

# **The Develop.COM Agency**

**Business concept**

**Global Enterprise Experience**

**2007**

**International agency of computer recycling and cooperation**



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## 1. Executive Summary

*Develop.COM* is a private funded global computer-recycling agency, which collects old computers (which are no longer used) from developed countries, reforms and customizes them with the help of Computer Science students from universities and institutes and then resells them to developing countries. The major market is African country such as Rwanda; where not many people can afford to buy new computers.

### **Objectives:**

- Offering help to developing countries to improve the conditions of education and offering opportunity for people living there to upgrade their knowledge and build connection with the rest of the world
- Reducing unnecessary waste on scarce resources in the world
- Reducing pollution it may cause when disposing old computers on this planet

## 2. Nature of the venture

### 2.1. Background

There are two issues going in the world of technology these days:

- The issue of adverse effects of old computers in the developed economies
- The issue of digital divide, and people being deprived of access to computers in the developing economies

In the western world, technological advancement is rapid. New hardware and software are being developed every day. This phenomenon shortens the product life cycle of the computers. Shortened life cycle means, new computers are introduced and old ones are being obsolete. The old computers are either sold donated, recycled or disposed.

Following research<sup>1</sup> shows different ways people deal with their old computers:

- **Dumping and Landfill** which is very hazardous (44% of corporate computers and 49% of domestic computers were dumped in landfills at the end of their lifecycle)
- **Storage** (50% of computers are left lying around in storage).
- **Offload to another Company** (E.g. to Dell computers, so that burden gets shifted to them)
- **Donating** (To other people who normally cannot afford to own PCs. However, this shifts the burden of recycling to the one who is receiving it)
- **Reselling and Auction** (If the old PC has some perceived value, they are resold or put on the online auction sites such as (www.e-bay.com)
- **Leasing** (Some office computers are bought on lease terms. in such case, never arises the case of disposal because the lesser treats the computer as their asset)

From the data above, 44% of old computers were dumped in landfills and 50% were left in storage, which would be dumped ultimately. The old computers, if dumped, will have a chronic impact on the environment and human life. There are studies show that even people working in the computer recycling business are prone to hazard.

Some of the effects of dumping on environment and human are as follows:

2.1.1. Beryllium maintains electrical conductivity well and is used to strengthen electrical

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<sup>1</sup> (Based on research by students of *University of Technology, Sydney (UTS)* in the year 2004)

connections; however it is now classified as a known human carcinogen that causes lung cancer.

- 2.1.2. Cadmium in semiconductors is known to accumulate in the human kidneys over the course of many years and causes highly toxic poisoning which may be irreversible.
- 2.1.3. Mercury in its inorganic form transforms to methylated mercury in our waterways. Both directly via water supply and indirectly through the food chain, mercury is a hazard to our vital organs.
- 2.1.4. Lead has been well documented as a health hazard since it was banned from usage in fuel for automobiles. It affects all critical parts of the human body, as well as hindering its development and causing chronic effects on other organisms.

On the other hand, people in the poor countries do not have access to proper education. Computers and modern learning methods are a far cry. They can not even afford to buy computers, which are harmfully dumped in the western countries. Thus, *Develop.COM* aims to touch both these issues with a single idea. Collect the old PCs from developed countries, reform them, and make them affordable to the people in developing countries. The developed countries (UK, NZ) will act as supply and developing countries (Rwanda) will act as demand for the products primarily.

## **2.2. The product/service**

*Develop.COM* will collect old computers in three different ways:

- 2.2.1 Collect household PCs with charging a disposal fee;
- 2.2.2 Receive donation from society;
- 2.2.3 Bid old PCs online at an acceptable price.

Old computers will be reformed tailoring to customers' needs, which will be the major point of product differentiation from its competitors'.

## **2.3. Location of the venture**

The headquarters of the business will be located in Lithuania, because of the lowest corporate income tax. However, *Develop.COM* will have branches located in New Zealand, UK, Nepal, and Rwanda, too. The financial department will be located in London. The offices in UK, New Zealand and Lithuania will also take care of marketing to those countries and the offices in Nepal and Rwanda will have sales departments, which will negotiate with the buyers in Asia and Africa.

Website will also be developed to make communication between each branches and the head office easier. In addition, it will be much easier to get feedback from customers quicker and easier, so that *Develop.COM* can improve its services to be more competitive in the industry.

## **3. Description of the market**

### **3.1. Market trend**

This research was based on Rwanda market analysis. Vision 2020 is a strategic plan set by the government of Rwanda. The document of the 2020 Vision, validated by the national central authorities will guide the policies and strategies for the fight against poverty and the social and economic development of the country. Vision 2020 plan is that Rwanda becomes a modern nation, able to generate and disseminate technological knowledge and innovations; the development of communications in Rwanda will rely on the liberalization of the telecommunications sector, on the new technologies (wireless phones, mobile phones, electronic mail, etc.)

To achieve these objectives, the country will endeavour to (1) put in place the legal, institutional and structural framework, favourable to the unfolding and the integration of ICT (Information & Communication Technologies) in the economy and within society, (2) encourage the private initiatives in the communication sector improve Rwandan skills in using and managing ICT, (4) adapt technological co-operation to the transfer of ICT to Rwanda, (5) improve communication facilities.

This is a great opportunity for *Develop.COM* to develop its business and to help Rwanda achieve its goal.

### **3.2. Current competitors**

Unlike other industries, competitors in computer-recycling industry can be divided into:

#### **3.2.1. Commercial computer recycling service providers**

There are several big computer companies providing computer-recycling services, such as: Dell and IBM. IBM is the first major computer manufacturer to extend its recycling programs from large-scale corporate customers to individual and small business computer owners. A representative of Dell's recycling program in NSW stated that they receive an average of around 150 computers for recycling a month, or about 1,800 computers a year. Dell charges \$1.20 for every kilo after the tenth monitor (the average CRT monitor would currently hover around the 15kg mark). Just by recycling 20 monitors, a company is already forced to pay \$360 to Dell to get rid of something Dell might be able to refurbish and more importantly - resell<sup>2</sup>.

#### **3.2.2. Non-profit organisations**

Some non-profit organizations will pick up household electronics at no charge (fees for degaussing and for non-local pick-ups will be charged).

However, there is no such data shows that those services are provided to those developing countries such as Rwanda.

## **4. Description of product/service**

### **4.1. Uniqueness of product/service**

*Develop.COM* will provide its product/service to both markets in developed countries and developing countries. Two main functions of *Develop.COM* are: re-used resources from developed country and reduce pollution from disposing old computers; assisting poorer countries with their development of information and communication technology by offering them more affordable computers.

Possible additional services/product to developed market:

- Computer repairing and second hand computer accessory retailing

Additional service to developing country:

- Assisting local organizations to build relationship with ICT developers around the world
- Bringing more foreign funding to develop its ICT industry

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<sup>2</sup> (Based on research by students of *University of Technology, Sydney (UTS)* in the year 2004)

## **4.2. Advantages over competing product/service**

Most of the existing computers recycling service providers do not export reformed computers to developing countries, so *Develop.COM* has the first-mover advantages. *Develop.COM* can compete with non-profit organizations by providing a larger number of reformed computers to a bigger market.

## **5. Venture strategies**

### **5.1. Marketing strategy**

*Develop.COM* would concentrate its marketing efforts on the developed countries. It would mainly market itself to two groups of customers: companies and individual households. The first group will be mainly attracted by direct marketing tools, such as letters and phone calls; the second group will be attracted by ATL tools, such as advertising in TV, billboards and magazines. Furthermore, a website will be created, which will be the most important tool for attracting customers. The website will present interesting information about the situation in the developing countries and explain how the old computers travel to the hands of new users. Moreover, the website will also incorporate a blog, which will enable people to share their experience and discuss about how people in developing countries could be helped. Finally, *Develop.COM* will also use sponsoring as a tool of creating a positive image of the company. It will give computers for free for some of the people, who cannot afford even the low price of computers, which the company is offering.

On the other hand, the customers in developing countries will be attracted mostly by direct marketing tools, because we will mainly sell to organizations and governmental institutions.

### **5.2. Human resource strategy**

One of the main differences between *Develop.COM* and its competitors is that the *COM. Develop* employs students from universities and institutes who possess computer and information technology skills. This will provide opportunity for those students to apply their knowledge to real work and gain some working experiences while studying. Because employees are mainly students, their contract hours can be very flexible, and this can help *Develop.COM* to cut its production costs.

### **5.3. Financial strategy**

#### *Sources of Capital in First year*

Initially company will be incorporated with 70% Equity and 30% debt. Debt will be borrowed from New Zealand Bank. It is assumed that interest rate will be 13% per annum. These figures are already incorporated in above financial statements.

#### *Long Term Financing Strategy*

This venture is expected to be in profit from second year of operation. So, the long term financing strategy will be to retained part of earning (part will be paid as dividend to shareholders) in business and use it to finance future expansion.

## **6. Financial data**

### **6.1. Data Overview and Assumption**

This venture do fosters a sustainable environment. In addition to that, from a financial perspective profitability is its greatest strength. *Develop.COM* earns revenue for getting PCs and Laptop (for

disposal) and again charge for selling them. Profitability makes this venture a truly business venture which will be in profit right from year one.

Headquarter of *Develop.COM* will be in New Zealand with branches in UK, Nepal, Rwanda and Lithuania. All branches will be 100% owned by the Headquarter. Consolidated balance sheet and income statement (inclusive of all branches) is presented in this proposal. New Zealand corporate tax rate is applied. Books of account will be maintained in NZ dollar (but is denominated in USD for convenience). However, revenue and cost stream will be in various currencies. Exchange rate risk will be hedged to the extent possible. However, provision is made for loss due to exchange rate fluctuation in income statement.

## 6.2. Balance Sheet

Balance Sheet at incorporation of business would be as below:

<b>ASSETS (in USD)</b>		<b>LIABILITIES (in USD)</b>	
<i>Fixed Asset</i>		<i>Equity</i>	
Office Furniture and Fixture	8300	Equity Capital	64010.50
Warehouse Fixture	5600		
Computer and Other Office Equipment	15900	Loan	
		Long Term Loan	27433.50
<i>Pre-Paid/ Pre-operating Expenses*</i>	3000		
<i>Current Asset</i>			
Cash/ Bank	58644		
<b>Total Assets</b>	<b>91444</b>	<b>Total Liabilities</b>	<b>91444</b>

\*- This will be written-off in first year of operation.

## 6.3. Yearly Revenue and Expenses

There are two sources for revenue- by accepting for disposal from people in developed countries and from selling them to people in developing countries. *Develop.COM* will charge USD 20 per PC or laptop to dispose and sell PC at USD 150 and laptop at USD 300 in developing countries. Sales projection for first year is 1500 PCs and 1500 Laptop. In second year of operation, Number of PC and laptop that *Develop.COM* is expected to increase by 15% while costs remain same.

Income statement for the first year of operation is given below:

	Year 1	Year 2
<b>Revenue Sources</b>		
<i>Disposal</i>		
PC (No. 1500 @ usd 20)	30000	34500
Laptop (No. 1500 @ usd 20)	30000	34500
<i>Sales</i>		
PC (No. 1500 @ usd 150)	225000	258750
Laptop (No. 1500 @ usd 300)	450000	517500
<b>Total Revenue</b>	<b>735000</b>	<b>845250</b>

<b>Expenses</b>		
Depreciation	2980	2980
Interest Expenses	3566.32	3566.316
Rent- All Offices	44400	44400
Salary- All Offices	514200	514200
Mktg and Adv Expenses- All Offices	67200	67200
Communication expenses- All Offices	38400	38400
Insurance Premium- All Offices	5400	5400
Other Miscellaneous- All Offices	22200	22200
Shipping Charges	8400	8400
Loss due to fluctuation in exchange rate	500	500
Computer parts and software (to reform computers)	50000	50000
Pre-Operating Expenses	3000	3000
	<b>760246.3</b>	760246.3
Gross Profit	<b>-25246.3</b>	85003.68
Corporate Tax (15%)	0	12750.45
Net Profit	<b>-25246.3</b>	<b>72253.23</b>

Depreciation is calculated at the rate of 10% per annum. Interest rate is charged at the rate of 13% per annum. Rent is for 50 sq. meters office and 150 sq. meters warehouse in all location. In case of office in UK and New Zealand salary is calculated for Manager (also responsible for accounts) – 1, Marketing In-charge – 1, logistics Incharge-1 and Assistants-2 for each office. In case of Nepal, Lithuania and Rwanda salary is calculated of Manager (with technical background) – 1, Marketing In-charge (also responsible for accounts)-1, Assistant-1 and students of computer science/ Engineering (Employed for part time) - few for each office. Pre-Operating expenses is deducted from first year profit.

## Appendix

Develop. COM's logo and name (Own logo):



The three colours (red, green and blue) represent our members' countries: red colour stands for Nepal and Lithuania, Green stands for Rwanda and blue stands for New Zealand and UK.

'Develop' means to help poorer countries to develop and develop protection of the environment.

'COM' stands for two things:

1. Computer recycling (short writing of computer)
2. Information technology such as Internet (the last part of website: .com)

The image of the green earth between 'Develop' and 'COM' means to reduce pollution and keep the earth green by recycling computers.