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Book4Paws Business Plan

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Abstract

Book4Paws Business Plan

Book4Paws is designed to be the one-stop booking site for pet services in Portugal, where pet lovers can look for the best solution to spoil their animals. The humanization of pets by their owners is becoming a trend in our society, which leads to the emergence of new concepts to cover a wide range of needs such as dietary supplements, pet-friendly restaurants and hotels, pet sitting, health insurances, among others. In fact, in 2015 well-being care services accounted for 14% of the industry revenue, which means more than 44 million euros.

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1. Executive Summary

Book4Paws' project emerged from the need to have reliable pet services information quickly available to pet lovers. It is designed to be the one-stop booking platform for pet services in Portugal. This platform will include pet services such as pet grooming, pet hotels and day care centers, pet sitting, pet walking and pet training.

The penetration of pets in Portuguese households is growing, which contributes to stimulate the positive performance of pet care (Euromonitor International, 2016). In 2015, about two million Portuguese households (54%) had at least one pet. In fact, Portugal occupies the 12th place in the ranking of European countries with more pets per household (GfK, 2015).

The humanization of pets by their owners is becoming a trend in our society (AEP, 2013), which has led to the development of new businesses dedicated to animals, and new pet care products and brands (Euromonitor International, 2016).

In 2015, 12% of the family budget was being spent on dogs and 11% on cats (GfK, 2015). The pet food segment registered a share of 60% of the revenues of the portuguese pet sector (GfK, 2015) reaching 190 million euros (Hipersuper, 2016). Based on this last value and considering the percentage distribution presented by the GfKTrack.2PETs study, it was stipulated the pet sector yielded about 317 million euros in 2015, of which well-being care services accounted for 14% (44 million euros).

2. Company Information

Noting the difficulties pet owners face in finding the ideal services for their pets, Book4Paws arises to solve this problem. Book4Paws is designed to be the one-stop booking site for pet services in Portugal. It pretends to offer a huge variety of pet services available in Portugal through an online platform where those services will be displayed. The concept already exists in Brazil, petbooking.com.br, and in the USA, petbookings.com. In Portugal, the exact same concept does not exist, but there are two similar existing companies, which will be discussed later.

2.1. Value Proposition

Book4Paws aims to offer solutions to two different targets: its partners (pet services) and its end users. This platform offers partners the opportunity to get more exposure to their potential clients and to better schedule and manage their bookings. Besides, they will only pay a commission for customers who actually will be using their services. Pet owners will save time by quickly looking and comparing multiple pet services in one site.

To satisfy both targets, Book4Paws presents the following value proposals for them:

Pet Services:

- Online reservation system/booking software
- Strong online presence
- Integrated Marketing
- Professional back office
- Instant confirmation
- Traffic increase
- Profit safeguarded
- Contact 24/7
- Increased revenue and reduced costs
- Time saving
- Verified guest classification and reviews

Customers:

- 100% free
- Time saving
- Pet services diversity
- All in one place
- User-friendly platform

2.2. Entry and Growth Strategy

During the first years, Book4Paws will be exclusively dedicated to the Portuguese market due to the background of its CEO who is a veterinarian with a vast network of contacts, and because an identical service does not exist in Portugal. Also, Portugal occupies the 12th place in the ranking of European countries with more pets (GfK, 2015), making it the ideal pilot market.

Since Book4Paws is a new concept that partners do not know they need it and how it works, to capture their awareness the first month will be offered as a free trial. The first contacts will be made with the groomers of HVO (Oeiras Veterinary Hospital), since they work at many different places and also because one of them is the responsible for an event called “Feira Animal” in which around 100 potential partners participate.

According to estimates and assumptions, to achieve the break-even in the second quarter of the first year of operations, about 25.000 transactions have to be made (1408 transactions/month):

Single transactions	Year 0 (2017)												Total	
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12		
Pet Grooming medium dog (30€/grooming)								10,175	10,175	20,351	10,175	10,175	20,351	81,404
Pet Hotels medium dog (15€/day)								339	339	678	339	339	678	2,713
Pet Sitting medium dog (8€/visit)								226	226	452	226	226	452	1,809
Pet Walking medium dog (10€/walk)								2,544	2,544	5,088	2,544	2,544	5,088	20,351
								318	318	636	318	318	636	2,544
								848	848	1,696	848	848	1,696	6,784
								85	85	170	85	85	170	678
Total transactions								968	968	1,936	968	968	1,936	7,745
Single transactions	Year 1 (2018)												Total	
	January	February	March	April	May	June	July	August	September	October	November	December		
Pet Grooming medium dog (30€/grooming)	20554.505	20554.505	20554.505	61663.514	61663.514	61663.514	61663.514	20554.505	20554.505	41109.010	20554.505	20554.505	41109.010	411090.096
Pet Hotels medium dog (15€/day)	685	685	685	2,055	2,055	2,055	2,055	685	685	1,370	685	685	1,370	13,703
Pet Sitting medium dog (8€/visit)	6851.502	6851.502	6851.502	20554.505	20554.505	20554.505	20554.505	6851.502	6851.502	13703.003	6851.502	6851.502	13703.003	137030.032
Pet Walking medium dog (10€/walk)	457	457	457	1,370	1,370	1,370	1,370	457	457	914	457	457	914	9,135
	5138.626	5138.626	5138.626	15415.879	15415.879	15415.879	15415.879	5138.626	5138.626	10277.252	5138.626	5138.626	10277.252	102772.524
	642	642	642	1,927	1,927	1,927	1,927	642	642	1,285	642	642	1,285	12,847
	1712.875	1712.875	1712.875	5138.626	5138.626	5138.626	5138.626	1712.875	1712.875	3425.751	1712.875	1712.875	3425.751	13703.003
	171	171	171	514	514	514	514	171	171	343	171	171	343	3,426
Total transactions	1,956	1,956	1,956	5,867	5,867	5,867	5,867	1,956	1,956	3,911	1,956	1,956	3,911	39,111
Total transactions until break-even	9,700	11,656	13,611	19,478	25,344	31,211								
Mean					25,344									
Mean of transactions/month					1408									

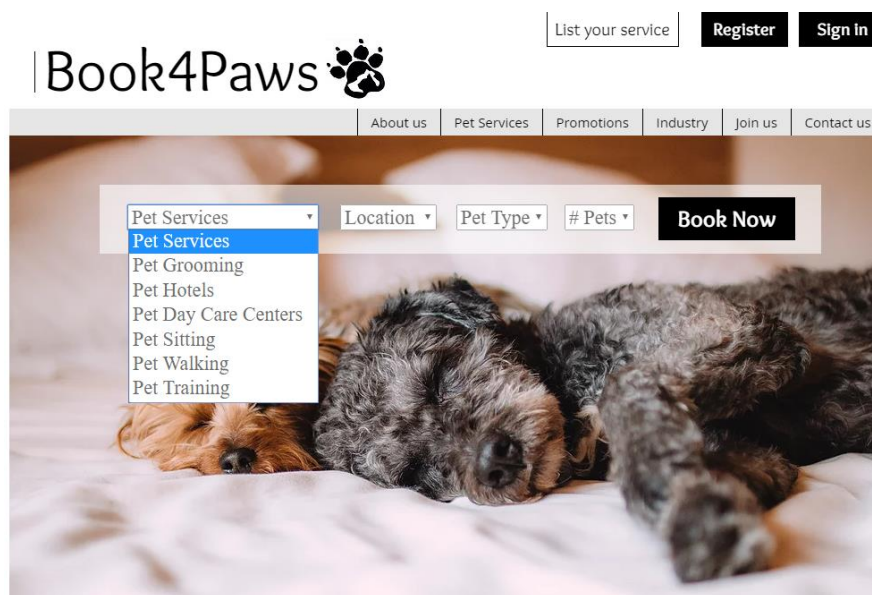
Over time, it is expected more and more partners to join the platform and, consequently, the greater the diversity of the pet services offered, the greater the power of choice and, the greater the demand. In the long-term, after becoming well established and well known in the pet market, Book4Paws will then internationalize its services. It intends to expand its concept to European countries, starting with the most pet-friendly at the time. This expansion will involve lower implementation

costs, since the highest initial investment is the e-commerce platform that will be the same used in other countries with the respective translations.

3. Services

In the home page of Book4Paws' platform, users may choose the location they are looking for, the type of service they want (e.g. pet grooming, pet hotels and day care centers, pet sitting, pet walking and pet training), the animal species for which that service is intended (dog, cat or exotic) (Figure I) and, finally, if they have selected dog, its weight.

Figure I – Outline of Book4Paws' homepage.



Source: www.wix.com

Then, according to their filter, it will appear a list of the available options, their detailed information and the respective prices. Lastly, the entire booking process will be done at Book4Paws' platform. To have access to this platform, the first step partners must do is a free online pre-registration in which they will fill their basic information (pet service name, category (they can choose more than one), address, contact number, email, and if existing, current website/facebook).

The next step depends on the chosen category and it is related with the pet service details, where it will be possible to specify the onsite facilities and the services provided. For example:

1. **Pet hotels and day care centers** will have to stipulate the check-in and check-out hours, the total number of rooms, the room details (size, open space/closed space, or both), if food is included in the price of the accommodation (if not, how much is that extra per gram of food), if it is possible to accommodate more than one pet from the same house in the same box (if possible, how much is the discount applicable), the activities they offer on-site (such as country walk, play time, midnight cookies, skype, and so on), if medical care can be provided, if pet walking is included in the price of the accommodation, if they have heating (and the cost per night/24 hours), and the admission rules (vaccination and deworming).
2. **Pet sitting and pet walking** must indicate the price of a punctual single daily visit, the discount of a punctual two daily visits, the duration of the visit/walk, the discount to pet sitting more than one animal from the same house, the discount if the visits will be temporary/frequent, and if an additional travel fee will be charged.
3. **Pet grooming** services should indicate the range of their prices according to the type of animals, their weights, their hair size, and the service provided (bath, shear or both) at their store, and the discount applicable if done at the pet owners' home.
4. **Pet training** must indicate the range of prices depending on the number of classes, the age of the animal (puppy/adult), the type of class (individual or in group; with or without the presence of the owner).

Besides the above mentioned, there are also some services that are common to all such as: type of animals that are accepted (dogs, cats, and/or exotics); except for pet hotels, at what time it will be possible to take advantage of the service; if parking is available for pet owners; languages spoken

by their staff; and extra activities provided and the respective prices (if not mentioned during the registration).

In the next step, pet services choose the guest payment options (if they accept credit or debit card, or do not). If they accept it, then they must pay the respective commission to Book4Paws within 14 days from the invoice date (invoices are processed on a monthly basis and shall be sent to the pet service by e-mail). If they do not accept it, customers will make a reservation using their preferred payment method and then Book4Paws charge them on the pet services behalf according to their policies and make sure they have paid in full before they arrive at the service. Afterwards, pet services receive a bank transfer at the start of each month that covers all booking services that were finalized in the previous month.

Regarding cancellation policy, pet services must decide with how many days in advance can customers cancel free of charge or if they must pay 100%.

The final step is related to the agreement of the terms and conditions required by Book4Paws:

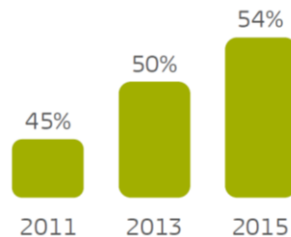
1. The commission percentage shall be 15% of all services booked through Book4Paws (pet service, extra-services, cancelation fees, etc.). The value of this commission is the same charged by Dona Pipa and Booking.com.
2. Pet service information shall not contain any contact or social media information with direct references to the pet service.
3. All changes, updates and/or amendments shall be made at any time through a professional back office (an online system which can be accessed by the pet service).
4. Any commission will be charged if customers cancel their reservations before the time and date beyond which a cancellation fee applies.

To complete the registration, Book4Paws will evaluate the information provided and accept it.

4. Environmental and Industry Analysis

A study developed by GfK Track.2Pets (2015) based on a sample of 1250 personal interviews with proportional distribution by region, had the objective of estimating the penetration and the population of animals in Portugal. The first conclusion from this study was companion animals are becoming increasingly important in the family life. About two million Portuguese households (54%) have at least one pet, an increase of 9 percentage points in just four years (Figure II). In fact, Portugal occupies the 12th place in the ranking of European countries with more pets, after Russia, France, Italy, Germany and England. Worldwide, the USA is the most pet-friendly country, where 65% households have at least one pet, predominantly cats. On the other hand, Brazil appears as the third country in the world with the largest population of pets: 35% households have dogs and 20% cats.

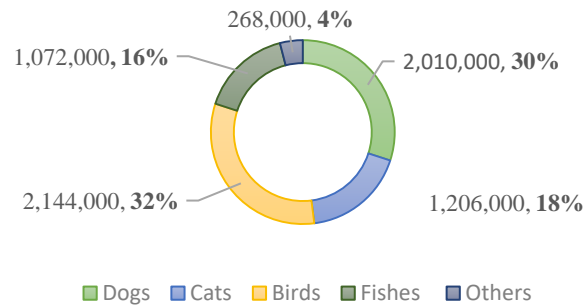
Figure II - Percentage of households with pets in Portugal.



Source: GfKTrack.2PETs (2015).

Another reality that marks the current times has to do with the fact that there are already more dogs and cats than children in the Portuguese families. The estimates indicate there are about 6.7 million pets in our country, 2 million dogs and 1.2 million cats (GfK, 2015) (Graphic I):

Graphic I - Total number of pets in Continental Portugal, by species.



Source: Adapted from GfKTrack.2PETs (2015).

In 10% of Portuguese households cohabit dogs and cats (GfK, 2015). Even more impressive is that in 2015 the national population was about 10.36 million people (INE, 2016), which means there were about 0,6 animals per person.

In 2009, economic activities linked to companion animals exceeded 230 million euros (110 million only in pet food). Despite the fall recorded in 2010, caused by the unfavorable economic situation and its negative impact on the purchasing power of pet owners, the prospects of analysts and industry professionals pointed to increases of around 6% until 2016 (AEP, 2013). In fact, as already mentioned, in 2015 the pet food sector yielded 190 million euros (Hipersuper, 2016). Considering the pet sector segmentation presented by GfKTrack.2PETs (2015) (Figure II), the following table was calculated according to the weighted arithmetic mean based on the percentage distribution of those segments for dogs and cats:

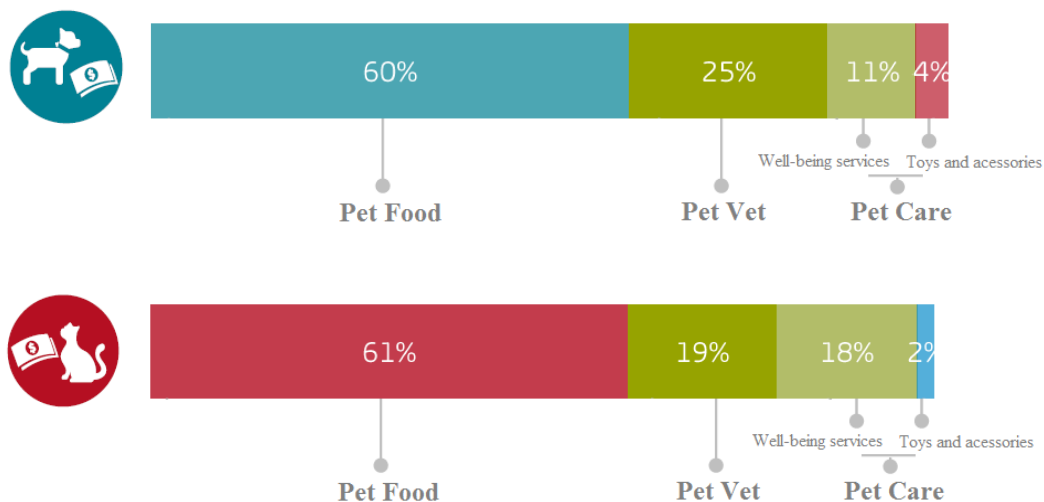
Pet segments	Total earnings in 2015
Pet Food (60%)	190,000,000
Pet Vet (23%)	72,833,333
Pet Care (17%)	53,833,333
well-being care services (14%)	44,333,333
toys and accessories (3%)	9,500,000
Total	316,666,666

The pet sector can be subdivided in three categories (Figure III):

1. **Pet Food** – rations, biscuits and snacks in general. Compared to 2011, owners are less likely to give leftovers to their pets (-32% in dogs and -40% in cats) and more likely to search for premium quality brands. This segment is primarily responsible for the earnings of the sector, with a share of 60% of the revenues (GfK, 2015). According to Nielson Consulting Group (Hipersuper, 2016), this segment handled 190 million euros in 2015.
2. **Pet Vet** – health care products and services, equivalent to 23% of the revenues (GfK, 2015).
3. **Pet Care** – well-being care services, such as bathing, grooming, hotels, pet sitting, pet training, among others (accounting for 14% of the industry revenue, which means more than 44 million euros), and to toys and accessories (3% of the revenues) (GfK, 2015).

Considering all pet sectors, 12% of the family budget is spent on dogs and 11% on cats (GfK, 2015).

Figure III – Distribution of the money spent on dogs and cats.



Source: Adapted from GfKTrack.2PETs (2015).

5. Marketing Research and Evaluation

5.1. Target Markets and Market Segmentation

To develop a distinctive strategy capable of satisfying customers' needs, it is necessary to have a clear sense of a company's target customers. As this project is focused in the pet industry, the business must be directed to all pet lovers who seek to find the best solutions for them.

Book4Paws aims to be known by the widest range of customers possible. However, three segments can be identified (Appendix I - Internet usage penetration between 2005-2015 in Portugal, by age group - Source: PORDATA 2015).

1. **Primary segment** – This segment consists of people with a widespread usage of the internet, that include people aged between 16 and 44. It is possible to distinguish two types of customers in this segment: those aged between 16-24 who live with their parents but still are potential customers since most of the times parents offered them pets and now are counting on their children to look for them; and those aged between 25-44 who already have their houses and their families with a pet as a family member.
2. **Secondary segment** – people aged between 45-64 compose this segment since they do not seek for internet solutions as often as the previous segment, but still are internet users. Furthermore, they can be seen as a complement of the previous segment aged between 16-24, when they do not count on them to be responsible for their pets, and assume all the responsibility.
3. **Tertiary segment** – People aged 65 years and over, who practically do not use the internet characterize this segment. Although internet usage is notably lower in the older age groups, the proportion of adults aged between 65-74 that uses internet, increased from 2.3% in 2005

to 27.2% in 2015. These people often have pets to substitute the lack of family members at home and end up having full commitment to them.

Book4Paws has no set geographic target area. By being an online service and leveraging the expansive reach of the Internet, it can serve both domestic and international customers. However, initially, Book4Paws will focus its operations only in the Portuguese market where it aims to acknowledge its own market specificities to succeed.

As previously mentioned, there are about two million households with at least one pet in Portugal. However, since this business is an online service and only internet users are targeted, this number is not the target of Book4Paws. So, a discount factor was applied, representing the weighted arithmetic mean based on the percentage of internet usage by people aged between 16-74 years old, since only people who use internet are included in the target customers. Thus, the targeted population includes 1.36 million households:

#	Portugal
Total households with, at least one pet	2,000,000
Discount factor 1 (68%)	1,360,000

5.2. Market Trends

Most pet owners regard their pets as family members and often even as people. The humanization of pets by their owners is becoming a trend in our society, which has led to a sector expansion. This tendency leads to a search for premium products which are different and more sophisticated to give them a better quality of life. In this way, new concepts are emerging in the market in order to cover a wide range of needs such as dietary supplements, pet-friendly restaurants and hotels, pet sitting, health insurances, among others (AEP, 2013).

The pet sector remains growing, registering from year to year, an increase both in volume and value. According to Olga Monteiro, Expozoo directress, the growth of this sector in Portugal is due to factors such as an aging population, a higher increase in the number of small households and a high concentration of people in cities that end up contributing to the increase of pets in the Portuguese homes and consequently, to affirm the pet business nationwide (Expozoo, 2016).

There has been a higher penetration of small animals in urban areas, such as smaller dogs and cats, because they require less space and lower costs with food and medical care. As a result, those savings are being spent on high quality pet food brands, and on pet products and services (Euromonitor International, 2016).

Industry players and retailers have confidence that the pet care industry in Portugal is still very far from reaching maturity. According to forecasts, it is expected the population of dogs and cats will continue to increase, which will favor the growth of new businesses dedicated to animals, new pet care products and brands (Euromonitor International, 2016).

5.3. Competition

So far, Book4Paws does not have any existing competitor since there is no company offering the exact same service it plans to. However, there are two similar services that can be seen as a potential competitors – Bizidog and Dona Pipa.

Bizidog is a website and an app only available on itunes that allows dog owners to know which establishments near them accept the presence of dogs as well as other companies for animals such as veterinarians, shops, training centers and others. It was powered by Smartgeo and it is available since October 2013 (Bizidog, 2016). However, Bizidog has some differences when compared to Book4Paws that should be mentioned:

1. It is a search engine, not allowing reservations, unlike Book4Paws.

2. It only offers solutions available for dogs, whereas Book4Paws intends to target services available for dogs, cats and exotic animals.
3. “Take your dog with you” is its main concept, whereas Book4Paws pretends to allow owners to take a break trusting their pets to establishments exclusively dedicated to them.

Dona Pipa is considered the dogs’ Airbnb, in which owners can request accommodation services, pet-sitting, daily walks, training, grooming for their dogs, and the providers of these services can advertise them. The reservation is made by the website, but the payment is handled directly between the parties. It has been operating since the beginning of November 2016, and it already counts with 70 registrations of the providers (Armanda Ribeiro, 2016). Compared to Book4Paws, it also counts with some differences such as:

1. Dona Pipa does not offer the possibility to make the payment directly in the website, unlike Book4Paws.
2. Similar to Bizidog, it is only directed to dogs.

5.4. Marketing Plan

Book4Paws is entering its first year of operation. Marketing will be key to the development of the brand and service awareness as well as the growth of the customer base. The marketing strategy will seek to first engage partners and then develop the customer base.

Once the website is the visual brand of an e-commerce, it needs to stand-out and make a first positive impact on the customer, using eye-catching ads, compelling headlines and clear calls to action. In order to achieve this goal, the major part of the initial investment will be spent on the website construction and design, and it will only be released when everything is perfectly concluded.

After the website finalization, the first step will be presenting the concept to pet services. This presentation will be done face-to-face with the CEO and the marketing representative. During the presentation, all details of Book4Paws will be explained to pet services owners and, at the end, they will have the opportunity to register on the platform, to assist to a demonstration, and to enjoy a free month trial. Another marketing strategy to get more partners will consist on an advertisement placed on a magazine called “Veterinária Atual”.

After reaching almost every targeted pet services, the marketing strategy will be mainly directed to the end customers. To attract customers’ attention, a partnership will be done with pet services registered on the platform, in which they will have available on their establishments printed flyers with their Book4Paws’ URL. Besides that, Book4Paws will also be presented in the television in the program Pets & Boing SIC Mulher. Online penetration will also be another promotion method, counting on Facebook and Instagram promotion. At last, road shows will be performed in strategic locations such as Lisbon, Oporto, Faro and Coimbra, chosen based on the populational density and the Gross Domestic Product (GDP) per capita (Censos, 2011; INE, 2013).

Since Book4Paws is an e-commerce, digital marketing is a must have for this business. First, search engine marketing (SEM) also known as Pay Per Click (PPC) advertisement will be used to target animal owners who are looking for a specific pet service. Another benefit of going online is the capacity to measure the performance of Book4Paws through web analytics tools. Analytics can help measure how many reservations are being made, but it will also capture important insights about the things that lead up to and follow that reservation.

6. Management Team

A big part of Book4Paws' project will be outsourced, since no one in the team possesses enough IT knowledge to create the platform. For this reason, Book4Paws' team members will focus mainly on managing the platform, defining the initial pet services' database, sales and marketing. At least at the beginning, the team will be composed by family members:

Mariana Carvalho da Silva will be the founder and CEO of Book4Paws. Mariana is the originator of this concept in Portugal. Having finished her veterinary course at Veterinary Medicine Faculty (University of Lisbon) in July 2016, her interest in the pet industry made her realize the inexistence of a booking site for pet services in Portugal. Currently, she is working at the Oeiras Veterinary Hospital in the pet clinic area as a veterinarian while she is also completing her Masters Degree in Management at Nova School of Business and Economics.

Francisco Carvalho da Silva, co-founder and marketing director. He holds a graduation on marketing management at IPAM (Portuguese institute of marketing administration) since 2010. In 2009, he did a marketing internship at Bayerische Motoren Werke (BMW), and ever since he has been working as a public relationship at numerous discos (such as Trigonometria, Van Gogo, Baluarte, Manta Beach, Bliss, Kapital, and so on). Currently, he is working as a public relationship and team manager at Main in Lisbon. Besides that, he is also a public relationship at the restaurant Pátio das Cantigas. Even though his experience has nothing to do with the pet industry, he always had pets, he understands the market, and he has the necessary tools and a vast social network to make Book4Paws a success.

Regarding IT operations, Imaginary Cloud will be the company responsible for the creation of Book4Paws' website. The project execution will take 5 months, and it will comprise 7 sequential phases: **First phase** – Analysis and planning (taking into account the objectives of the project and

the target audience); **Second phase** – Details of navigation and interaction taking into account the results of the previous step; **Third phase** – Website design (including site layout and other functionalities); **Fourth phase** – Implementation of the code (HTML, CSS, Javascript, etc.) that allows the construction and subsequent visualization of the design previously idealized and accepted; **Fifth phase** – Programming, integration and implementation of the back office with all the structure carried out in the previous phases; **Sixth phase** – Internal tests/corrections; **Seventh phase** – Finalization of the project.

7. Timeline

In order to identify ways to create customer lifetime value, the following value chain is proposed:

1. **Value exploration** – During this first step, the company will target a vast diversity of pet services in order to be able to have a wide portfolio of them available on its platform. As previously mentioned, the first month will be a free trial for all.
2. **Value creation** – After creating a solid portfolio, Book4Paws will develop a marketing strategy mainly focused on online marketing, and also on partnerships with pet services.
3. **Value delivery** – The final step is to deliver to the target customers a large variety of services with the best quality and speed as possible.

Book4Paws Timeline																					
	Year 0												Year 1				Year 2				
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Website/App development	█																				
Website/App launch						█															
Value exploration					█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█	█
Value creation																					
Value delivery																					

8. Critical Risks and Assumptions

As a start-up business, Book4Paws has to deal with some critical issues such as:

1. Establish itself as the premier pet services booking site.
2. Avoid recessions by making sure the expenses will never exceed the revenue base.
3. Constant control of customer satisfaction, guaranteeing that the growth strategy will never compromise service and satisfaction levels.

The biggest risk this business can find is related with customer loyalty. In most cases, people look for this type of services near their locality due to reasons such as: ease of animal transportation, lower transportation costs, and time saving. In the beginning, pet owners may search and book through Book4Paws but if they become loyal customers there is the risk of starting to book directly with the pet service. In order to avoid this to happen, Book4Paws will provide a solution based on points accumulation. For each 10 euros spent, customers will earn 10 points which they can exchange for prizes (pet accessories, discount coupons, pet food, and so on).

9. Financial Plan

First year (Year 0)

First of all, maintaining the trend observed from 2010 to 2016, it was assumed a growth of 1% per year of the total earnings of all well-being care services:

Total Earnings (in euros)	2015	2016	2017	2018	2019
%growth		1%	1%	1%	1%
Pet Grooming (60%)	26,600,000	26,866,000	27,134,660	27,406,006	27,680,066
Pet Hotels (20%)	8,866,667	8,955,333	9,044,887	9,135,335	9,226,689
Pet Sitting (15%)	6,650,000	6,716,500	6,783,665	6,851,502	6,920,017
Pet Walking (5%)	2,216,667	2,238,833	2,261,222	2,283,834	2,306,672
Total Well-being care services	44,333,333	44,776,666	45,224,433	45,676,677	46,133,444

A weight percent was assigned to each pet service based on assumptions. Thus, pet grooming accounts for 60% of the total earnings, pet hotels for 20%, pet sitting for 15% and pet walking for

5%. It was also presumed these percentage ratios will not suffer any modification over the years under study.

Since all the referred pet services have a seasonal variation, it was considered that:

1. For Pet Grooming, there is a tendency for the best months to be April, May, June, September and December (even though this can suffer modifications). Since the first three normally have more affluence, it was assumed that 45% (15% each) of the total annual earnings are profited during this time; September and December account for 10% each, and the rest of the months for 5% each.
2. For Pet Hotels, Pet Sitting and Pet Walking, since they serve the same purpose, the same tendency was applied to all of them. So, the stronger months are the summer ones (July, August and September), and festive seasons are also good months (February, April and December). Thus, summer months contribute with 75% of the total annual earnings, February with 4%, April and December with 7.5% each, and the rest of the months with 1% each.

The first year (year 0) of Book4Paws will be dedicated to the development and design of the platform and to all the necessary optimization and updates. During the first 5 months, Imaginary Cloud will develop Book4Paws' back office (online booking software and channel manager) and front office. This service accounts for 100,000 euros and half will be paid on the first month and the rest of it at the end of the project.

After that, a free trial will be offered to the targeted pet services to capture their awareness, which means no revenues on the 6th month. Starting on this month and thereafter, Imaginary Cloud will provide the necessary maintenance and optimization for 1000 and 6000 euros per month, respectively.

From the 7th month until the end of the year, it was assumed that 5% of the total monthly earnings of all well-being care services will be made through Book4Paws platform. However, Book4Paws only receives a 15% commission of that value. During summer months and festive seasons, it is expected to have a greater demand of all these services, and consequently a higher affluence to the platform, which means that greater amounts should be devoted to marketing at this point. Briefly, in weaker months it will be invested 1,000 euros per month, while in months with more potential the investment will be 5,000 euros per month.

Other costs involve salaries (2000 euros per month: 1200 for the CEO and 800 for the marketing director) and legal and accounting services (300 euros per month).

Book4Paws Cash Flow Statement													
Book4Paws Statement of Cash Flows for the first year													
Revenues (in euros)	Year 0 (2017)												Total
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	
Pet Grooming							10,175	10,175	20,351	10,175	10,175	20,351	81,404
Pet Hotels							3,392	3,392	6,784	3,392	3,392	6,784	27,135
Pet Sitting							2,544	2,544	5,088	2,544	2,544	5,088	20,351
Pet Walking							848	848	1,696	848	848	1,696	6,784
Total well-being care services							16,959	16,959	33,918	16,959	16,959	33,918	135,673
Expenses (in euros)	Year 0 (2017)												Total
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12	
Website development & design	50,000					50,000							100,000
Website maintenance (1,000/month)							1000	1000	1000	1000	1000	1000	7,000
Website upgradings and optimization (6,0000/month)							6000	6000	6000	6000	6000	6000	42,000
Salaries (increase 10%/year)	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	2000	24,000
Office expenses	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	1000	10,000
Marketing						5000	5000	5000	5000	1000	1000	5000	32,000
Legal&Account	300	300	300	300	300	300	300	300	300	300	300	300	3,600
Total expenses	53,300	3,300	3,300	3,300	58,300	15,300	15,300	15,300	15,300	11,300	11,300	15,300	209,600
Net Cash Flow	-53,300	-3,300	-3,300	-3,300	-58,300	-15,300	1,659	1,659	18,618	5,659	5,659	18,618	-84,927
Cumulative Cash Flow	-53,300	-56,600	-59,900	-63,200	-121,500	-136,800	-135,141	-133,482	-114,863	-109,204	-103,545	-84,927	

Next 2 years

During year 1 (2018), it was considered 10% of the reservations (more 5 percentage points than in 2017) made through Book4Paws' platform, and the applied commission will be maintained (15%). For the next year (2019), a growth of 20 percentage points per year is expected concerning the percentage of reservations, and Book4Paws' commission will be maintained at 15%.

As already mentioned, it was assumed that each pet service will have the same contribution as the established for 2016 over the years. Besides that, each pet service will also have the same growth of 1% until 2019. Lastly, the presumed trend behavior of the strongest/weakest months for each service will also be the maintained over the years.

Book4Paws Cash Flow Statement										
Book4Paws Statement of Cash Flows for the following two years										
Revenues (in euros)	Year 1 (2018)					Year 2 (2019)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Pet Grooming	61,664	184,991	82,218	82,218	411,090	93,420	280,261	124,560	124,560	622,801
Pet Hotels	20,555	61,664	27,406	27,406	137,030	31,140	93,420	41,520	41,520	207,600
Pet Sitting	15,416	46,248	20,555	20,555	102,773	23,355	70,065	31,140	31,140	155,700
Pet Walking	5,139	15,416	6,852	6,852	34,258	7,785	23,355	10,380	10,380	51,900
Total well-being care services	102,773	308,318	137,030	137,030	685,150	155,700	467,101	207,600	207,600	1,038,002
Expenses (in euros)	Year 1 (2018)					Year 2 (2019)				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Website maintenance (1,000/month)	3000	3000	3000	3000	12000	3000	3000	3000	3000	12000
Website upgradings and optimization (6,0000/month)	18000	18000	18000	18000	72000	18000	18000	18000	18000	72000
Salaries (increase 10%/year)	6600	6600	6600	6600	26400	7260	7260	7260	7260	29040
Office expenses	3000	3000	3000	3000	12000	3000	3000	3000	3000	12000
Marketing	7000	15000	15000	7000	44000	7000	15000	15000	7000	44000
Legal&Account	900	900	900	900	3600	900	900	900	900	3600
Total expenses	38,500	46,500	46,500	38,500	170,000	39,160	47,160	47,160	39,160	172,640
Net Cash Flow	64,273	261,818	90,530	98,530	515,150	116,540	419,941	160,440	168,440	865,362
Cumulative Cash Flow	-20,654	241,163	331,693	430,223		546,764	966,705	1,127,145	1,295,586	

Break-even

Based on the assumptions previously mentioned, Book4Paws will reach its break-even at the beginning of the first year (2018), over the second quarter.

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11. Appendices

Appendix I - Internet usage penetration between 2005-2015 in Portugal, by age group (Source: PORDATA 2015).

	Internet usage by age group (%)					
	16-24	25-34	35-44	45-54	55-64	65-74
2005	70	46	34	21	10	2
2006	75	54	36	24	12	3
2007	85	58	41	26	17	4
2008	87	70	47	31	19	5
2009	88.1	77.1	53.3	36	21.4	6.6
2010	89.3	79.2	62.4	40.6	27.7	10.4
2011	92.7	82.1	70.6	45.7	28.3	12.5
2012	96.8	89.6	74.3	52.2	32.7	16.4
2013	98	92.2	79.7	54	32.9	18.6
2014	98	92	83	59	36	23
2015	99	95	88	65	42	27
# people	1,105,488	1,216,318	879,603	1,512,838	1,348,510	1,081,968

Appendix II – Distribution of the estimated revenues over the months between 2017-2019.

Revenues (in euros)	Year 0 (2017)												
	January	February	March	April	May	June	July	August	September	October	November	December	Total
Pet Grooming (60%)	1,356,733	1,356,733	1,356,733	4,070,199	4,070,199	4,070,199	1,356,733	1,356,733	2,713,466	1,356,733	1,356,733	2,713,466	27,134,660
Pet Hotels (20%)	452,244	452,244	452,244	1,356,733	1,356,733	1,356,733	452,244	452,244	904,489	452,244	452,244	904,489	9,044,887
Pet Sitting (15%)	339,183	339,183	339,183	1,017,550	1,017,550	1,017,550	339,183	339,183	678,366	339,183	339,183	678,366	6,783,665
Pet Walking (5%)	113,061	113,061	113,061	339,183	339,183	339,183	113,061	113,061	226,122	113,061	113,061	226,122	2,261,222
Total Well-being care services	2,261,222	2,261,222	2,261,222	6,783,665	6,783,665	6,783,665	2,261,222	2,261,222	4,522,443	2,261,222	2,261,222	4,522,443	45,224,433

Revenues (in euros)	Year 1 (2018)												
	January	February	March	April	May	June	July	August	September	October	November	December	Total
Pet Grooming (60%)	1,370,300	1,370,300	1,370,300	4,110,901	4,110,901	4,110,901	1,370,300	1,370,300	2,740,601	1,370,300	1,370,300	2,740,601	27,406,006
Pet Hotels (20%)	456,767	456,767	456,767	1,370,300	1,370,300	1,370,300	456,767	456,767	913,534	456,767	456,767	913,534	9,135,335
Pet Sitting (15%)	342,575	342,575	342,575	1,027,725	1,027,725	1,027,725	342,575	342,575	685,150	342,575	342,575	685,150	6,851,502
Pet Walking (5%)	114,192	114,192	114,192	342,575	342,575	342,575	114,192	114,192	228,383	114,192	114,192	228,383	2,283,834
Total Well-being care services	2,283,834	2,283,834	2,283,834	6,851,502	6,851,502	6,851,502	2,283,834	2,283,834	4,567,668	2,283,834	2,283,834	4,567,668	45,676,677
Revenues (in euros)	Q1			Q2			Q3			Q4			Total
Pet Grooming (60%)	4,110,901			12,332,703			5,481,201			5,481,201			27,406,006
Pet Hotels (20%)	1,370,300			4,110,901			1,827,067			1,827,067			9,135,335
Pet Sitting (15%)	1,027,725			3,083,176			1,370,300			1,370,300			6,851,502
Pet Walking (5%)	342,575			1,027,725			456,767			456,767			2,283,834
Total Well-being care services	6,851,502			20,554,505			9,135,335			9,135,335			45,676,677

Revenues (in euros)	Year 2 (2019)												
	January	February	March	April	May	June	July	August	September	October	November	December	Total
Pet Grooming (60%)	1,384,003	1,384,003	1,384,003	4,152,010	4,152,010	4,152,010	1,384,003	1,384,003	2,768,007	1,384,003	1,384,003	2,768,007	27,680,066
Pet Hotels (20%)	461,334	461,334	461,334	1,384,003	1,384,003	1,384,003	461,334	461,334	922,669	461,334	461,334	922,669	9,226,689
Pet Sitting (15%)	346,001	346,001	346,001	1,038,002	1,038,002	1,038,002	346,001	346,001	692,002	346,001	346,001	692,002	6,920,017
Pet Walking (5%)	115,334	115,334	115,334	346,001	346,001	346,001	115,334	115,334	230,667	115,334	115,334	230,667	2,306,672
Total Well-being care services	2,306,672	2,306,672	2,306,672	6,920,017	6,920,017	6,920,017	2,306,672	2,306,672	4,613,344	2,306,672	2,306,672	4,613,344	46,133,444
Revenues (in euros)	Q1			Q2			Q3			Q4			Total
Pet Grooming (60%)	4,152,010			12,456,030			5,536,013			5,536,013			27,680,066
Pet Hotels (20%)	1,384,003			4,152,010			1,845,338			1,845,338			9,226,689
Pet Sitting (15%)	1,038,002			3,114,007			1,384,003			1,384,003			6,920,017
Pet Walking (5%)	346,001			1,038,002			461,334			461,334			2,306,672
Total Well-being care services	6,920,017			20,760,050			9,226,689			9,226,689			46,133,444