



**FBLA Business Plan Competition 2018**  
**Joseph Kim**  
**Livingston High School**

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## 1. EXECUTIVE SUMMARY

College textbook prices have increased faster than tuition, health care costs and housing prices, all of which have risen faster than inflation. Textbook prices are 812 percent higher than they were a little more than three decades ago. On average, each student pays \$1,298 just for textbooks and the textbook prices keep going up, leaving a big financial burden to students. (CollegeBoard)

As a result, college students have increasingly turned to other less expensive methods of obtaining textbooks. SwapText will be the solution to alleviate the costs of textbooks for college students.

SwapText provides college students with an inexpensive, convenient and secure platform for swapping current textbooks for the ones need next semester. In the comparison with other options such as selling their current textbooks and buying new ones and renting textbooks, swapping textbooks saves 40% more than these two options in three semesters. Our mission is to help college students save money when obtaining textbooks for new semesters.

The market opportunity for our business is huge. There are 20 million college students expected to attend college this year in the U.S. and this number will continue to increase in the next ten years. The textbook market is \$7 billion in size. According to market research, about 400,000 students swap their textbooks to get new textbooks. This is a \$156 million market. Although there is already an existing market for swapping textbooks, there are no established businesses to serve this target market. By providing a cheap, convenient and secure platform, we will quickly expand our markets.

SwapText will be organized as a Limited Liability Company (LLC) with a partnership between founders Joseph Kim and his partner as the two shareholders. Between the two, they bring years of knowledge in Business Management and Customer Service.

To start, SwapText will need \$150,000 in startup funds. This will cover the initial expenses that are required for the business including marketing, asset purchases, and operation costs. Each owner will have invested \$25,000 while \$100,000 will be taken as a loan as an SBA plan with an interest rate of 7 percent amortized over five years with a monthly payment of \$1,980.12 per month.

Swaptext will not be profitable in the first year but will reach a break-even point in year 2. The first three years' projected revenues will be \$10k for the first year, \$420k for the second year, \$588k the following year, \$764K in the fourth year, and 1.02 million in the fifth year. SwapText will increase sales by 40 percent for 2019-2020 and 30 percent for 2021-2022.

## **2. COMPANY PROFILE**

### **Legal Form**

SwapText will operate as a limited liability company because it allows for tax benefits and limited liability.

### **Effective Date of Business**

SwapText will begin operation by opening up its website to the public on October 1, 2018.

### **Mission Statement**

SwapText's mission is to provide college students an inexpensive, convenient and secure platform for swapping textbooks, eliminating the need for high expenses.

### **Governance**

We will have the following certifications by the time of operation:

- New Jersey Article of Organization
- New Jersey LLC Operating Agreement

### **Company Location**

Our members will be operating from their homes, but the main "headquarters" will be based at 13 Claremont Ave., Livingston, NJ 07039. This is the most efficient location for our company because it allows us to eliminate costs for renting an office space while allowing us to maintain our efficiency. We expect that maintaining constant contact between employees will not be necessary because most of our employees will be working in separate areas that do not require constant cooperation between members. If our team expands, we may consider renting out an office space in our second or third year of operation.

### **Immediate Development Goals**

As a unique business, we hope to gain much of the textbook swapping industry that currently exists. In the short term, our goals are to,:

- Gain 10 percent of the textbook swapping market
- Reach break-even point in two years.
- Expand our company to four more additional states around the area.

## Overview of Financial Status

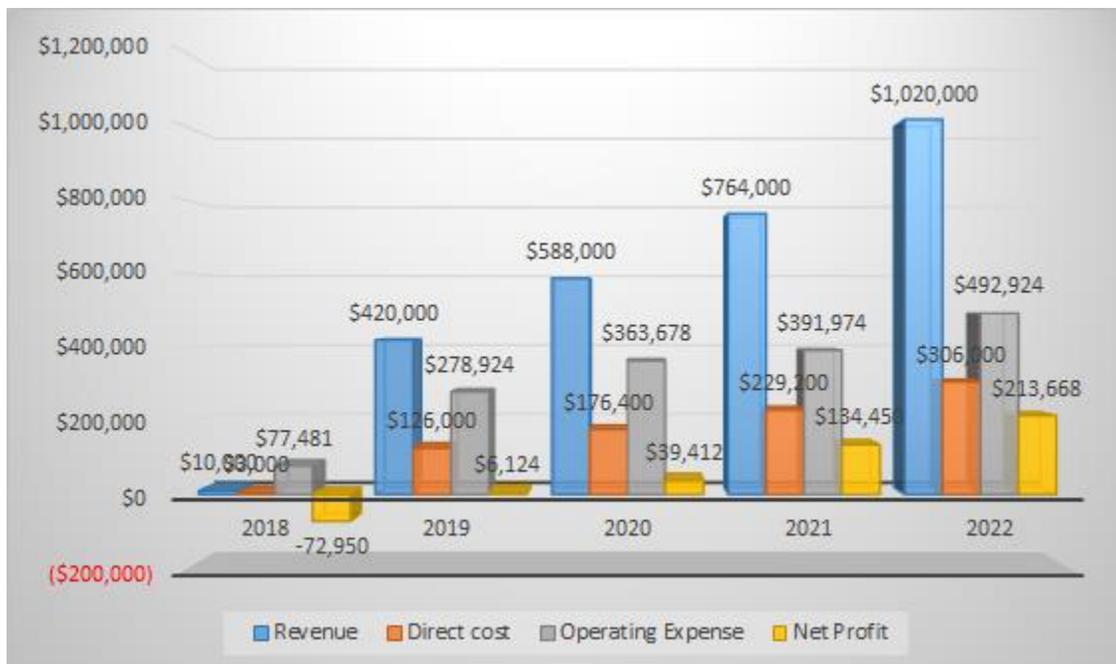
To begin, the business will be financed with \$25,000 from each of the partners' savings along with a \$100,000 from an SBA loan that will be paid with 7% interest over a five-year period. This will give us \$150,000 to begin with.

We are allotting \$20,000 for our website development. Which will include page development, server, client side programming, and security features. Ten thousand dollars will be used to acquire a reliable server to house customer information and generate matches to begin transactions. Since our business mainly relies on the website and its online features. We decided it was best to put 20 percent of our startup funds into building a solid website with server to sustain large amounts of traffic.

We will use \$15,000 or ten percent of our funds for initial marketing to raise company awareness and benefits. The remaining \$105,000 will be used as operating capital.

SwapText will not be profitable in the first year but will reach the break-even point in year 2. The projected revenues for the first three years will be \$10,000 for the first year, \$420,000 for the second year, \$588,000 the following year, \$764,000 in the fourth year, and \$1.02 million in the fifth year. SwapText will increase sales by 40 percent for 2019-2020 and 30 percent for 2021-2022.

The chart below illustrates a projection of revenue, operating expenses, and net profits for the next 5 years.



### 3. INDUSTRY ANALYSIS

#### 3.1 Description of Industry

Traditionally, students have obtained their textbooks from either on or off campus bookstores. As textbook price increases, students have continued to look for cheaper options for buying textbooks. This trend has caused online bookstores and rental services to emerge. However, there are currently no established industries or markets for the swapping textbooks. However, SwapText indirectly share the same market with the bookstore industry because this will become a viable option for obtaining textbooks. According to the IBIS World report (2017), the Bookstore industry is classified as 45121 in NAICS (North America Industry Classification System).

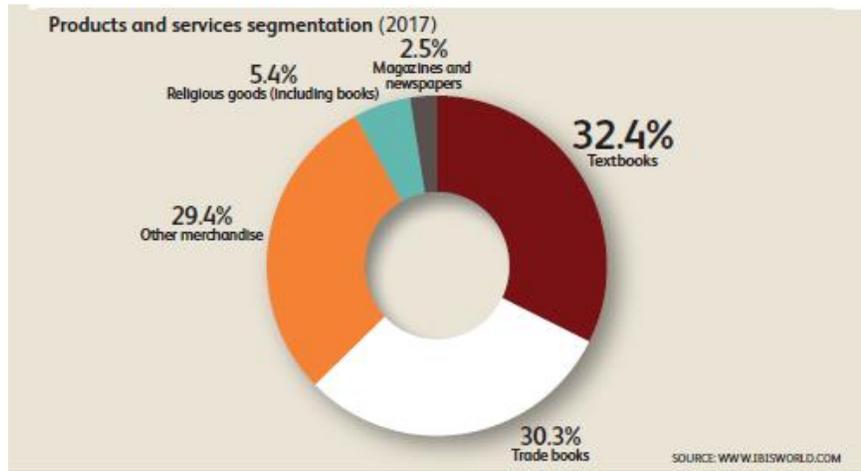
There are about 18,000 businesses and the market size is \$120 billion in dollar amount. The past five-year annual growth rate was -3.7% and the future five-year growth rate is -.4%. However, even though the industry has a slight decline, since the existence of colleges are constant with students always needing textbooks; we perceive this as no threat to our business.

## Industry at a Glance

Book Stores In 2017

Key Statistics  
Snapshot

Revenue	Annual Growth 12-17	Annual Growth 17-22
<b>\$12.0bn</b>	<b>-3.7%</b>	<b>-0.4%</b>
Profit	Wages	Businesses
<b>\$120.1m</b>	<b>\$1.5bn</b>	<b>18,030</b>



### 3.2 Trends and Strategic Opportunities

If there is one thing that does not change in a college student's' life, it would be the existence of textbooks. On average, a college student spends about \$1248 on textbooks every year. Because of these high prices, many students look to alternative methods that they can use to save on the amount of money that they spend on textbooks yearly. Generally, the option that most students go for is selling their books on platforms such as eBay. Unfortunately, reselling almost never turns out with profit because the textbooks are sold at far lower values. Therefore, when students go to buy new textbooks, they are met with the barrier of additional costs.

The issue arises because after the semester is over, the textbooks become practically useless. Then, college students must go out and spend hundreds of dollars on new textbooks. Currently, students have the option to continuously spend more money to buy textbooks from retail or online sources, or some try to sell their old textbooks on eBay or Amazon. However, we aim to provide a solution so that college students can obtain their necessary textbooks basically for free.

College textbook prices have increased faster than tuition, health care costs and housing prices, all of which have risen faster than inflation. College textbook prices are 812 percent higher than they were a little more than three decades ago, the American Enterprise Institute, a think tank, reports. Textbook costs have well outpaced the 559 percent increase in tuition and fees over roughly the same period (Huffington Post, 2017).

Operators selling textbooks and other educational products have experienced the most intense competitive pressure over the five years to 2017. As textbook prices continue to climb, students have sought out alternatives to customary college bookstores. Online textbook rental services such as Chegg and peer to- peer e-commerce platforms such as Amazon Marketplace have emerged as less expensive alternatives to traditional textbook purchasing. Due to heightened competition, textbook retailers such as Barnes & Noble and Follett have offered a wider variety of used books and implemented textbook rental programs (IBISWorld report, 2017).

As the textbook price keeps hiking up, students become more sensitive to the book price and will seek cheaper alternatives. We expect that this trend encourage the students to choose our business as a cheaper alternative than buying or renting textbooks.

## 4. TARGET MARKET

### 4.1 Target Market Defined

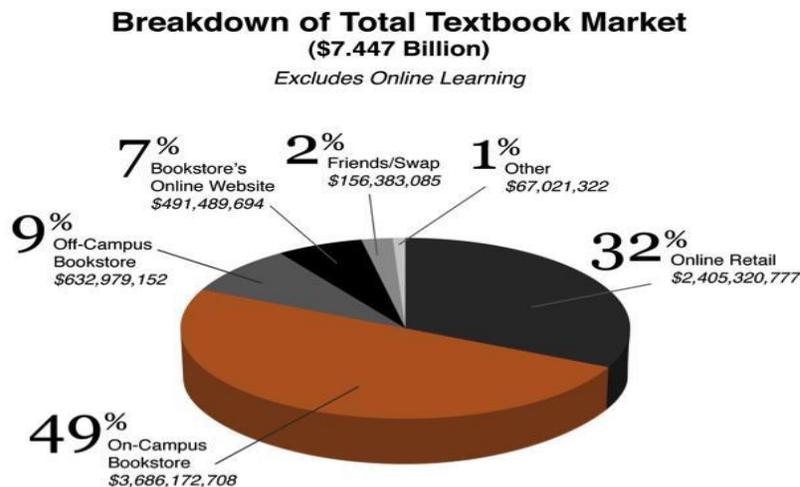
Our target customers are college students in U.S. In fall 2017, about 20.4 million students are expected to attend American colleges and universities, constituting an increase of about 5.1 million since fall 2000. This number will be increased to 22.6 million in 2026 (National Center for Education Statistics, 2017).

Of those college students (who must obtain textbooks), 2% of the sample obtain textbooks by swapping with other people. Specifically, that 2% will be SwapText's initial target market. Our goal is to expand this market and expand the textbook swapping industry beyond 2% of the total textbook industry.

### 4.2 Analysis of Market

The figure below shows where students obtain their textbooks (Mbsdiret.net, 2017). There are many different ways that students can obtain their necessary textbooks. About half of students purchase their textbooks from on campus bookstore, 32% of students purchase textbooks online, 9% from off campus bookstore, and 2% of students exchange their textbooks with friends or are unknown.

Initially, SwapText will focus on this 2% swapping market. Although 2% seems to be small market size, in the consideration of total market size and student number, this equates to about 400,000 students and \$156 million in amount. This market has a huge potential.



**Source:**<http://www.mbsdiret.net/nextisnow/blog/digital-textbook-sales-in-the-u-s-higher-education-five-year-projection.html>

## 5. COMPETITORS

### 5.1 Key Competitors

For services for swapping textbooks, there are currently no competitors that have a secure platform, which leaves customers vulnerable to fraudulent trades where someone is looking to take advantage of students. This leads to customers becoming hesitant to swap which ultimately decreases the amount of opportunities that these kinds of companies have.

Currently, there are two types of indirect competitors, book rental services such as Shegg, Amazon, Textbook Rush, eCmpus.com and peer-to-peer e-commerce platforms such as Amazon and eBay. The table below is the list of major competitors for our business.

Textbook Rental Services	Peer-to-peer e-commerce
Shegg.com Textbook Rush eCampus Textbookrental.com Barnes & Noble	Amazon.com eBay.com half.com

### 5.2 Analysis of Competitors

Currently, the largest indirect competitor is the book rental service, which are offered by retail stores so that students can rent a book for a semester. However, this option comes with very high costs at about 40-50% of market values. For students, this gives them little discount while ultimately, the book must be returned with no compensation to the students themselves.

For peer-to-peer commerce, websites offer students to identify other students that may have the textbook that they need, and provide a platform for the students to connect and sell their textbooks to each other. Strengths of these websites that they have strong brand value and provide convenient platform to upload their textbook and for payment. However, the platform for transaction often times takes about 15% of sale price plus other fees while the students sell their textbooks at a lower price. This becomes a double negative to the students. Recently, Studentstostudents provided a service to sell/buy textbooks between students without any fees. However, the reason that they are an indirect competitor is because they provide a service where students find another student within same campus to sell/buy textbook directly, not swapping. A major weakness of this site is that by limiting same campus, there are not many options available for selling/buying. For example, I tried searching “principle of management” (which is a popular business class) in a mid-sized university, and there was no textbook available.

### **5.3 Potential Future Competitors**

Once Peer-to-peer commerce such as Amazon and eBay finds the swapping textbook business model is successful, they can easily join swapping textbook market by changing their platform a little bit. In addition, new, similar businesses might join our market.

### **5.4 Barriers Identified**

While we do not have any direct competitors, there are a couple of strong indirect competitors such as Amazon, Barnes & Nobles, Student2Student and Chegg that offer textbooks at low prices, or offer textbook selling.

However, our competitive edge over our competitors is that we have low operation costs that give us a higher profit margins. For the customers, choosing SwapText has the unique benefit of having to pay near nil to obtain a new textbook while getting rid of old ones. Other competitors do not provide this sort of opportunity.

We have the competitive edge in operation model. While other businesses have the customers to do the brunt of the work, we provide a convenient method for students to get college textbooks as the only thing that we require of the students is to move their fingers to get online and put a textbook in a box.

Most importantly, we have the advantage of being the first business that directly enters this market. No other company offers a model that allows students to trade textbooks without giving any extra costs or selling it themselves. As the first business, we plan to file a patent for our business model, which would give us a significant advantage of being one of the only companies tapping into this market.

## 6. MARKETING PLAN AND SALES STRATEGY

### 6.1 Key Messages

Our main message will be summarized as Inexpensive, Convenient, and Secure.

1. Inexpensive
  - a. We will emphasize why our service is the most economical way to obtain needed textbooks. Only paying \$ 9.99 for obtaining a new textbook is marginally cheaper than spending hundreds of dollars on a textbook, and this will be one of our main selling points for marketing our business.
2. Convenient
  - a. It is an easy way to swap. In most instances, students are expected to do the brunt of the work when it comes to selling and reselling textbooks. They need to put it on a website for sale, and then go through the transactions and shipping themselves. However, with SwapText, the only work that customers will have to do is move their computer mouses, and put their textbooks in a box.
3. Secure
  - a. We emphasize our system to protect our customers from any kinds of fraudulence such as not sending or returning textbooks, or sending the wrong textbook. We do this by creating a strong deterrence system.
    - i. Advance Deposits - When customers make transactions, they are expected to pay a fee in advance that the company holds in stasis. This is to ensure that if an incomplete transaction such as a book not being sent/received occurs, the customer harmed would gain compensation with the advanced payment. This is a system meant to deter any fraudulent action.

## **6.2 Message Delivery**

Our main target customers are college students, who are heavy SNS users. Thus, our advertisement and marketing strategy will be heavily based on online advertisement such as YouTube, Google AdWords and social media platforms such as Facebook, Twitter and Instagram. We plan on targeting students by using the platforms that are used often by students.

We will create video clips to promote our business and post on YouTube. In this promotion video, we will emphasize,

1. How students can save money compared with the options of buying textbook or renting textbook
2. How convenient it is to use our website.

We will also create a Facebook and Twitter page. We will encourage the customers to share their experience with their friends, referring our services to their friends. When the customers invite their friends, we will provide incentives such as discounts.

Although SNS is major communication channel, we will also offline promotion activities. We advertise our services in university newspapers, sponsor university events, and post flyers in the bulletin board.

## **6.3 Sales Procedures**

In our business, we will not have a distribution channel. Customers will use our website, but the products will be directly transferred from customer to customer through UPS.

## 7. OPERATIONS

### 7.1 Production Plan

#### Step 1. Registration

- Students create their account. ID and PW, email and mailing address.
- Customers register their textbooks. When registering their textbooks, they are required to post
  - ISBN, 10 pictures of the textbook, credit card info
  - Market value: we include the website to find market value of the book
- Customer register up to five textbooks that they want to swap with their own textbook.

#### Step 2. Matching

- Once customers register their textbooks and the desired books, the system records all the information within the database.
- Using algorithm, the system generates up to five best matching alternatives.
- Once the system finds matching orders, it sends notices to both parties.
- Both parties agree to swap, they move to payment.

#### Step 3. Payment

- Both parties pays \$9.99 plus price gap (if needed).

#### Step 4. Shipping

- Once a transaction agreement is reached, SwapText will send both customers a package and a label already pre-labeled for use.
- Once the pre-created package arrives at the customers' houses, customers only have to put in their textbook in the package, and leave it for UPS to pick up.

#### Step 5. Transaction completed

- UPS will carry the textbooks to both customers
- Once both customers receive their textbooks, they will confirm it online at our website.
- Transaction is completed.

#### Step 6. After Service

- Once the transaction is confirmed on our website, the initial deposits that were made by both customers will be returned to the customers.
- If there are any problems (one customer not receiving package, wrong items, etc.), the deposit will be held, and customer service will contact both customers to sort out the issue.

## Flow Chart of Transaction Process



- Students create an account and register their textbooks
- Register up to three textbooks that they want to swap
- Once the database finds matching requests, the system sends emails to two parties.
- Students cannot know the other's address.
- Once two parties agree to swap, each party pays the fee plus deposits.
- They will be provided a label for shipping through UPS.
- Once they print out label and are ready to ship, UPS will stop by and pick up the textbooks.
- When both receive the textbooks, UPS will confirm it.
- If there is any problem, customers should report it within 3 days.
- After 3 days, the transaction will be considered complete.
- If we get a complaint from customers, we will resolve it.
- Customers can contact us by phone, email, and message.

## **7.2 Facility**

In our first year of operation, we plan to operate from our homes. When our business expands in our second year, we plan to rent a small studio office space. The objective of getting an office space would be to maximize efficiency by providing a space for easy communication. The office space will also be useful for holding meetings to ensure that all goals of the company are being met. As our team expands from four in our third year, we may consider moving to a bigger office space. Our goal is to minimize unnecessary costs while maximizing efficiency.

## **7.3 Workforce Plan**

First year, our business will be run by four people. Engineer, general manager, customer service, and marketer. To minimize labor costs, Joseph Kim will work as customer service clerk and my partner will work as a general manager. We will hire a software engineer and marketer in the beginning.

Each employee's working hours are following.

- Software engineer: Mon - Sat: 9 - 6pm
- Marketer: Mon -Fri: 9-5 pm
- General Manager: Mon - Sat: 9-6pm
- Customer Services: Mon - Fri: 9-9pm, Sat -Sun: 9- 5pm

In the future, once we reach break-even point, we will hire one more customer service employee. Our business will peak during the beginning and end of the semester. During the peak season, we will hire one or two temporary employees for customer services.

## **7.4 Impact of Technology**

Technology will be critical for our business's success, as our business will be heavily based on our website. Our website's technology will involve things like an easy to use user interface for customers, a secure payment system, and package tracking along with a matchmaking algorithm.

Each technological aspect is crucial for our company.

The "Easy-to-Use" Features - Making the website easy to use will allow customers to easily find the products that they need, encouraging them to use our website. We are hoping that having an easy-to-use website will help attract more customers in the future.

A Ce(se)cure Payment System - Ensuring that all private information of customers is well protected is a critical part of our marketing strategy. One of our main components of marketing is to sell the idea of us providing a secure service. Having the technology is imperative because one of our main marketing foundations lies upon this piece of technology.

Trackers (UPS) - As our business is focused on delivery between customers, having a tracking system involve to let the customers know if their package is coming will be very helpful. It also assures the customers that the transaction was genuine and that their product is on the way.

The Matching Algorithm - The core of our service, the matching algorithm matches for the customers the textbooks that they need. This particular piece of technology will carry out the “will” of the customers to find textbooks that they need. Without this piece of technology, our business would not be able to function.

## **8. MANAGEMENT AND ORGANIZATION PLAN**

### **8.1 Key Employees and Principles**

SwapText will be initially ran by four employees. The first will be the IT engineer. This is one of the most important positions in the company, as our business will be mainly be carried out on our website. His overall responsibility will be to maintain the server for the company website, and ensure that there are no bugs or viruses on the server. On a day-to-day basis, he will be expected to monitor the data that is being sent to the server.

The second member of the team will be the Customer Service Representative. The CSR will be another important component of our company because it is based off transfer of object between two people. He will be responsible for handling any issues with shipment that a customer may experience, or any miscommunication/issues between customers. On a day-to-day basis, the CSR will be taking phone calls from any customers that need help, and will be resolving those issues whether it is regarding missing items, or issues of communication with the other customer.

The third member of the team will be the General Manager. He will be responsible for marketing the company and managing the general documentations for the company such as any legal documents. On a daily basis, his job will be to maximize the using of the designated capital to market the company while handling any the overall management of the team.

The final initial member of the team will be the marketer. The major tasks of the marketer are to identify and analyze the needs of current and potential customers. In addition, the marketer will develop and implement the advertising and promotion strategy. In particular, the marketer will have a specialty in SNS since our promotion heavily depends on SNSs.

We believe that this four-person crew will maximize efficiency by designating each person to a specific job, which they will focus on. This also minimizes worker’s payment costs for the company.

**8.2 Board of Advisory**

Initially we will invite four advisory members. Here are our board of advisory members.

- 1. Dr. Den Stulc: Assistant professor in Entrepreneurship, Kean University  
Dr. Stulc will provide tips to run day-to-day operations and develop long-term strategy.
- 2. Youngdon Kim, Certified Public Accountant  
Mr. Kim runs his own CPA office and has a specialty in tax and legal issues of small business.
- 3. Courtney Bartlett, President & Marketing Specialist, KIQ Partner  
Mr. Barlett is the president of KIQ partner, which is online advertising company. He has a specialty in SNS marketing and SEO (Search Engine Optimization).
- 4. Paige Juliano, Financial Advisor for Small Businesses, Capital Strong Venture  
Mrs. Julianon is the president of Capital Strong Venture and has plentiful and successful experience to help new startups find capital.

**8.3 Recruitment Plan**

The table below shows the recruitment plan for future five years. We will post job openings at job recruit websites such as Monster.com, Glassdoor.com, LinkedIn.com, etc. In addition, we will ask our advisory members to recommend job candidates.

	2020	2021	2022	2023	2024
<b>IT engineer</b>			FT		FT
<b>Marketer</b>	PT		FT		FT
<b>Customer Rep.</b>	FT	PT	FT	PT	FT

PT: part-time, FT: full-time

## 8.4 Compensation and Incentives

The table below discusses the compensation packages for our employees.

On the top of salary, we will offer 5% for 401k. We cannot provide health insurance in the beginning but will offer \$250 per employee to support individual health insurance. In the long term, once the company achieves a stable financial status, we will provide health insurance. If the company exceeds its financial goal, we will provide monetary bonuses.

<b>Employee</b>	<b>Salary/ Month</b>	<b>Health Support</b>	<b>Retirement</b>	<b>Monthly Total</b>	<b>Yearly Total</b>
<b>IT engineer</b>	<b>\$6,000</b>	<b>\$ 250</b>	<b>\$300</b>	<b>\$ 6,550</b>	<b>\$80,400</b>
<b>Marketer</b>	<b>\$4,000</b>	<b>\$ 250</b>	<b>\$ 200</b>	<b>\$ 4,450</b>	<b>\$55,200</b>
<b>Customer</b>	<b>\$3,000</b>	<b>\$ 250</b>	<b>\$150</b>	<b>\$ 3,400</b>	<b>\$42,600</b>
<b>General M</b>	<b>\$5,000</b>	<b>\$250</b>	<b>\$250</b>	<b>\$ 5,500</b>	<b>\$67,800</b>
<b>Total</b>	<b>\$18,000</b>	<b>\$1,000</b>	<b>\$900</b>	<b>\$19,900</b>	<b>\$238,800</b>

## 9. LONG-TERM DEVELOPMENT

### 9.1 Long-Term Goals

The table below indicates some important milestones for Year 3, 5, and 8 in terms finance, marketing, and services.

Year 3 Goals (2021)		
Finance	1. Have net profit	
Marketing	1. Reach 20 % of target market 2. Secure 200,000 users 3. Expand to Universities in mid-western area	
Year 5 Goals (2023)		
Finance	1. Reach 1 million revenue 2. Retire long term debt	
Marketing	1. Reach 40% market share 2. Secure 400,000 users 3. Expand to West coast areas	
Year 8 Goals (2026)		
Finance	1. Reach 2 Million revenue 2. Receive investment to expand new services and national market	
Marketing	1. National advertising using TV commercial 2. Reach 60% market share 3. Secure 1 million users	
Services	1. Expand services to rental books and sell/buy textbooks	

## **9.2 Potential Risks**

Once our business model proves to be successful, other companies will try to copy our business model. We might face more competition in the market. However, as we discussed earlier, we will file patent for our business model, preventing other companies from copying our business model. Another potential risk might be that textbook rental businesses lower their fees to attract customers, discouraging them to swap textbooks.

The industry has been a longstanding one with many major players already in the market such as Amazon and larger bookstores. It may be difficult as a new business to enter into that kind of competitive market with a unique and different business model. However, we believe that we can combat that with our low prices.

## **9.3 Strategy**

We believe the success of our business depends on marketing and customer satisfaction. Our business is almost a new type of service so most students are not familiar with our services. In the beginning, we will focus on advertising and promotion. We will spend ten percent of total revenue for the marketing activities. It is so critical to develop awareness of our services among students. Once we develop branding power as a first mover, which will work as barriers to second or late movers.

Our next strategy is to foster customer satisfaction. Even customers are aware of our business, if they are not satisfied with our service, they will not come back and refer our business to their friends. By maximizing customer satisfaction, we will make customers return to our business.

Third. In the long term, we will achieve a low cost strategy. As the business volumes increase, we can lower overhead costs. In addition, by re-negotiating with trucking companies, we can reduce shipping costs. In many ways, we will develop low cost structures.

Fourth, we will use product diversification strategy. We will add book rental services and selling/buying to our current services. By offering more services, customers can have more options using their books including swapping, renting, and selling/buying. The expansion of services will be able to attract more customers to our website.

## 10. FINANCIALS

### 10.1 Financial Assumptions

Followings are some important assumptions about sales forecast, yearly growth rate, expenses, interest payments, and depreciation. We have only 3 months (Oct - Dec) operations for 2018. During this period, we will set up website and database and marketing activities.

#### 10.1.1 Sales Forecast and Growth by Year

- Our business will fluctuate following academic calendar. The chart below illustrates seasonal fluctuation of our sales. In particular,
- 56% of sales happen during December and January (Spring semester) and August and September (Fall semester)
- 24% of sales happen during May, June, and July (summer semester)
- 20% of sales happen for the rest months (mostly online courses).
- We assume our revenue will increase by 40% for 2020-2021 and 30% for 2022-2023.



#### 10.1.2 Expenses

- Cost of goods sold (mostly shipping cost) is 30% of revenue.
- We will hire four employees including partner (president, one software engineer, one customer service, one marketing employee) and myself for year 2018 and 2019, hire one more customer service for year 2020, one more marketer for 2021.
- Utilities include telephone, electricity, water, and gas.
  - For 2018 and 2019, there is no expense for rent because we will have a business in my home. In 2020, we will rent small office from 2021.
- Insurance expenses includes liability and worker's compensation.
- Marketing Expenses include social media, promotion, and website.

### 10.1.3 Interests Payment/Depreciation/Income Taxes

- We will borrow \$100,000 from SBA for 5 years with 7.0% interest rate.
- Depreciation includes server: Price \$10,000, residual value: \$0, duration: 4 years, method: straightforward depreciation)

Business does not pay income taxes. Members will pay individual tax for their capital gains.

### 10.2 Financial Projections

Based on the assumption we discussed above, we provided two years' monthly income statements, two years' cash flow statements, and five years income statements. Again, as discussed earlier, we only have three months of operation in 2018.

#### 2018 Monthly Income

2018	Oct '18	Nov '18	Dec '18	Total
Revenue	\$0	\$0	\$10,000	\$10,000
Direct Costs	\$0	\$0	\$3,000	\$3,000
Gross Margin	\$0)	\$0	\$7,000	\$7,000
Gross Margin %	0%	0%	70%	
Operating Expenses				
Salary	\$18,000	\$18,000	\$18,000	\$54,000
Employee Benefit	\$1,900	\$1,900	\$1,900	\$5,700
Employee Tax	\$1,377	\$1,377	\$1,377	\$4,131
Marketing	\$4,000	\$4,000	\$4,000	\$12,000
Internet	\$150	\$150	\$150	\$450
Utilities	\$100	\$100	\$100	\$300
Insurance	\$300	\$300	\$300	\$900
Misc.				
Total Operating Expenses	\$25,827	\$25,827	\$25,827	\$77,481
Operating Income	(\$25,827)	(\$25,827)	(\$18,827)	(\$70,481)
Interest Incurred	\$583	\$575	\$567	\$1,725
Depreciation and Amortization	\$248	\$248	\$248	\$744
Income Taxes	\$0	\$0	\$0	
Total Expenses	\$26,658	\$26,650	\$26,642	\$79,950
Net Profit	(\$26,658)	(\$26,650)	\$(19,642)	(72,950)

## 2019 Monthly Income Statement

	2019	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19	Jul '19	Aug '19	Sep '19	Oct '19	Nov '19	Dec '19	Total
Revenue		\$80,000	\$20,000	\$20,000	\$20,000	\$32,000	\$32,000	\$32,000	\$80,000	\$32,000	\$20,000	\$20,000	\$52,000	\$420,000
Direct Costs		\$24,000	\$6,000	\$6,000	\$6,000	\$9,600	\$9,600	\$9,600	\$24,000	\$9,600	\$6,000	\$6,000	\$15,600	\$126,000
Gross Margin		\$56,000	\$14,000	\$14,000	\$14,000	\$21,400	\$21,400	\$21,400	\$56,000	\$21,400	\$14,000	\$14,000	\$36,400	\$294,000
Gross Margin %		70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Operating Expenses														
Salary		\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$216,000
Employee Benefit		\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$1,900	\$22,800
Payroll Tax		\$1,377	\$1,377	\$1,377	\$1,377	\$1,377	\$1,377	\$1,377	\$1,377	\$1,377	\$1,377	\$1,377	\$1,377	\$16,524
Marketing		\$2,000	\$1,000	\$1,000	\$1,000	\$1,500	\$1,500	\$1,500	\$2,000	1,500	\$1,000	\$1,000	\$2,000	\$17,000
Internet		\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$1,800
Utilities		\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$100	\$1,200
Insurance		\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$300	\$3,600
Misc														
Total Operating Expenses		\$23,827	\$22,827	\$22,827	\$22,827	\$23,327	\$23,327	\$23,327	\$23,827	\$23,327	\$22,827	\$22,827	\$23,827	\$278,924
Operating Income		\$32,173	(\$8,827)	(\$8,827)	(\$8,827)	(\$1,927)	(\$1,927)	(\$1,927)	\$32,173	(\$1,927)	(\$8,827)	(\$8,827)	\$12,813	\$15,076
Interest		\$583	\$575	\$567	\$559	\$550	\$542	\$534	\$525	\$517	\$508	\$500	\$491	\$6,452
Depreciation and Amortization		\$248	\$248	\$248	\$248	\$248	\$248	\$248	\$248	\$248	\$248	\$248	\$252	\$2,500
Total Expenses		\$24,658	\$23,650	\$23,642	\$23,634	\$24,125	\$24,117	\$24,109	\$24,600	\$24,092	\$23,583	\$23,575	\$24,570	\$287,876
Net Profit		\$31,342	(\$9,650)	(\$9,642)	(\$9,634)	(\$2,725)	(\$2,717)	(\$2,709)	\$31,400	(\$2,962)	(\$9,583)	(\$9,575)	\$11,830	\$6,124

## 2018 Monthly Cash Flow

2018	Jan '18	Feb '18	Mar '18	Apr '18	May '18	Jun '18	Jul '18	Aug '18	Sep '18	Oct '18	Nov '18	Dec '18
Net Cash Flow from Operations												
Net Profit												
Net Cash Flow from Operations												
Investing & Financing												
Assets Purchased or Sold												
Investments Received												
Loan Proceeds												
Loan Payments												
Distributions												
Net Cash Flow from Investing & Financing												
Cash at Beginning of Period												
Net Change in Cash												
Cash at End of Period												

## 2019 Monthly Cash Flow

	Jan '19	Feb '19	Mar '19	Apr '19	May '19	Jun '19	Jul '19	Aug '19	Sep '19	Oct '19	Nov '19	Dec '19
Net Cash Flow from Operations												
Net Profit/Loss	\$31,342	(\$9,650)	(\$9,642)	(\$9,634)	(\$2,725)	(\$2,717)	(\$2,709)	\$31,400	(\$2,962)	(\$9,583)	(\$9,575)	\$11,830
Net Cash Flow from Operations	\$31,342	(\$9,650)	(\$9,642)	(\$9,634)	(\$2,725)	(\$2,717)	(\$2,709)	\$31,400	(\$2,962)	(\$9,583)	(\$9,575)	\$11,830
Investing & Financing												
Assets Purchased or Sold	-	-	-	-	-	-	-	-	-	-	-	-
Investments Received	-	-	-	-	-	-	-	-	-	-	-	-
Loan Proceeds	-	-	-	-	-	-	-	-	-	-	-	-
Loan Payments	(\$1,421)	(\$1,429)	(\$1,438)	(\$1,446)	(\$1,454)	(\$1,463)	(\$1,413)	(\$1,471)	(\$1,480)	(\$1,489)	(\$1,497)	(\$1,506)
Dividends & Distributions												
Net Cash Flow from Investing & Financing	(\$1,421)	(\$1,429)	(\$1,438)	(\$1,446)	(\$1,454)	(\$1,463)	(\$1,413)	(\$1,471)	(\$1,480)	(\$1,489)	(\$1,497)	(\$1,506)
Cash at Beginning of Period	\$76,500	\$106,421	\$95,432	\$84,352	\$73,272	\$69,093	\$64,913	\$60,791	\$90,720	\$86,278	\$75,206	\$64,134
Net Change in Cash	\$29,921	(\$10,989)	(\$11,080)	(\$11,080)	(\$4,179)	(\$4,180)	(\$4,122)	\$29,929	(\$4,442)	(\$11,072)	(\$11,072)	\$10,324
Cash at End of Period	\$106,421	\$95,432	\$84,352	\$73,272	\$69,093	\$64,913	\$60,791	\$90,720	\$86,278	\$75,206	\$64,134	\$74,458

## 2018-2022 Yearly Income Statement

	2018	2019	2020	2021	2022
<b>Revenue</b>	\$10,000	\$420,000	\$588,000	\$764,000	\$1,020,000
<b>Direct Costs</b>	\$3,000	\$126,000	\$176,400	\$229,200	\$306,000
Gross Margin	\$7,000	\$294,000	\$411,600	\$534,800	\$714,000
<b>Gross Margin %</b>	70%	70%	71%	72%	72%
<b>Operating Expenses</b>					
Salary	\$54,000	\$216,000	\$252,000	\$252,000	\$316,000
Employee Benefit	\$5,700	\$22,800	\$25,800	\$28,200	\$32,800
Payroll Tax	\$4,131	\$16,524	\$19,278	\$24,174	\$27,524
Marketing	\$12,000	\$21,000	\$60,000	\$77,000	\$110,000
Internet	\$450	\$1,800	\$1,800	\$1,800	\$1,800
Utilities	\$300	\$1,200	\$1,200	\$1,200	\$1,200
Insurance	\$900	\$3,600	\$3,600	\$3,600	\$3,600
Misc.					
<b>Total Operating Expenses</b>	<b>\$77,481</b>	<b>\$278,924</b>	<b>\$363,678</b>	<b>\$391,974</b>	<b>\$492,924</b>
<b>Operating Income</b>	<b>(\$70,481)</b>	<b>\$15,076</b>	<b>\$47,500</b>	<b>\$142,826</b>	<b>\$221,076</b>
Interest Incurred	\$1,725	\$6,452	\$6,010	\$5,876	\$5,643
Depreciation and Amortization	\$744	\$2,500	2500	2500	\$1,756
Income Taxes					
<b>Total Expenses</b>	<b>\$79,950</b>	<b>\$287,876</b>	<b>\$307,500</b>	<b>\$400,350</b>	<b>\$500,332</b>
<b>Net Profit</b>	<b>(72,950)</b>	<b>\$6,124</b>	<b>\$39,412</b>	<b>\$134,450</b>	<b>\$213,668</b>

## 11. SUPPORTING DOCUMENTS

### 11.1 Loan Amortization Schedule

#### *Loan Repayment Schedule*

SWAPTEXT

SBA Loan Program

Starting: \$100,000.00

	2018	2019	2020	2021	2022	2023
Starting Balance	\$100,000.00	\$95,785.15	\$78,170.67	\$59,282.83	\$37,277.14	\$17,312.24
Loan Payments	\$5,940.36	\$23,761.44	\$23,761.44	\$23,761.44	\$23,761.44	\$17,821.10
Principle Payments	\$4,214.85	\$17,614.48	\$18,887.84	\$20,253.24	\$21,717.35	\$17,312.24
Interest Payments	\$1,725.51	\$6,146.96	\$4,873.60	\$3,508.20	\$2,044.09	\$508.86
Ending Balance	\$95,785.15	\$78,170.67	\$59,282.83	\$37,277.14	\$17,312.24	\$0.00

Assume loan is \$100,000 at 7.0%  
interest.

Assume loan begins October 1, 2018 and the balance is due in 5  
years.

## 11.2 Certificate of Formation, LLC for NJ

### Certificate of Formation, Limited Liability Company for New Jersey

This form may be used to record the formation of a Limited Liability Company under and by virtue of New Jersey State law. Applicants must insure strict compliance with N.J.S.A. 42, the New Jersey Limited Liability Company Act, and insure that all applicable filing requirements are met. Applicants are advised to seek out competent legal advice before submitting filings to the Secretary of State's office.

1. Name of the Limited Liability Company: (name must include the words, "Limited Liability Company" or the abbreviation, "L.L.C.")(br/>SWAPTEXT
2. The purpose for which this Limited Liability Company is organized is to: (This is an optional field.)  
We develop a business to help college students to get their new textbooks by swapping old textbooks through our a cheap, convenient, and secure platform.
3. Date of formation: (May be left blank. If this field is left blank, the date of formation will be the date on which the Certificate of Formation is filed in the office of the Secretary of State.)  
January 10, 2018
4. Registered Agent Name and Address (must be in New Jersey): (May be an individual resident of this State whose business office is identical with the LLC's registered office, or a domestic or foreign authorized Corporation having a business address identical with the LLC's registered office. Office must be located in New Jersey.)  
Joshua Kim  
Joseph Kim
5. Dissolution date is: (If desired, enter the specific date of dissolution in this field.)
6. Other provisions (list below or attach to certificate):  
N/A

The undersigned represent(s) that this Limited Liability Company has one or more members, and that this filing complies with requirements detailed in N.J.S.A. 42. The undersigned hereby attest(s) that they are authorized to sign this certificate on behalf of the Limited Liability Company.

Name	Date
Joseph Kim	1 10 2018
Joshua Kim	1 10 2018
	1 10 2018
	1 10 2018

**Instructions:** Type all information except signatures.

Form must be completed and filed in duplicate.

The original document will be retained by the Division of Commercial Recording.

**Remittance:** Check or Money Order should be signed and made payable to the Secretary of State, and be submitted with the document to be filed.  
Filing Fee: Contact Secretary of State's Office

**Address:** **Regular Service (by regular mail or in person)**  
Department of State  
Division of Commercial Recording  
P.O. Box 308  
Trenton, NJ 08625

**Expedited Service (by messenger)**  
Department of State  
Division of Commercial Recording  
820 Bear Tavern Rd., 2<sup>nd</sup> Floor  
Trenton, NJ 08628

Expedited Service requests must be delivered in person or by messenger service such as Federal Express, Emery, UPS, or any overnight service, **but not** U.S. Postal Service Overnight because it does not directly deliver to our division office.

### 11.3 Works Cited

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