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| **VALUE PROPOSITION**  “My favourite bag”  (customised canvas bags) |
| Name and Surname |
| Month, year |

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| 1. IDENTIFICATION DETAILS | |
| Company name | My favourite bag |
| Ownership | 100% private |
| Type of company | social unit |
| Main activity | The production of painted canvas bags |
| Contact details | Address: Salciua, no. 48, Alba County, Romania  Telephone number: 0040264 – 586754  E-mail address: contact@myfavouritebag.ro  Website: www.myfavouritebag.ro |

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| 2. SUMMARY |
| My favourite bag is a social unit located in Salciua, Romania specialising in the production of handmade customised canvas bags. Two main categories of bags are offered: canvas bags painted with traditional Romanian elements positioned as tourist souvenirs and customised canvas bags as per clients requests. The target market segments are tourists visiting Salciua and its surroundings, companies purchasing such bags for promotional purposes and young people interested in offering unique gifts to their loved ones. The main competitors are firms customising canvas bags or selling ready to be customised bags. None of the competitors offer handmade customisation. The pricing strategy is penetration, the canvas bags produces in Salciua selling of a slightly lower amount than those offered by the competitors. Distribution is direct in Salciua or through intermediaries around the country. The products will be promoted online via social media and the unit’s webpage as well as by participanting in different fairs and events in the field. The company will have 5 employees. The main risk identified is the shortage of canvas supply which is considered a low level risk and will be counteracted by developing a consistent supplyers network. The annual canvas bags production is estimated to 17.000 bags with a yearly turnover of 57.900 euro and estimated gross profit of 12.700 euro. |

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4. HISTORY

The social unit is located in Salciua, Alba county, a village in Romania with a considerable tradition in handmade items. These include various items made out of wood, wool, canvas etc. The social unit builds on the tailoring and decorating experience of the women in the area as well as the increased attention given by Romanians to handmade products, made out of eco-friendly materials. At the same time, the area has a considerable touristic potential being located closed to Rosia Montana. Rosia Montana is a former gold mine in Romania located in beautiful mountainous surroundings. At present, a new gold mining investment project is under analysis sparkling considerable public debates. All these have led to a increase in the number of tourists in the area. Salciua is well-enough connected to the larger towns in the area in order to ensure access to the materials needed as well as a large enough market. The social need in the area is mainly caused by high rates of unemployment generated by the closing down of the various factories that used to operate there until the mid 1990s.

The main aim of this value proposition is that of analysing the opportunity for the creation of the social unit we are proposing.

5. MARKET INFORMATION

a. Product

The products we will be offering are:

* Canvas bags painted with traditional Romanian elements positioned as tourist souvenirs
* Canvas bags painted as per the design requested by the client – these will mostly be aimed at corporate clients or for persons wishing to make a special unique gift to someone

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The bags we produce will be made out of unbleached, undyed organic cotton purchased from the following suppliers:

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| **N.** | **Supplier** | **Location** | **Items purchased** |
| 1. | Modatem Tex | Bucharest, Romania | Cotton |
| 2. | Dinatex | Falticeni, Romania | Cotton |
| 3. | Kreativ Shop | Online shop, Romania | Cotton paint |
| 4. | Colorit | Online shop, Romania | Cotton paint |

Bags will be cut, sewed and painted individually. The main steps for producing such a bag are:

1. Cutting cotton according to the bag template
2. Sewing the various pieces together
3. Painting the bag as per the client’s requirements

b. Clients and client analysis

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| **Who are your clients?** | Tourists interested in traditionally painted Romanian souvenirs. | Commercial units and associations which purchase customised bags as promotional materials. | People interested in offering a customised unique gift to someone. |
| **How would you characterize them?** | - generally spend a few days in the area  - purchase small gifts and - spend between 10 and 100 euros on souvenirs | - medium and large sized companies in Romanians  - purchase such products for promotional/ merchandising  purposes | - young people  - purchase for special occasions |
| **How can I reach my clients?** | - make myself visible in the area  - distribute my products through souvenir and gifts shops | - make myself visible on the internet; special corporate events and through direct offers | - make myself visible on the internet and through gift shops |
| **Market size** | - approx. 100.000 tourists (2014) | - 3 large festivals in the area | - Romania`s young population aged between 18 and 35 years old |
| **Factors influencing the decision to buy** | - country of origin  - holiday duration and purpose | - company size  - company promotional strategy  - event merchandising strategy | - occasion  - trend and fashion among peers |

The main target segments of the social unit are:

**Tourists interested in a traditionally painted Romanian souvenir**

Persons visiting the area and/or Transylvania, either foreign tourists, or Romanian tourists from other geographical areas. They generally spend a few days and enjoy the beautiful Romanian landscapes, food and traditions. They purchase small gifts and souvenirs for their loved ones or for themselves to remember the holiday. They may spend between 10 and 100 euros on souvenirs depending on their country/area of origin, holiday duration etc. The total number of tourists visiting Alba county in 2014 was of more than 100.000 (http://www.ziare.com/alba-iulia/stiri-actualitate/peste-100-000-de-turisti-cazati-in-judetul-alba-anul-trecut-cu-11-la-suta-mai-multi-fata-de-2013-in-decembrie-vizitatorii-au-ales-sejururi-mai-scurte-5321031), an 11% increase from 2013.

**Commercial units and associations which purchase customised bags as promotional materials**

Medium and large sized companies in Romania, especially Transylvania and Bucharest. They purchase such items for promotional purposes (eg. marketing campaign, awards, gifts etc.). Such items may also be purchased by various associations involved in the organisation of cultural events. Such items will then be purchased for mercahdising purposes. Such clients would include the Transylvania International Film Festival or the Comedy Cluj Film Festival and Sibiu International Theatre Festival – three large cultural events taking place in Transylvania and having considerable merchadising activity associated.

**People interested in offering a customised unique gift to someone**

These would be especially young people, purchasing bags online for special occasions such as birthday gifts. In their case, the ultimate selling point is the ability to customise the bag according to their requests and it being unique. Customers in this segment would mainly include young people aged between 18 and 35 years old.

**c. Competition analysis**

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| **Name**  **Address, telephone, web site** | Sedra Advertising  sedra.ro  Bucharest, Romania | Medis 2003  Medis2003.ro  Bucharest, Romania | Gifts service  Gift-service.ro  Bucharest, Romania |
| **Product**  **Types, prices** | customised canvas bags | white canvas bags for further customisation | canvas bags customisation |
| **Advantages** | the company is well known on the market | the company is specialised in promotional campaigns and branded products | considerable variety of colours, sizes and texture of the materials |
| **Weaknesses** | - bags are not produced in house but purchased from a supplier;  - supply shortages may appear and delays in delivering the end product; | - they do not sell traditional items; nor handmade ones.  - canvas bags distribution only | - they purchase canvas bags from various suppliers  - shortages in supply may appear as well as delays in delivering the order to the client |
| **How can I compete?**  **What is it that I can do better?** | - higher quality of the canvas bags produced;  - handmade unique products;  - painted bags and not coloured mechanically;  - traditional models | - production and customisation offered in one place;  - variety of models the client can choose from;  - high quality bags;  - the bags can also be sold without customisation | - higher quality of the canvas bags produced;  - handmade unique products;  - painted bags and not coloured mechanically;  - traditional models. |

The company has three main competitors:

Sedra Advertising – Advertising company specialising in promotional campaigns and branded products. They customize canvas bags according to the clients’ wishes - they can print the specific design asked for by the client; Bags are bought from a supplier; The company also offers a wide variety of promotional tools and events organising.

Medis 2003 – They sell white canvas bags which can then be used for customization; Medis does not offer this customization service; They only distribute white canvas bags.

Gifts services – They offer a wide variety of canvas bags in different colours which can then be customized. They buy the bags from various suppliers, the main service offered being customization.

**d. Price**

When setting the price, the following were considered:

1. Production costs

The necessary materials for producing a canvas bag are:

* cotton canvas – 3.5 lei/bag
* thread – 0.5 lei/bag
* paint – 2 lei/bag

Total materials costs/bag = 6 lei

2. Competitors’ prices

Competitors generally charge between 20 and 50 lei for such a canvas bag.

As the social unit is new to the market, at first it will use a penetration price, meaning that the selling price set for the canvas bags will be slightly lower than that charged by its competitors.

As such, the prices charged by the social unit are:

* Souvenir canvas bag – 15 lei
* Customised canvas bag for orders greater than 20 items – 15 lei
* Customised canvas bags for order less than 20 items – 20 lei

**e. Distribution**

The social unit will use the following distribution channels:

* Direct distribution through the social unit shop located in Salciua
* Postal/courier distribution for orders placed online or by telephone
* Distribution through intermediaries in Transylvania – the social unit will conclude distribution partnerships with souvenir and gift shops and Tourist information centres in Transylvania.

**f. Promotion**

The following promotional means will be used:

* Internet page: www.myfavouritebag.ro
* Facebook page: My Favourite Bag
* Arrows around the village pointing tourists towards the shop in Salciua
* Participation in various fairs and events aimed at promoting Romanian traditions.

6. HUMAN RESOURCES

The social unit will employ the following persons:

* 2 people for the sewing of the canvas bags
* 2 people for the painting of the canvas bags
* 1 person responsible for marketing and promotion

The social unit will also contract an accountant in charge of maintaining accurate evidence of all income, expenses and investments made.

7. OPERATIONAL PLAN

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| **Nr.** | **Activity** | **M1** | **M2** | **M3** | **M4** | **M5** | **M6** | **M7** | **M8** | **M9** | **M10** | **M11** | **M12** |
| 1. | Setting up the social unit |  |  |  |  |  |  |  |  |  |  |  |  |
| 2. | Puchasing of the internet domain |  |  |  |  |  |  |  |  |  |  |  |  |
| 3. | Purchasing of the website design |  |  |  |  |  |  |  |  |  |  |  |  |
| 4. | Decorating the location of the shop |  |  |  |  |  |  |  |  |  |  |  |  |
| 5. | Creation of the first bag models |  |  |  |  |  |  |  |  |  |  |  |  |
| 6. | Uploading bags offered and prices on the website |  |  |  |  |  |  |  |  |  |  |  |  |
| 7. | Promotion of the social unit |  |  |  |  |  |  |  |  |  |  |  |  |
| 8. | Inauguration of the shop |  |  |  |  |  |  |  |  |  |  |  |  |
| 9. | Concluding contracts |  |  |  |  |  |  |  |  |  |  |  |  |

8. Financial analysis

Income

We estimate a total number of 17.000 bags sold/year. At an average price of 15 lei/bag, the total annual income would amount to 255.000 lei (= 57.900 euro).

Costs

***Variable costs*** = materials needed for producing the bags = 6 lei/bag

Total variable costs for 17.000 bags = 102.000 lei (23.100 euro)

***Fixed costs*** = salaries and utilities

- Salaries:

Persons sewing and painting canvas bags: 1400 lei/person/month => 1.400 lei x 4 = 5.600 lei/month => 67.200 lei/year (15.200 euro)

Marketing responsible: 1.800 lei/month => 21.600 lei/year (=4.900 euro)

Accountant: 300 lei/month => 3.600 lei/year (= 800 euro)

- Utilities:

Water, electrcity etc. = 200 lei/month => 2.400 lei/year (= 500 euro)

Telephone = 100 lei/month => 1.200 lei/year (=250 euro)

Internet and webpage = 100 lei/month => 1.200 lei/year (=250 euro)

Total fixed costs: 97.200 lei (=22.000 euro)

Total costs for 17.000 bags produced = 102.000 lei + 97.200 lei = 199.200 lei (=45.200 euro)

Profit (for 17.000 bags)

***Profit = Income – Total costs*** = 255.000 lei – 199.200 lei = 55.800 lei (= 12.700 euro)

9. Risks

The social unit might be confronted with the following risk:

Shortage of canvas supply

This is considered a low incidence risk because of the large number of canvas suppliers on the market. In order to counteract this, the social unit will conclude canvas supplying contracts with several suppliers.