The Develop.COM Agency

Business concept
Global Enterprise Experience
2007

International agency of computer recycling and cooperation

Team 21

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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\(^1\) 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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\(^1\) (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 - resell².

3.2.2. Non-profit organisations
Some non-profit organisations 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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² (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:

<table>
<thead>
<tr>
<th>ASSETS (in USD)</th>
<th>LIABILITIES (in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Asset</td>
<td></td>
</tr>
<tr>
<td>Office Furniture and Fixture</td>
<td>8300</td>
</tr>
<tr>
<td>Warehouse Fixture</td>
<td>5600</td>
</tr>
<tr>
<td>Computer and Other Office Equipment</td>
<td>15900</td>
</tr>
<tr>
<td>Pre-Paid/Pre-operating Expenses*</td>
<td>3000</td>
</tr>
<tr>
<td>Current Asset</td>
<td></td>
</tr>
<tr>
<td>Cash/Bank</td>
<td>58644</td>
</tr>
</tbody>
</table>

Total Assets 91444

Total Liabilities 91444

* - 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:

<table>
<thead>
<tr>
<th>Revenue Sources</th>
<th>Year 1</th>
<th>Year 2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Disposal</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PC (No. 1500 @ usd 20)</td>
<td>30000</td>
<td>34500</td>
</tr>
<tr>
<td>Laptop (No. 1500 @ usd 20)</td>
<td>30000</td>
<td>34500</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PC (No. 1500 @ usd 150)</td>
<td>225000</td>
<td>258750</td>
</tr>
<tr>
<td>Laptop (No. 1500 @ usd 300)</td>
<td>450000</td>
<td>517500</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>735000</td>
<td>845250</td>
</tr>
</tbody>
</table>
## Expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>First Year</th>
<th>Second Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>2980</td>
<td>2980</td>
</tr>
<tr>
<td>Interest Expenses</td>
<td>3566.32</td>
<td>3566.316</td>
</tr>
<tr>
<td>Rent- All Offices</td>
<td>44400</td>
<td>44400</td>
</tr>
<tr>
<td>Salary- All Offices</td>
<td>514200</td>
<td>514200</td>
</tr>
<tr>
<td>Mktg and Adv Expenses- All Offices</td>
<td>67200</td>
<td>67200</td>
</tr>
<tr>
<td>Communication expenses- All Offices</td>
<td>38400</td>
<td>38400</td>
</tr>
<tr>
<td>Insurance Premium- All Offices</td>
<td>5400</td>
<td>5400</td>
</tr>
<tr>
<td>Other Miscellaneous- All Offices</td>
<td>22200</td>
<td>22200</td>
</tr>
<tr>
<td>Shipping Charges</td>
<td>8400</td>
<td>8400</td>
</tr>
<tr>
<td>Loss due to fluctuation in exchange rate</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Computer parts and software (to reform computers)</td>
<td>50000</td>
<td>50000</td>
</tr>
<tr>
<td>Pre-Operating Expenses</td>
<td>3000</td>
<td>3000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>760246.3</strong></td>
<td><strong>760246.3</strong></td>
</tr>
</tbody>
</table>

## Appendix

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

![Develop.COM Logo](image)

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.