty Mansi Autonomous Area (25)
- Yamal-Nenets Autonomous District (12)

3.2 Concept of Marketing

YYY products have range of competitive advantages which are going to be used by the Company in order to promote the product. They are:

- Overall solution of all the blood supply service problems, development of new immunohematology technologies which help to improve quality of manufactured products and ensure patients' safety.

- The card contains 8 test tubes while the counterparts propose only 6. By means of this the possible number of tests to be performed is increased. Combination of test tubes in the card fully corresponds to the requirements of the Ministry of Health and Social Development of the Russian Federation, as well as demands of the Russian blood supply services. With the help of one card it is possible to perform several tests at one and the same time (for example, card for donor-recipient blood compatibility test version, card for test version of blood group determination and Rh phenotyping in newborn babies).

- YYY is the only company which since 20-year existence of gel technology has started second generation of gel; it shifted from Diana to DG Gel. Gel in test tubes is homogeneous, transparent; it is easier to focus the reader to pick up data of agglutination reaction on gel. For example, DiaMed gel is non-transparent, cloudy, so that the ABO reactions are more distinct than while using YYY gel. DiaMed cards do not recognize the sub-group A2 of the 2-nd blood group in comparison with YYY cards, where AB test tube contains specific monoclonal antibodies identifying its presence. YYY test tube with Kumb's serum is characterized by clear greenish colour; it always has stable level of reagent's quality unlike the competitive ones. In the DiaMed product the buffer of test erythrocytes contains EDTA plasma, which is not good while using monoclonal antibodies for the test.

- YYY cards are well sealed, they are made of new plastic which helps serum to penetrate into gel but not slide down it as it takes place in the competitive test tubes.

- While using competitive devices (not BA Diana) there are cases when antibodies shift from one micro-test tube into another which is the reason for the false results to be obtained. YYY totally eliminated this problem because the needles after each card puncture are washed. That is why YYY device works not so fast as, for example, Techno one.

- It is necessary to explain to potential customers who have never experienced with gel, that the cost of one test tube from the card for ABO-test conduction, for example, is lower than the cost of the same test conduction but using the traditional one.

The Company is intended to use these technological advantages plus team's abilities to promote the product in order to win the market.

3.3 Goals and Estimate of Sales

Taking into consideration market situation and advantages of YYY products the Company is planning to increase its market share up to 50-60% in SPb and up to 30% on the left territory under distribution within next 3 years. Therefore, the Company forecasts the below stated volumes of sales over the Northwestern and Ural Federal Districts:

.....

3.4 Price Setting

Taking into account competitive character of the market, the Company will set prices for its services basing on price monitoring of competitive companies. The current price list is presented below:

.....

3.5 Company's Sales Service

1. From the date of distribution contract being concluded between YYY and the Company, sales plan will be adjusted upwards in order to overcome negative factors of supply delays keeping down the team itself as well as process of sales and distribution.
2. The staff will be afforded including not only active managers but also other divisions of the Company.
3. In case of necessity the work space will be extended.
4. Transport and Logistics department will be afforded in order to increase quality of receipt of products and then their shipment to customers.
5. Additional product promotion trainings of the staff were performed.
6. The Company is planning to hold conferences, to take part in exhibitions and medical publications.
7. The essential condition for success will be creation and training of Company's Service Station for equipment maintenance on the territories under distribution.
8. The Company is planning to teach customer's staff free of charge how to use equipment in order to create its positive image.

3.6 Promotion

Plan of measures for promotion of the Company's services is presented in the file [«Economy»](#) among other organizational arrangements in the List "Organizational

Plan”. At the first stage (2011) the plan stipulates sales arrangement from Saint Petersburg office supported by Internet promotion, direct mail, promo-lists distribution, participation in exhibitions and conferences, advertisement in domain-specific mass media.

At the second stage (2012-2013) The Company is intended to intensify its activity by creating of Commercial Salesmen Institute in the largest cities of the Northwestern and Ural Federal Districts.

Considering the high effectiveness of Internet advertisement, as well as practicality of using low-cost promotion measures during the first stage, the Company is planning to arrange forcible promotion of the Company’s site on the Internet.

4. Organizational Plan

4.1 Service-centre

Successful distribution of the equipment is impossible without effective service maintenance. The following things will be required for establishment of service-centre:

- Acquisition of license for service organization.
- Recruitment of one (at the first stage), and then the second (at the second stage) service engineers. They should pass training and obtain certificates in YYY.
- Purchase of equipment priced at 1600 EURO plus 1500 EURO for each workplace of each service engineer.
- Creation of buffer stock of spare parts priced at 1000 EURO.

4.2 Staff Employment

At the first stage of distribution activities the Company is planning to strengthen Saint Petersburg office and its state. It is planned to employ 3 more skilled sales managers with mean total income of 1500 EURO, and 2 more – in 2012.

At the second stage the Company is intended to recruit trade representatives in the largest cities of the Northwestern and Ural Federal Districts with the wage of 1000 EURO per month. The Company is not planning to open regional offices, but single 1000 EURO inputs for workplace equipment and current monthly 500 EURO expenses will be of need.

4.3 Trainings

To ensure high level of product promotion the Company is intended to perform trainings for the sales personnel twice a year. The approximate cost for such kind of trainings is 2000 EURO.

4.4 Conferences and Exhibitions

The Company is planning to take part in All-Russian domain-specific conferences at least twice a year (participation cost is about 1000 EURO), and conduct travelling seminars in the largest cities of the distribution branch once per quarter (cost for one seminar is 2000 EURO).

The following events are also planned:

All-Russian exhibition in Moscow once a year (cost is 10 000 EURO)

All-Russian exhibition in Saint Petersburg once a year (cost is 8 000 EURO)

All-Russian exhibition in one of the regional cities once per quarter (cost is 5 000 EURO).

4.5 Advertisement

The following measures are going to be performed: banner and context advertising on the Internet, SEO, and site promotion.

The Company is also intended to publish articles for the domain-specific magazines once per quarter. This action will be also accompanied by ad bloc priced at 1000 EURO.

Purchase and manufacturing of souvenirs is planned to be organized once a year and priced at 3000 EURO.

4.6 Shipment Aspects

Shipment to SPb and Leningradskaya Region will be performed by the Company's transport, to the Northwestern and Ural Federal Districts and other regions – by courier services such as SPSR, Pony-Express and others following the pattern “from door to door”; the product will be delivered directly to consignee with respect to thermal cycle.

5. Financial Plan

Economic calculations of the project are based on supposition of the following purchase rates:

.....
* **The following terms of payment to supplier are stipulated in the Financial Plan:**

-

Customer payment terms are also specified depending on the current market, they mostly refer to payment respite up to 21 days after shipment of equipment.

Company's plan includes additional 10-15 unit purchase to current delivery schedule made to customers' orders for keeping up the reserved stock.

YYY share holding in promotion expenses is also presupposed in the ratio of 50%/50%.

In accordance with all these circumstances, sum of Company's equity funds which will be required for distribution start-up, is about 40 000 EURO.

All financial calculations are presented in «**Economy.xls**» **file**. The file consists of the following:

- Organizational Plan – monthly organizational plan including expenses,
- Budget – detailed expenditure part of the budget for the next 3 years; extra expenses related to distribution of YYY products are marked in blue,
- FORECAST – model-associated sales estimate as well as estimate of payment schedule, customs service, and bank charges for clients' payment transfer,
- Incomes and outgoings – except incomes and charges you will also find financial sources; schedule of financing by Company's own resources is shown in the line 10. It helps to avoid cash deficiency,
- Financial results,

- Movement of cash assets.

NB!

XXX, Ltd. is kindly asking you to approve distribution rights for YYY (Spain) immunohematology products to be distributed over the territory of the Northwestern and Ural Federal Districts as well as Kirovskaya Region and Krasnoyarskiy Krai due to the fact that our Company has long-term experience in this regions, personal contacts with administrations of regional medical and preventive treatment facilities, and is able to promote efficiently this product.