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E-Waiter (Estonia)

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This case has been prepared as a basis for class discussion rather than to illustrate either the effective or ineffective handing of a business / administrative situation.

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EWAITER

Introduction

Maarika Ansip looked at the latest version of the Business Plan and wondered if she would ever get it right. After writing the first version, she showed it to the entrepreneurial team that she was leading and they had questioned the viability of the business model and had highlighted numerous areas where the plan could be improved. She had rewritten the main body of the report but she had no time yet to adjust the financial figures so they were a complete mess (they actually bore no relation to the revised plan) and she would have to redo them completely. But as she reread the Business Plan she realized that there were still many faults to the plan itself and that she would have to improve the whole document yet again. However she only had twenty four hours before she would meet with the other members of the entrepreneurial team and what she needed urgently was someone who was an expert in writing Business Plans to help her.

Maarika was a 25 year old IT graduate of the Institute of Technology Tartu and throughout her years in school and in college she had never studied any business subject. After completing her undergraduate degree she was employed by the ITH Group and worked as an IT specialist on client projects. While working on such a project, Maarika spotted the opportunity that is EWaiter and discussed it with her boss. EWaiter is a user friendly IT based technical solution for restaurants, bars pubs and other public places to be used as a digital menu and interactive tool to order food and drinks from the restaurant and bar. There would be one device for each dining table and a computer data server is required to operate the device. The devices will be built and designed especially for restaurants to fit with their particular needs. There will be choice of colours for the frame, and the restaurant can choose where it would like the device to be installed. For example, the device can be placed on the wall by the table, or built into the table of the restaurant, so that it can be removed when it is not being used. The device can also be offered as a

hand-held portable format for tables that are located in the middle of restaurant and where there is no possibility to attach it to wall.

After numerous discussions about the idea, Maarika's boss proposed to her that a spin-off business be established to develop the concept as it was quite different to the core activities of the ITH Group. He suggested that because the expertise required to advance the business was quite diverse, it would be beneficial if two other companies whom he knew were to also become involved in the project. However, he was very clear that Maarika should be the lead entrepreneur of the project as it was her idea. Therefore, the entrepreneurial team would consist of Maarika and the CEO from three companies:

- One Baltics – a company working in the tourism and hospitality fields;
- Microdators – a company that produces 'Mazzy' touch screen monitors and computing hardware solutions;
- ITH Group – a company that develops software solutions, web pages, web applications and accountancy systems;

The business would be supported by experts from different fields such as design, finance, and marketing, while a couple of local professors would act as consultants to the Project.

It had already been broadly agreed that each company would contribute €50,000 share capital to the business. But to carry through on the plan, they would need additional funding of €150,000 if the business was to have a good chance of being successful. Therefore the initial focus of the entrepreneurial team was to prepare a Business Plan that would convince investors that the concept was a good investment. However, because Maarika had no prior business management experience, she had no idea how to write a Business Plan or how to put together financial projections. She decided it was time to phone a friend who worked with an enterprise support agency for advice. She wanted him to read the current draft of the Business Plan (see below) and then to tell her what changes she should make to the Business Plan, what additional information was required, and to help her rework the financial projections so that they made sense. She also wanted him to advise her on how much equity she should offer to potential investors, what the expected return on investment might be, and what exit strategy should she offer them.

She needed his advice urgently if she was to present a high-quality Business Plan to potential investors and to the other members of the entrepreneurial team 24 hours from now.

BUSINESS PLAN for EWAITER

Executive Summary

The goals of the business plan

- The main goal of the business plan is to prepare for the development of EWaiter as an IT-based technical solution
    - for the provision of more efficient operations and a higher standard of guest services in restaurants, bars, pubs and other public entertainment places,
    - to anticipate the implementation of the business idea by determining the amount of investments required,
    - to establish the economical and financial profitability of the Project.

Product description

- EWaiter is a user friendly IT based technical solution for restaurants, bars pubs and other public places to be used as a digital menu and interactive tool to order food and drinks from the restaurant and bar.
- EWaiter ensures higher standards and efficiencies in guest serving operations, thus boosting the sales and cutting the expenses of restaurants.
- The most important advantages of EWaiter are:
    - Efficiency - EWaiter helps to save time and costs for serving the customers and thus provides higher rates for turnover of tables;
    - System Integration – EWaiter is fully integrated within existing restaurant cash keeping and bookkeeping systems;
    - Integration of Functions – EWaiter can also be used as a tool to browse the Internet, gain practical information or play computer games etc.;
    - Online payments – EWaiter supports the function of online payments, which makes the dining experience even more convenient;
    - Advertisements - EWaiter can be used as an excellent media for advertisements;

- Flexibility – Digital menus can be updated in a few moments and for the menu any language can be used;
- Attractiveness – The superb design and support of user friendly operations makes EWaiter an extra "attraction" for the restaurant.

Definition of target market

- The target market for EWaiter are mainly cafés, bars, restaurants and other entertainment places such as discos, bowling and billiard clubs, etc.
- A number of common trends characterizing the target markets can be identified:
  - Increasing costs for personnel;
  - Lack of professional and experienced waiters (most of the waiters are low-experienced students);
  - Increasing usage of IT solutions for more effective operations (café and restaurant systems such as R-Keeper, Micros);
  - Merge of "slow-food" and "fast-food" restaurant concepts;
  - Development of new "theme" concepts and specialization of restaurants (e.g. restaurants serving only soups, organic food restaurants, etc);
  - More attractive and sophisticated interiors of the restaurants.
- Since there is a substantial potential customer base in the Baltic countries (some 15,000 restaurants and other entertainment places), during the first years of operation EWaiter will focus mainly on Estonia and the other two Baltic Countries: Lithuania and Latvia.
- In the later stages of its development, Western markets, as well as other Eastern European markets and Russia, will be considered.

The Project team

- EWaiter is developed by a team of experienced IT and RAEKOJA (Hotels, Restaurants & Café's) industry experts having more than 5 years of working experience in respective industries.
- To implement the Project, an alliance consisting of three companies – "One Baltics", "Microdators" and "ITH group" will be created.

- The experts from “One Baltics” will be responsible for the provision of RAEKOJA expertise and the implementation of marketing activities, the experts from “Microdators” will develop hardware of EWaiter, while the experts from “ITH Group” will be in charge for software solutions.
- The project team will be supported by experts from various fields, including but not limited to design, finance, sales and marketing.
- Professors from Tallinn Innovation University (TIU) and Institute of Technology Tartu (ITT) will act as an consultants of the Project.

The required Project investments

- The total investments for the project will be €300,000 which will consist of share capital €50,000 from each of 3 companies and equity investment of €150,000.

Possible success factors of the Project

- EWaiter is an innovative solution for the provision of more efficient and higher standard guest serving operations;
- EWaiter is developed based on market needs concerning more efficient and cost-saving operations - EWaiter helps to save time and cost when serving customers;
- EWaiter provides complete system integration with existing restaurant cash keeping and bookkeeping systems;
- EWaiter integrates several functions – in addition to the primary ones such as ordering meals and drinks, the device can also be used as an entertainment tool or advertisement media which will appeal to its main stakeholders – restaurant owners, customers and advertisement agencies;
- EWaiter includes online payments which is a convenient way to pay bills;
- EWaiter is an innovative solution which can attract people to the restaurant;
- The EWaiter project team consists of experienced RAEKOJA and IT industry experts and professors of TIU and ITT who will advise on its implementation.

Possible risks of the Project

- The market has not yet matured to the point that market players are ready to accept the partial substitution of waiters with modern technologies;
- As with all technology projects, errors can potentially involve negative financial consequences;
- Competitors, especially large businesses, might enter the market with similar IT solutions;
- Financial calculations, undercapitalization, access to capital.

Business Concept Description

1.1 Vision

EWaiter aims to become a well known, integrated solution for the provision of efficient and high standard guest serving operations in restaurants, bars, pubs and other public entertainment places all over the Europe. The product and support services will be provided by Tap IT, the company founded to build and sell the devices.

1.2 The business idea

The idea of the Project is based on the current market trends of RAEKOJA (Hotels, Restaurants and Cafes) in Estonia and elsewhere in Europe where costs for labor are increasing and there is a consequential need for efficiency and automatization of processes and operations for companies working in particular industries.

The RAEKOJA industries, where the Project is launched, are extremely vigilant about the issue of labor. The majority of the RAEKOJA industries are labor intensive, because most of the services are provided by the employees who are in direct contact with the customer. As such, the employees who provide the services actually determine the quality of the service and success of the company. In this aspect it is crucial to automate routine operations which do not deliver nor directly increase the quality of service, and which can even reduce it (e.g. long wait time before a customer is served). Therefore any reasonable solution providing a reduction of costs and an improvement of quality is appreciated by the industry players.

The business idea of the EWaiter is to provide an IT-based technical solution for RAEKOJA companies to be used as a digital menu and an interactive tool to order food and drinks from the restaurant and bar. The main business value of the solution is the reduced costs of serving the customer as the EWaiter solution helps to increase the serving speed and thus allows a higher rate of turnover of tables. Other benefits of the product are increased sales by up-sale and cross-sale possibilities, and it may also draw more customers because of the attractiveness and novelty of the product. In addition, the

EWaiter is also able to serve as a new medium for advertisements, which would be attractive to advertising agencies and the restaurants themselves.

1.3 The business model

The proposed business model for the implementation of the idea is based on a free installation of devices in the restaurants, bars, pubs or any other public place where EWaiter solution is required. The initial installation costs and costs for the purchase of the device are covered by Tap IT, but the location is charged a monthly rent payment which is €30 per device (with varying discounts for prompt payment), which is the rough equivalent of the cost of one glass of Coca Cola per day. Another main revenue source will derive from sales of the advertisement space on the EWaiter, which is envisaged to be €200 per item per day per 1,000 devices.

The proposed approach requires large initial investments to cover the costs for the purchase and installation of EWaiter devices. However current business trends and the novelty of the product dictate that the initial costs are borne by the provider of the service – not the restaurant operator. It is also believed that such a business model will provide for faster market expansion.

1.4 Main business goals

EWaiter's main business goals are:

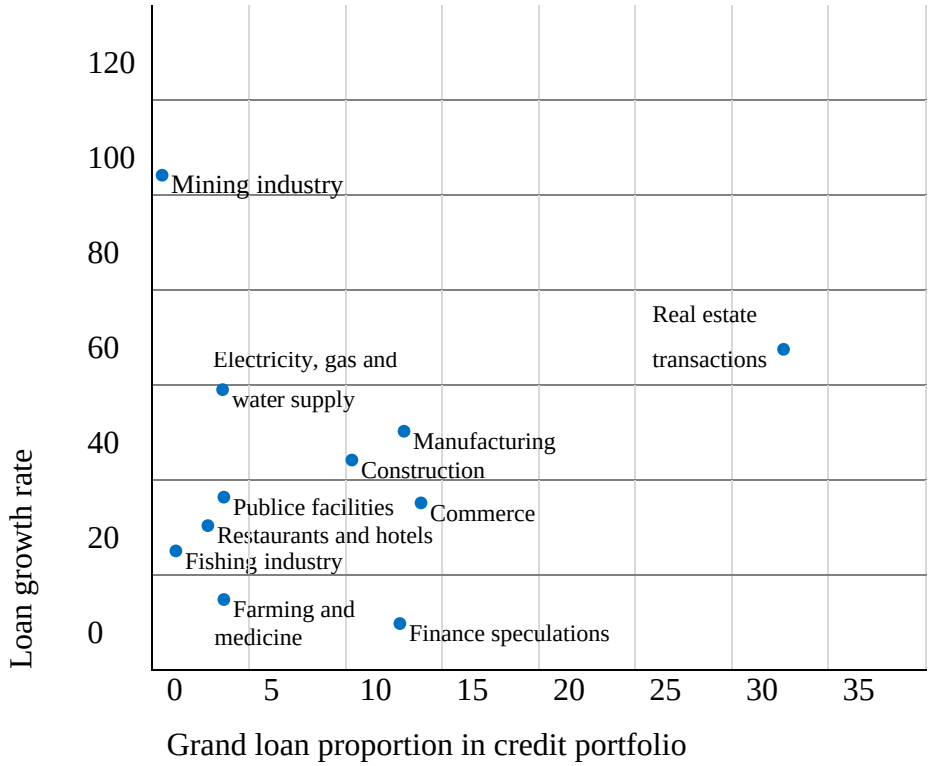
- to supply 36 of 10,000 restaurants in Baltic states by the end of first year of operation (3 projects per month). Each restaurant will be equipped with 10 devices, so 360 will be installed in the first year of operation;
- to reach an annual growth 20% in terms of devices installed in the first 5 years of operations and then 10% in the following 3 years;
- to be profitable by the end of Year 2.

2 Market

2.1 RAEKOJA industry

Since entering the European Union, the RAEKOJA industry in all Baltic States has been growing rapidly. Currently the total number of RAEKOJA establishments such as hotels, restaurants, café's, bars, etc. in the Baltic States is over 15,000. The demand for RAEKOJA services has been mainly facilitated by the economic development of the Baltic countries, which is leading to increased incomes and a consequential increase in money being spent on entertainment. Demand is also boosted by the increasing number of international tourists that visit Estonia and other Baltic states. However despite the stable growth rate, considerable employment problems plague hospitality establishments across the Baltic States. Employment problems have particularly become an issue after a vast wave of economic migration where jobseekers from the Baltics left for Western European countries (mainly England and Ireland) where salaries were higher and living conditions better. As a consequence many RAEKOJA companies were left with unfilled job vacancies. At the same time the increasing cost of living and inflation have caused many companies to increase salaries and many smaller businesses have great difficulty in paying salaries and payroll taxes. Comparing the growth rate in the RAEKOJA industry with that of other industries in terms of loans, Table 2.1 below shows that the growth in the hotel and restaurant industry is around 25% per year but it only attracts 2% of the total loan portfolio in Estonia.

Table 2.1 - Grand loan proportion in credit portfolio and loan growth rate in economic sectors in %



Liquidity data from SRS (State Revenue Service) shows that the restaurant industry is currently in a good financial position. While these numbers should be considered as an indication because there is still a large number of undisclosed financial operations, but they provide a good understanding of the situation (See Table 2.2. below).

Table 2.2 - Financial data of Restaurants, bars, cafes and other feeding places 2006

Net profit ratability	**14%**
Balance sheet	
Current asset proportion to assets	0.19
Reserves proportion to assets	0. 7
Debtor proportion to assets	0.11
Total debt versus total assets	**1.01**
Long term debts proportion to total debts	0.17

Assets ratability	**10%**
Debtors turn-round in days	37
Creditors turn-round in days	42
Supplies turn-round in days	40
Total liquidity	**1.76**
Equity capital proportion	**-1%**
Equity capital yield	**120%**
Interest covering rate	**7**

2.2 Market trends

As mentioned before, the target market for EWaiter is the RAEKOJA industry establishments in the Baltic States. The market includes café's, bars, restaurants and other entertainment places such as discos, bowling and billiard clubs etc. Several market trends can be observed:

- Increasing costs for personnel;
- Lack of professional and experienced waiters (most of the waiters are non/low-experienced students);
- Increasing use of IT solutions for more effective operations (café and restaurant systems such as R-Keeper, Micros);
- Merging of "slow-food" and "fast-food" restaurant concepts;
- Development of new "theme" concepts and specialization of restaurants (e.g. restaurants serving only soups, organic foods, oriental cuisine etc);
- More attractive and sophisticated interiors decorations.

2.3 Market segments

EWaiter has identified the following segments for its product:

- Restaurants (with the following characteristics):
    - "Fast-food" and low/medium budget restaurants where clients are served by waiters;
    - Restaurants where interaction between client and waiter is not essential (excludes classical "slow- food" restaurants);

    - Restaurants where applied business model determines high turnover of tables (need to serve fast and effective);
    - Restaurants with a big number of tables (waiters).
- Hotels – EWaiter can be placed in the rooms of medium and upper class hotels to be used by clients willing to purchase drinks and restaurant meals directly from their hotel room.
- Bowling and billiard clubs – EWaiter can be placed by the billiard table or integrated in the bowling terminals to be used by clients willing to purchase drinks and snacks;
- Bars, disco clubs and casinos – EWaiter can be used as a tool to purchase snacks and drinks;
- Media and Advertisement agencies – EWaiter can be used in restaurants and other entertainment places as an advertisement media.

3 Product and Technology

3.1 Description and specifications

After focus group interviews and discussions with experts from RAEKOJA and from the IT industry, an initial specification of product "EWaiter" has been prepared. The final specification of the product will be elaborated after the analysis of results from the Pilot project. The initial specification is as follows:

Table 3.1 - The Specification of "Tap IT"

Product name	Tap IT
Dimensions:	
ight	280 mm
dth	183 mm
pth	17 mm
Weight	490 g
Display format	4:3
Resolution	800 * 600 pixels

Connectivity	WiFi b/g USB 2.0 Host SD/MMC Card reader Standard audio Jack
Battery	Up to 5 hours (chargeable on port)
Material	Anodised aluminium
Operating System	Linux 2.6/ Windows CE 5.0 (6.0)
	Crystal clear, very bright flat display with robust protective pane; Light metal construction; Robust aluminium surface (scratch resistance); Display with a special dust and fluid protection;
Computer (server)	
Integrated high-performance PC with:	
	Celeron 650Mhz or Pentium M processor;
	2.5“ 40 GB hard drive
	512 MB RAM
	External power supply
	Windows XP pro

Hardware

The hardware of the EWaiter will be elaborated by “Microdators” – an Estonian company producing small touch screen computers. There will be one device for each table that will be equipped, and a computer data server is required to operate the device. However if the restaurant has an existing data server, it will be possible to add the EWaiters to the existing data server.

The devices will be built and designed especially for restaurants to fit with and match the interior decoration and needs of the restaurants. There will be choice of colours for the frame, and the restaurant can choose where it would like the device to be installed. For

example, the device can be placed on the wall by the table, or built into the table of the restaurant, so that it can be removed when it is not being used. The device can also be offered as a hand-held portable format for tables that are located in the middle of restaurant and where there is no possibility to attach it to wall. However the precise hardware specification will only be elaborated after detailed analysis of the Pilot project results. As technologies are always evolving, EWaiter will continually monitor the development of the new technologies and offer new hardware solutions, for example, electronic paper.

Software

Special software will be developed by the "ITH Group". After discussions with experts from "ITH Group", the following software features will be required:

- The interface of the EWaiter will be made in such a way that clients can use it intuitively, and there will be no need for specific training before using this system;
- The interface will be made in such a way that the complete menu (with ingredients of the meals and drinks) can be viewed, and desired meals and drinks ordered.
- The software will provide owners of the restaurants with the possibility to change their menu in a very easy and fast way, through a central system or via the internet after entering the appropriate passwords. There will be a special user friendly software which will allow employees of the restaurants to easily add new products to the menu and remove the ones that are sold out;
- The device will allow customers to call a waiter in case of questions or ambiguities;
- The client order will be directly transferred and printed in the kitchen or bar, and once the bills have been paid they will be automatically registered in the accounting system;
- EWaiter will be made in the way that it can be operated in various languages, which will ease the communication between foreign customers and waiters;
- EWaiter can be complemented with computer games, internet access, advertisements, tourism and practical information guide etc., if the owners of the facilities decide to offer such services;

- EWaiter will be made compatible with existing cash registers, accountancy systems, so that the restaurants will not need to change their existing systems.

The software specification will be complete only after a detailed analysis of the results of the Pilot project. However ongoing improvements to the software can be implemented at any time during the Project (see chapter “Development of the Project”).

3.2 Competing solutions and competitors

There are few competitors identified in the global and local markets. The local competitor device is provided by UCS Baltics, and is called “Self Servis”. Similar to EWaiter, this product can be used as a digital menu for restaurants and similar establishments. “Self Servis” also offers internet access. However “Self Servis” has been derived from other industries and its design is not in keeping with current market trends, nor with the needs of the restaurants. “Self Servis” was launched in 2004 and since then neither the design nor product itself has been improved. The size of the screen of the product is 14 inches and it is placed in a large frame. The company UCS Baltics is following a different businesses model where the clients buy the products. The price for a device is about €1,000 per unit, which is not affordable for most restaurants.

Another competing product identified in the global market is “Microsoft Surface” which was launched in 2008. Technically this product is more sophisticated than the “EWaiter” and other products in the market, mainly because it has been developed by the leading software company Microsoft. Microsoft, as a rule, can afford to spend considerable higher amounts of resources for R&D. However the product has been developed as entertainment tool. The product has multi touch screen, a full range of entertainment functions, and can also be used as a full table with a touch screen. The “Microsoft Surface” is a very advanced product, and the price is accordingly high. For this reason this product can only be placed in very high-end bars and restaurants, and so it will not take a big market share in restaurant industry.

A more direct competitor has been identified in Israel. The Israeli company Conceptic has developed the “E-menu” product which is already installed in several restaurants in Israel, France and Belgium. The product can be characterized as having a reasonable design and functionality. The main features of the “E-menu” are similar to those of the “EWaiter” – meal ordering function, games, internet access etc. The “E-menu” has had positive reviews from the restaurants where it has installed. The restaurants reported an average 15% increase in sales after the devices had been installed.

In general there are not many direct competitors for “EWaiter” identified in the market, given its current position, range of functions, components and features. This is because most of the companies are not implementing the whole system (hardware, software, installation and marketing), and most of them produce or provide just one of these components but not the whole product and business concept. Therefore “EWaiter” has a high potential to become a highly competitive product and business concept in the future.

3.3 IP

EWaiter will register its trademark so as to protect itself and minimize the risk of it being copied, and suffering loses. “EWaiter” consists of two main parts – software and touch screen, which together is a patentable solution. However the hardware solution of “EWaiter” is not unique and so it cannot be patented. Also as software is not generally patented in Europe, it will be copyright protected instead. Therefore in terms of IP, only the trademark and design of EWaiter will be protected. For companies willing to use the EWaiter, a special licensing agreement outlining the rules of the usage of the product will be established.

4 Development of the Pilot Project

The launch of the Project will coincide with the implementation of the Pilot, where the Project idea will be tested in the real life conditions. The main goal of the Pilot is to test the primary function of the product – the ordering. Based on the feedback, improvements and extra functions will be subsequently implemented to the product (software and hardware).

4.1 Planned Pilot project activities and investments

The development of the pilot software is considered as one of the main activities during the Pilot phase, and consists of two main parts – the design and then the technical programming of the software. These activities are based on the results of the market research that was conducted in the earlier stages of project. However, besides the market research, it is of particular importance to test the software in real life conditions.

Table 4.1 - Pilot project activities and investments

Activity	**€**
Development of Tap IT corporate identity	**2,000**
Logo, stamp, blanks	500
Development of web-site	1,500
Development of pilot software	**19,000**
Design of pilot software	7,000
Programming	12,000
Development of pilot hardware	**14,000**
Implementation costs	**2,000**
Software re-design and improvements	**3,000**
Salary of the project manager	**3,200**
TOTAL	**43,200**

The Pilot will be implemented in one of the restaurants in Estonia. The definite place has not yet been selected as negotiations are currently on-going with a few restaurants. However the criteria for restaurants have been determined accordingly to the market segment characteristics identified in Section 2.3. For the Pilot, 10 hardware devices will be purchased and installed (hardware and software) at the pilot site. After a detailed analysis of the results, improvements to the software and hardware will be undertaken.

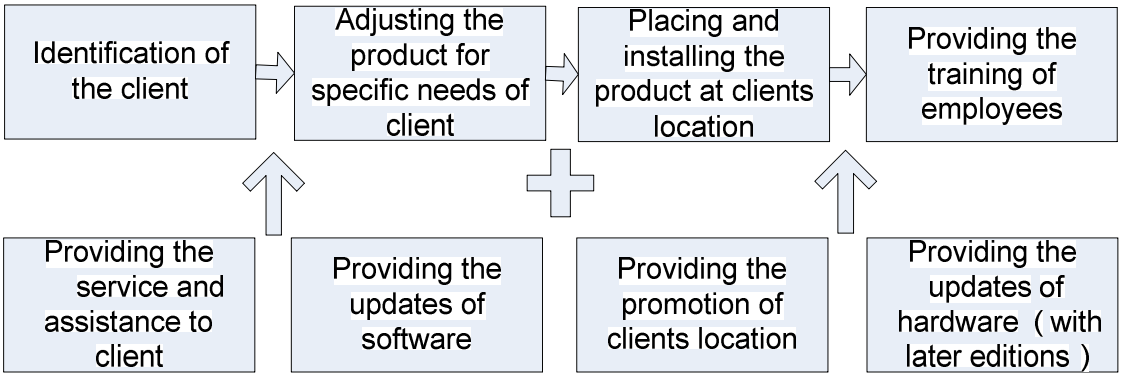
5 Implementation and Investment Needs

EWaiter's owners plan to commercially launch the business on the 1st of January, 2011. For ease of planning and financial calculations the Project is divided into two consequential phases. Phase I will last for 1 year and will end on the 1st of January, 2012, and Phase II will continue from then onwards.

5.1 Project activities

The business project is perceived as a set of separate projects which are detailed in Figure 5.1.

Figure 5.1 – Project Activities



- **Identification of the client**

The identification of the client will be the main task of the sales and marketing personnel. In phase I, the potential market is Estonia and other Baltic States will be pursued, and during Phase II the plan is to expand the market to other European countries. The initial capacity of Tap IT is planned for 3 projects a month.

- **Adjusting the product for specific needs of client**

As every restaurant, café or bar has a different concept, the specific needs of each establishment will differ. Although the basic software solution will be standardized, during this stage the specific needs will be listed and implemented (customization), and can include hardware design and color modification.

- **Placing and installing the product at client's location**

After customization the product will be installed at the client's location. As the product will be mostly assembled, there will be no need for large premises during the start-up period, and assembling will take place in the business incubator where Tap IT is founded. Total assembly time and implementation at the client's location will take 1 month. It will be possible to work on 3 projects simultaneously.

The actual cost of one EWaiter device is €200, the installation and employees training costs are estimated at €10 per device. Besides it is calculated that a data server for each project would cost of €200. These costs will be covered by Tap IT. For assembling purposes €3,000 worth of tools will be purchased, and each technician will be provided with his/her own set of tools and service car.

- **Providing the service and assistance to client**

The provision of expert customer service and support is important service for the successful and long term development of company. Support will include telephone or e-mail hotlines, as well as on-site visits for more complicated problems. Customer support and assistance will be free of charge.

- **Providing the updates of software**

In order to improve the product and keep it up to date, regular software updates will be provided. An estimated €1,000 per month is planned for this purpose. Software updates will include functional improvements as well as other required improvements for the integration of the device with the bookkeeping, cash register and other systems.

- **Providing the promotion of clients**

Clients will be promoted on the website of Tap IT which will primarily be used as a communication platform between Tap IT and its clients. All the software updates and support will also be provided via the website, and it will also contain a database of high quality pictures that clients will be able to download to use for their menus. It is also planned to update the website with information (location, style, description) on client

restaurants, so that patrons will be able to search for those restaurants where EWaiters are being used. The website will also be used as a convenient tool to place the advertisements in the particular restaurants, and will allow advertisement agencies to choose restaurants with specific client segments. In addition, it will save cost on communication with different restaurants.

- **Providing the updates of hardware**

The depreciation period of the hardware is 3 years after which they will be replaced with new devices.

5.2 Incomes from the Project

There are two main sources of incomes:

- Rent of the devices - €30 per device per month (with varying discounts for prompt payments).
- Advertisements - income from advertisements is estimated €200 per item per day per 1,000 devices. The income will be evenly divided between the restaurant, the advertisement agency and Tap IT.

6 Strategies and Marketing Plan

6.1 Partner strategy

The partner strategy of the Project is mainly based on efficient and rapid market growth. The management team of Tap IT has identified two major players who provide IT solutions for the RAEKOJA industries in the Baltic States and elsewhere in Eastern Europe:

- **UCS Baltics (UCS)**

UCS currently is the main player providing specialized IT solutions for RAEKOJA industries. Their main product of the company is the “R-Keeper”, which is an integrated solution for bookkeeping and cash register systems in restaurants, bars and other places.

UCS is also present in many Eastern European markets, Russia, Ukraine and Belarus. Furthermore UCS has developed “Self Servis”.

- **CHD**

CHD is other big player in market of cash register products. CHD is not focused on RAEKOJA industries, but its products are also used in restaurants, bars, clubs and other RAEKOJA establishments. Also CHD is present in a number of Eastern European countries. The intention of the “Tap IT” management is to initiate a strategic co-operation with CHD and use the company’s network to promote and sell EWaiter. Both sides would benefit from the collaboration as CHD would be able to launch and support new products. (for example, integrate Tap IT with new Palm hand-held computers for waiters). This co-operation would also strengthen CHD positions against its main rival – UCS. The main benefits for Tap IT would be access to the Baltic and Eastern European markets and the possibility to integrate “EWaiter” with the bookkeeping and cash register system of CHD. Collaboration would also provide shared costs for marketing, logistics and service.

6.2 Funding strategy

The funding strategy of the Project is based on step-by step approach where one fund is combined and followed by other. Initially the company would be based in a business incubator centre in Tallinn. Basic administration costs including rent of the office, bookkeeping, and a secretary in the first year of operation are fully financed by incubator, and the incubator is also covering the initial market research and business plan costs.

Tap IT is planning to apply for financing from the Estonian Investment and Trade Agency (EITA) for a grant of €38,000 which they believe they are eligible. However the main funding requirement is equity investment of €300,000 and while the three founding companies will contribute €50,000 each, they estimate that they will still need €150,000 of equity investment if the business is to be successfully developed. Given the current global banking crisis, the founders do not believe that they will get a banking loan for this amount and so they are seeking to raise the money through equity investment.

6.3 Marketing plan

Marketing is a critical factor for successful implementation of the Project and therefore it is planned to invest considerable resources in following marketing activities:

- Participation in trade shows – participate in approximately three trade shows annually. Trade shows are an opportunity to promote the new products of Tap IT, and to assess competitors as well as make new business contacts. The average budget for participating in one trade show is approximately €4,000, and €6,000 is estimated for the development of a stand. The total annual budget for this activity is €18,000.
- PR campaign – For the implementation of the PR campaign, a professional PR company will be assigned. The PR campaign will include extensive PR activities in the mass media of Estonia, Latvia and Lithuania. PR activities will include interviews and publications in newspapers, internet, television and other media. It is planned to implement a PR campaign during the first six months of the project and repeat it once in quarter. The estimated cost for a one month PR campaign is €2,000, which will make total budget of €16,000 for the first year of operation and €8,000 for the following years.
- Information brochures – information brochures is simple tool to disseminate information at trade shows or any other publicity event. The annual budget for design and print of information brochures is €1,000.
- Google promotion and Ad words – Internet is an essential source of information, therefore it is crucial to ensure EWaiter's presence in this media. Google is the number one Internet search engine in the world. With a determined and focused range of activities it is possible to increase the Google search results for a particular product. The budget for the Google promotion is €5,000 per year. In addition, another €300 per month would be allocated for Google Ad words – another technique supported by Google. The total annual budget for this activity is €8,600.
- Advertisements – This activity includes different sorts of advertisement activities such as Internet banners, advertisements in specific RAEKOJA industry magazines etc. The budget for this activity is €500 per month, which makes total annual budget €6,000.

7 Organization

7.1 Ownership and alliances

Tap IT Ltd. will be formed to unite the competences of three companies for the successful implementation of the EWaiter Project. The alliance consists of following companies:

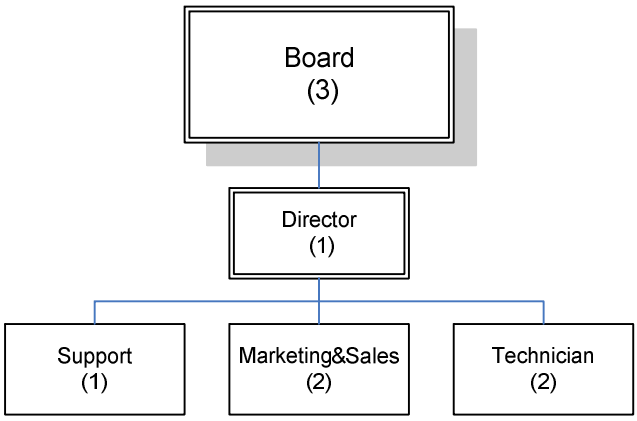
- "One Baltics" – a company that is working in the tourism, hospitality and consultancy fields - it raises funds (bank finance, external investors, EU funds) for business development and provides consultancy services in RAEKOJA industry;
- "Microdators" – a company that produces "Mazzy" touch screen monitors and computing hardware solutions;
- "ITH Group" – a company that develops software solutions, web pages, web applications and accountancy systems.

All three companies are shareholders of the Project. By utilizing the competences of these three entities it is possible to develop and launch the "EWaiter" and gain competitive advantage in the market. This alliance has been formed to unite the competences and resources (human, financial, intellectual, etc.), and to share the risks of the Project.

7.2 Manpower and organizational structure

The organizational structure of Tap IT alliance is as follows:

Table 7.1 - The organizational structure of the Tap IT



The Tap IT board will consist of three parties:

- representative of “One Baltics” who will hold position of Chairman of the board;
- representative of “Microdators” who will hold position as a member of the board;
- representative of “ITH group” who will hold position as a member of the board.

The Managing Director will be Maarika Ansip who is a 25 year old IT graduate of the Institute of Technology Tartu. After completing her degree programme she spent a year working in Ireland for a software firm but when the recession hit that country, she decided to return home and was employed by the “ITH Group”. During her work on a project for a client, she spotted the opportunity that is “EWaiter” and has been the primary driver of the idea. She is very strong technically and has demonstrated a strong capacity for using her initiative and for hard work, but she is very weak in terms of finance and management skills.

The projected number of employees, positions and salaries during Phase I can be seen in Table. 7.2 below:

Table 7.2 - Employees and salaries per month during Phase I

Position	**Number**	**Net wage**	**Total**
Director	1	1000	1000
Marketing&Sales	2	1000	2000
Technician	2	700	1400
Support	1	700	700
Total	**6**	**-**	**5100**

During Phase II the number of positions and employees will be increased. Marketing and Sales personnel will be increased to 4 employees. The number of technicians and support employees will be increased according to the number of installed items. The average ratio for technicians is calculated at 100 devices per one technician; the ratio for support employees is 200 devices per employee. Other services like accountancy services, legal

services, logistic services and other similar services will be outsourced to other companies.

8 SWOT analysis

Strengths

- EWaiter is innovative solution for the provision of more efficient and higher standard guest serving operations;
- EWaiter is developed based on market needs concerning more efficient and cost-saving operations. EWaiter helps to save time and cost for serving customers;
- EWaiter provides complete system integration with existing restaurant cash keeping and bookkeeping systems;
- EWaiter integrates several functions – in addition to the primary ones such as ordering meals and drinks, the device can also be used as entertainment tool or advertisement media which will appeal to its main stakeholders – restaurant owners, customers and advertisement agencies;
- The business model for implementation provides rapid market growth and diversification of incomes (from royalties and advertisements);
- EWaiter project team consists of experienced RAEKOJA and IT industry experts and professors of TIU and TITS who will advise on its implementation. This combination will provide an expert and professional approach from elaboration to implementation.
- EWaiter is an innovative solution which can attract people to the restaurant;
- EWaiter project team consists of experienced RAEKOJA and IT industry experts and professors of TIU and TITS will advise on its implementation will be consulted by. This combination will provide professional approach from elaboration to implementation.

Weaknesses

- The maturity of market might not be at the point where market players are willing to accept partial substitution of people by technologies;

- There is still considerable risk for errors caused by technologies, that will result in different complications during the Project;
- There are considerable financial investments required for starting-up the business and implementing the Project with proposed business model (EWaiter is delivered and installed with no initial charge).

Opportunities

- Expand the product to markets with more developed use of technologies and higher cost of the personnel;
- Market the product to advertisement agencies so that it can be used as an interactive tool for advertisements;
- Improve the technological solution of the product in order to minimize risks of the errors;
- Develop a sufficient financing strategy for funding the Project and its implementation activities;
- Improve the functionality of the product and provide function upgrades of the for all stakeholders – owners of the restaurants, clients of the restaurants and advertisement agencies.

Threats

- Threat of the competitors or larger companies (with more significant resources) providing IT solutions for restaurants and who could launch similar product in the market;
- Risk of the insufficient financing for the implementation of Project and the launch of the marketing campaign.

Balance Sheet

	2011	2012	2013
Fixed Assets			
EWaiters	10,876	8,157	5,426
Current Assets			
Debtors	465,600	651,840	698,400
Bank	87,452	- 8,961	13,262
Stock	0	0	0
	553,052	642,879	711,662
Less Current Liabilities			
Creditors	167,305	234,227	258,000
Vat	155,677	196,714	213,327
Hire Purchase	9,030	4,050	0
Equity Investment	300,000	200,000	100,000
	632,012	634,991	571,327

	- 78,960	7,888	140,335
Total Net Assets	***- 68,084***	***16,045***	***145,761***
Financed By			
P&L Account	-68,084	-68,084	16,045
Profit / Loss	0	84,129	129,716
Retained Profit / Loss	***-68,084***	***16,045***	***145,761***

Trading Profit & Loss	**2011**	**2012**	**2013**
Sales	1,885,488	2,660,843	3,402,146
Other Income	38,100	19,050	-
Total Income	1,923,588	2,679,893	3,402,146
Less Cost of Sales			
Purchases	1,656,320	2,290,938	2,959,983
Direct Wages	43,680	58,236	58,236
	1,700,000	2,349,174	3,018,219
Gross Profit	***223,588***	***330,719***	***383,927***
Less Administration Expenses			
Directors Remuneration	45,000	51,000	60,000
Staff Salaries	31,020	31,020	31,020

Insurance	12,348	12,348	12,348
Accountancy	7,438	12,810	12,810
Bank Charges	1,000	1,080	7,916
Interest Paid	15,000	13,960	1,200
Sundry Rent	51,239	64,463	69,008
Motor Expenses	6,899	7,603	7,603
Sales & Promotion	119,008	49,587	49,587
Depreciation	2,719	2,719	2,719
	291,671	246,590	254,211
Net Profit / Loss	**- 68,083**	***84,129***	***129,716***

Projected Cash Flow for 2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	TOTAL
Sales			209,520	104,760	139,680	139,680	174,600	174,600	174,600	232,800	232,800	232,800	1,815,840
Vat Refund			10,933										10,933
Grant Aid	19,050					19,050							38,100
	19,050	-	220,453	104,760	139,680	158,730	174,600	174,600	174,600	232,800	232,800	232,800	1,864,873
													-
Trade Suppliers		167,305	75,287	100,383	100,383	125,479	125,479	125,479	167,305	167,305	167,305	167,305	1,489,015
Accountancy				5,000						4,000			9,000
Wages - Directors	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	3,750	45,000
Wages - Administration	2,585	2,585	2,585	2,585	2,585	2,585	2,585	2,585	2,585	2,585	2,585	2,585	31,020
Wages- Direct Labour	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	3,640	43,680
Insurance - All	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	1,029	12,348
Motor Expenses	950	600	600	898	600	600	600	600	1,100	600	600	600	8,348
Hire Purchase	2,854	415	415	415	415	415	415	415	415	415	415	415	7,419
Sundry & Rent	8,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	4,500	8,500	62,000
Marketing	16,000	16,000	16,000	16,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	144,000
Bank Charges			250			250			250			250	1,000
Interest Loan	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	1,250	15,000
Vat					46,301		43,243		55,364		64,683		209,591
	40,558	201,074	109,306	139,450	174,453	153,498	196,491	153,248	251,188	199,074	259,757	199,324	2,077,421
Opening Balance		278,492	77,418	188,565	153,875	119,102	124,334	102,443	123,795	47,208	80,934	53,976	87,452
Balance Current A/C													
Equity Investment	300,000												300,000
Surplus / Deficit	- 21,508	- 201,074	111,147	- 34,690	-34,773	5,232	-21,891	21,352	-76,588	33,726	-26,957	33,476	-212,548
Closing balance	278,492	77,418	188,565	153,875	119,102	124,334	102,443	123,795	47,208	80,934	53,976	87,452	1,437,594
Vat Sales	-	-	36,363	18,181	24,242	24,242	30,302	30,302	30,302	40,403	40,403	40,403	315,146
Vat Purchases	7,271	3,662	3,662	4,581	2,621	2,621	2,621	2,621	2,707	3,315	2,621	3,315	41,617