

Business plan for Akero HB

Affärsplan för Akero HB

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grundnivå
Kandidat
Degree Project in Engineering and Management

Stockholm, Sweden 2012
Kurs IK120X, 15hp

TRITA-ICT-EX-2012: 95



**KTH Information and
Communication Technology**

Sammanfattning

Målet med detta arbete har varit att undersöka möjligheten att utveckla och formulera en affärsidé och undersöka affärsmöjligheterna för den Taxi Service och app som Jimmy Wickström och Nico Ghatoore utvecklar som en del i deras kandidatexamensarbete. Detta har undersökts genom att utveckla affärsidéer och affärsmodeller tillsammans med Nico och Jimmy och sedan ta fram en detaljerad affärsplan för dessa och testa den teoretiskt och se huruvida den håller måttet och verkar rimlig. Undersökningen har visat att den har möjligheter att lyckas såvida de tre stora taxibolagen Taxi Stockholm, Taxi 020 och Taxi Kurir är villiga att köpa kunder för att fylla upp deras lediga kapacitet.

Nyckelord: Smartphone-app, application developer, business plan, taxi.

Abstract

The goal of this project has been to investigate the possibility to start a business out of the Taxi-service and application Nico Ghatore and Jimmy Wickström are developing as a part of their bachelor thesis. This goal has been reached by formulating business ideas and developing business models together with Nico and Jimmy and later written a detailed business plan according to the current standards and thus evaluating the quality of the business idea. This has shown us that it is possible to succeed given that the three largest taxi operators are willing to buy customers to fill up their extra capacity.

Keywords: Smartphone-app, application developer, business plan, taxi.

Acknowledgements

I would like to thank Anders Sjögren, Nico Ghatoore, Jimmy Wickström and Ingemar Lindblad for guiding me through this project.

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Terminology

Abbreviations and acronyms

Akero HB	The Company started to launch the product "Taxi Service"
Taxi Service	The product/service developed by Nico Ghatore and Jimmy Wickström
App	Application, software for smartphones
SNI	Svensk Näringsgrensindelning, a classification of industry branches in Sweden
GPS	Global Positioning System, a space-based satellite navigation system available to anyone with a GPS signal receiver

1 Introduction

1.1 Background and problem motivation

Throughout history new technology has made big changes both to mankind as well as to our everyday life. It is always difficult, near impossible, to guess what new inventions will appear in the future but if one would try a good start would be to search in any of the currently fast developing fields. A fast developing field is not a guarantee for revolutionizing inventions and products but makes it more likely because of the higher amount of research and opportunities. Right now (last 30 years) "Telecommunication Services" is such a field. Sometimes our age is referred to as the "Information Technology Age" (IT-age) due to the rapid development in information technology.

In the last decade we have seen how the boundary between Telecom and IT has started to blur and in the borderland many new possibilities have appeared. The use of mobile phones and more recently smart phones has grown rapidly and along with that a growing demand for new services for these devices. The development in this area is particularly interesting, not only because it is current but also since the results from the development quickly shows in everyday life when people start using the new services invented. These services often simplify people's lives or companies work. Examples are a new way of synchronizing calendars on mobile devices, have conference calls or call a relative abroad using IP on smart phones. As a result of this telecommunication is not only interesting but also a very important field of research. Taking these innovations to the market can be a tricky operation. Large corporations have well developed market departments, taking care of everything from business case development to marketing strategies. Small enterprises with mostly technical skills often have a tougher time getting their newly developed products to reach the market.

One such company is Akero HB. Akero is a newly started company located in Stockholm, Sweden, that focuses on new possibilities in this area (IT meets telecommunications and smart phones). The company has a lot of competence in the area of software development and IT but less in marketing and business development. Therefore I have been assigned to develop a business plan for their new product called Taxi

Service. This is important for Akero since it will help developing the business case and reviewing the idea and analyze the use-case. My task is to look into whether the product can be successful on the market and to sort out how it should get there. This will clear out a path to commercialize the idea. This business plan will be vital for the company's future, making this work utterly important for Akero.

1.2 Overall aim

The overall aim of this project is to bring new knowledge to the company regarding the possible success of one of its products, Taxi Service. This knowledge will be used within the company when deciding whether to launch this service or not. It does not only aim to give an answer to if this service can be successful but also give a proposition to how it should proceed.

1.3 Scope

This project is limited to include the company Akero HB and its market. Generalizing the concept, (for example: how to take a generic IT invention to a market), would be interesting but irrelevant for my task and extremely time consuming. The chance of finding a single solution or a simple answer to this also seems small.

1.4 Goal and problem definition

The goal of this project is to answer the following questions:

1. Can Taxi Service be a commercially feasible idea?
2. How could it be launched?

To answer these questions a business case will be developed and then analyzed by creating a business plan. The market will be analyzed to measure the potential income.

1.5 Summary

Chapter 1 is an introduction to the thesis. Chapter 2 describes the theory and digs a little deeper into the field and recent development within the field of telecommunications and smart phones. Chapter 3 explains the method and why this specific method is used, chapter 4 contains the results while the author's own conclusion resides within chapter 5. The business plan in full can be found in the appendices.

1.6 Contributors

The author of this thesis has written the business plan all by himself but worked closely with the two colleagues from Akero HB, brainstorming and analyzing the key concepts. No part of this thesis has been used or published in any other course or context.

2 Theory

2.1 Taximarket

The Swedish taxi industry was deregulated in 1990. This led to a great increase in the number of taxi companies and an increased amount of taxi traveling. More taxi companies led to increased diversity between them which led to a greater awareness of the quality of the service from the customers. Forcing the companies to find niches, like “the most environmentally friendly” or “only new cars” or “best local knowledge” and spread those messages in aggressive marketing campaigns. Most industries show a pattern of changing from fragmented to more concentrated over time. The Swedish taxi industry is not an exception but follows the rule fairly well. Large companies have grown and started to dominate the industry over the last ten years. Economies of scale are important in the taxi industry since more cars means shorter waiting time and a well known brand makes people feel safe. In recent years the concentration has stabilized in Stockholm at three large companies and a number of smaller establishments.

2.2 Smart phones

The Smart phone sale has increased greatly in the last few years. According to IDC [1] the total number of units grew from 304.7 million units in 2010 to 491.4 million in 2011 worldwide. One of the key difference between smart phones and regular mobile phones is the advanced APIs (advanced programming interface) making it easier to create third party applications to smartphones. Another difference is the GPS (global positioning system) receiver often found in smart phones. Third party applications can use the GPS in the smart phone to find out its position and use the position in different location services.

2.3 Business plan for startups

“Business plan” is a wide concept reaching from a document to convince external investors to a roadmap for the internal organization. A business plan is used to document an already developed business idea or used to develop the idea while writing the plan. According to Barringer [2] a business plan is a written document that carefully explains every aspect of a new venture.

3 Methodology

The creation of an extensive business plan has been the method used to both develop and evaluate a business model for Taxi Service. The reason this method is chosen is that a business plan splits the idea into small parts and examines each part thoroughly. Doing this forces the creator of the plan to think through the idea and analyze every aspect of the business model, thus making it easier to detect weaknesses. Writing everything down in the form of a business plan also makes it easier for the reader to draw his or her own conclusions regarding the business case. Using a business plan to evaluate a business idea is widely recognized among entrepreneurs, economists and investors. According to Wirth "If a company is trying to decide which business idea is worth pursuing, a business plan might resolve the situation. " [3]

After establishing that creating a business plan was the method to use, the next step was to decide the layout of the business plan. There is a variety of theories about which parts should be included and emphasized. This diversity among the business plans is a consequence of the major differences in organizational structure within different corporations. The layout selection has been made with two facts taken into account. First of all Akero HB is a startup company and they want an idea analyzed. The business plan therefore needs to focus on the entrepreneurial aspects of the business. Since they wanted an idea analyzed the business plan is not scattered with financial figures but focuses more on describing the business model. Secondly it is an IT company requiring a technology focused business plan. With these two facts taken into account different business plans found online and in books has been compared and a business plan structure has been made.

The creation of the business plan has been an iterative process cycling through the following steps: writing, analyzing and discarding. This project has therefore resulted in several different models, with the final business plan containing the last one. There are two other major branches that has been discarded along the way and they will be discussed in short in the Conclusion section of this thesis.

One part of the business plan consists of a brief analysis of buyer behavior. In accordance to current praxis a small questionnaire survey

has been conducted. The survey was handed out to random people in Stockholm and also to relatives and friends of the author of this thesis.

4 Results

The complete business plan can be found in appendix A. A short summary of the key figures will be included in this section but the reader is strongly recommended to read the business plan in full.

The Industry analysis of the business plan has resulted in expected figures. A modest growth rate and stable annual sales of around 13 000 SEK million can be seen in Figure 4.1. The industry is being defined as the Swedish Taxi industry, industry number 47320 according to the Svensk Näringsgrensindelning.

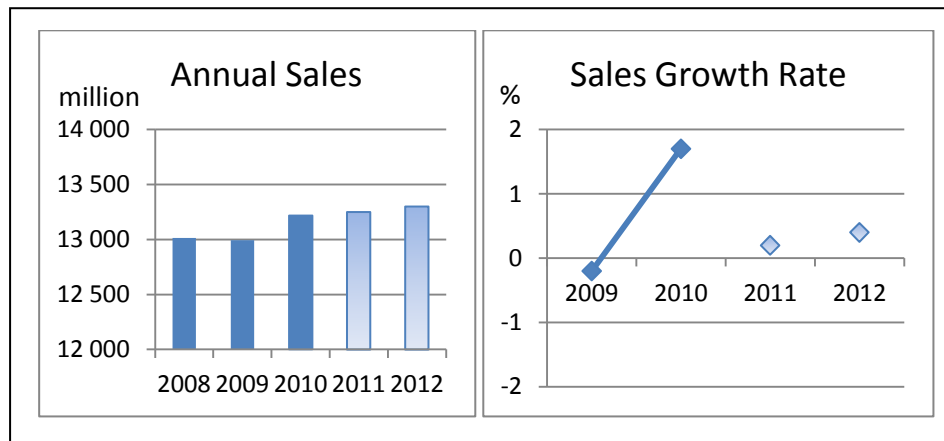


Figure 4.1 Annual sales and Growth Rate, to and including 2010, estimated 2011 and 2012

The market analysis resulted in an estimation of 29 million taxi runs each year in Stockholm (our primary market). Out of these 15 million are pre-booked runs and thus escapes our primary target group, leaving us with 14 million potential runs each year. The estimated possible income and therefore also our goal are shown in Figure 4.1. These numbers are based on Akero gaining 2% increase in marketshares each year.

Year	Income Stockholm SEK million	Income rest of Sweden SEK million	Total Income
2013	1.4*	-	1.4
2014	2.8	1.4**	4.2
2015	4.2	2.8	7
2016	5.6	4.2	9.8

Figure 4.1: Estimated potential income

*Akeru HB plans to launch its business in Stockholm in early 2013

**A nationwide expansion is planned roughly to start 2014

All the results from the buyer behavior analysis questionnaire survey can be found in the appendices but the most important result from the can be found in Figure 4.3. As shown people find it really important that the taxi arrives fast to the pick-up location.

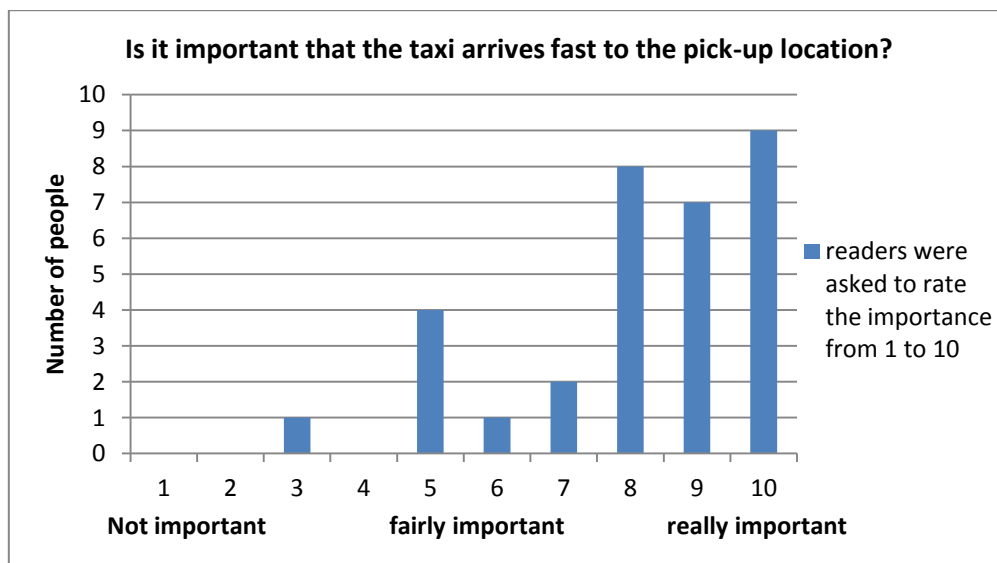


Figure 4.3: The importance of fast arrival to pick-up location.

The points of differentiation concluded from the service and product description should be used in the marketing towards end customers, are as follows:

Points of differentiation

- Faster than our competitors (shorter waiting time until the taxi arrives)
- More environmentally friendly
- Easier to rate drivers i.e. better quality and service of the drivers (applies only to the app service)

5 Conclusion

The overall aim of this project was to bring new knowledge to the company regarding the possible success of the launch of the product called Taxi Service. This has certainly been reached and the business plan is filled with new facts and figures for Akero HB to consider.

The more specific goal of the project was to answer the following two questions:

1. Can Taxi Service be a commercially feasible idea?

The answer to the first question is yes, it can be commercially feasible if you believe in the following:

- The current three large taxi operators are interested in maximizing the capacity of their drivers for a small cost of about 10 SEK per run
- The use of smartphones will continue to increase and only an insignificant number of taxi drivers will have non smart phones by 2013
- About 2% of all taxi customers are willing to download and try an app for free with the promise of faster arrival of the taxi after an extensive marketing campaign from Akero

2. How could it be launched?

To answer the second question the iterative development method described in methodology was used and resulted in three different ways to launch the service. Alternative 1 and 2 was discarded along the way and Alternative 3 is the one most likely to succeed and is recommended and used in the business plan.

Alternative 1

The first alternative is to use Taxi Service to operate as a regular taxi company but with no call center. This means being a direct competitor to the existing company. There is a wellknown problem that small and single car taxi companies have problems getting customers because of the dominance by the three large operators Taxi Stockholm, Taxi 020 and Taxi Kurir. This situation is worsened by some of these single car taxi companies that are extremely expensive and focuses on tourists and people who do not realize the prize until it is time to pay. Akeros role here could be to act as a taxi company for all of the decently prized small and single car taxi companies and provide a real alternative to the three big companies. Akero would provide small and single car taxi companies with customers just as Taxi Stockholm provides their taxi drivers with customers but at a lower price since Akero will not have any phone operators' wages to pay. Main problem with this strategy: Too few cars means it will still be faster to call one of the larger companies. To be the fastest Akero needs to reach the drivers of the three large companies.

Alternative 2

The second alternative is to start the same way as in Alternative 1 but with one difference. Focus will not only be on the small and single car taxi companies but also on the current drivers of the three big companies. Simply try to convince the drivers to use the service without the agreement of their superiors. This alternative needs no agreement with the three big companies since the link is directly to their drivers. Main problem with this strategy: The large operators can ban our service among their drivers.

Alternative 3 (used in the business plan)

The third alternative starts with Akero contacting the three large operators and signing an agreement with them. Since all their drivers are not occupied all the time there is some unused capacity. This is where Akero comes in. For a small fee for each customer Akero will provide the non-occupied drivers of the three large companies with extra customers. If this fee is low enough the operators will prefer clients from Akero rather than clients using their call center. This alternative is described in detail in the business plan.

5.1 Recommendation

I suggest Akero launch the service and I suggest it to be done as described shortly in Alternative 3 and in detail in the business plan.

5.2 Critics

Critics of the method (business plan)

Using the businessplan as a method might have been a little over the top. It is quite extensive and took long time to write. A shorter feasibility analysis would have been easier to do. On the upside the reader can read the business plan in its whole and draw his or her own conclusion. It can also be used to attract investors to the company.

Critics of the method (questionnaire survey)

To get people to take time to answer the questions proved to be really difficult. 32 people have answered the survey in total. Out of these only 4 people are truly random inhabitants of Stockholm, due to the lack of interest and time to answer studies among random people in Stockholm. The other 28 answers come from friends and relatives have also been asked. The number of people should exceed at least 100 to make this study reliable and the selection of people to answer should be randomly selected. This proved to be too expensive or to take too long time (depending of choice of method) and therefore these results may not achieve desirable accuracy.

Validity and reliability are two important factors to take into consideration when conducting research of this kind. To reach a high reliability I needed many people to answer the survey and therefore it had to be short and fast to answer. I also needed to get the answers from random taxi travelers and not from a homogenous group. I therefore went to central Stockholm and asked people to fill out the survey. After only getting 4 answers in 2 hours I realized the strategy would not work. Instead I asked my friends, relatives and friends of relatives to answer it and got 28 more answered surveys.

This means the answers do not come from random taxi travelers. This fact and the overall small amount of answered surveys lower the reliability. To make the survey easy to answer I only asked five questions and wrote them really short. This reduced the validity since different people perceived the questions different. For example one question was "Is it important that the taxi arrives fast to the pick-up location?" This is a vague question and some may have thought the question meant "is fast arrival the most important feature?" and answered to that. Longer and more detailed question wordings and more questions in general would have increased the validity.

Critics of the results

Estimations have been made in the businessplan and those can always be unreliable. What the estimations are based on is stated alongside them in the business plan and the reader should consider their plausibility.

5.3 Continued work

I recommend Akero to keep track of the competitors and to update the plan along the way.

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Appendix A: Business plan

Business plan Akeru HB

By: Mattias Holmgren

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1 Introduction

There are 15000 taxis in Sweden, about 5000 of these are located in Stockholm's Län. There are three large operators in Stockholm, "Taxi Stockholm", "Taxi 020" and "Taxi Kurir". These three operators do not differ to any large extent, they have all got fairly new cars, they all have a strong environmental policy, and prices do not vary that much between the operators. As a result of this, some customers do not really care what company they use, they just want the closest taxi.

Akero is a new company developing a service to connect customers to the taxi operator whose car is the closest to the customer. To provide this service an application, (/and html5) for iPhone and Android users is being developed with the following functionality

1. Locating the customer using the app.
2. Finding the closest taxi driver using the app.
3. Setting up a call between these two.

Using the app instead of calling one of the operators will have many advantages including, making the waiting time shorter, making the trip more environmental friendly (by reducing the distance to the customer) and eliminating the need to remember the telephone numbers to different taxi operators.

At an early stage the primary market will be Stockholm, and later on we have set the aim for Sweden. In Stockholm there are an estimated total of 29 million taxi runs each year, of which 15 million are pre-booked runs and thus escapes our primary target group, leaving us with 14 million potential runs each year.

Akero goals are the following:

Year	Users/day	Total Income (SEK million)
2013	384	1.4
2014	1095	4.2
2015	1917	7
2016	2684	9.8

The management team consists of the following people: Nico Ghatoore, Jimmy Wickström, Mattias Holmgren, Igor Eklund, all students at KTH. The company is seeking 3 000 000 SEK in investment capital for marketing costs.

2 Company Description

Akero HB aims to be a new and unique actor in the taxi market in Sweden. The company will pioneer a new way to connect customers to taxi drivers, thus differentiating ourselves largely from the other taxi operators. Akero HB's co-founders are Nico Ghatore, age 46, Jimmy Wicktröm, age 26, and Mattias Holmgren, age 23. The company has currently no permanent location but looking into offices in central Stockholm. The company is split in two parts, the development team (Nico Ghatore and Jimmy Wickström), and the marketing team (Mattias Holmgren).

2.1 Company History

It all started when Jimmy and Nico were looking for a project for their Bachelor thesis. They got in touch with Anders Sjögren (professor at KTH) and started talking about different ideas. Anders was, in spring 2011; the examiner of Samir Baroudi who did his bachelor thesis at Ericsson. Continuing this collaboration he suggested Jimmy and Nico should do a project with one of Ericsson's tele communication services called Business Communication Suite (BCS). One of the features of the BCS is the ability to group telephone numbers together in a number-pool. Nico and Jimmy started brainstorming ideas for new services that could be developed from this new technology. An idea that came up was to fill this number-pool with numbers to taxi companies and have one single number to the whole pool. This idea has grown into a full taxi service including an app for smart phones. Mattias was added to the project to refine the business case together with the others and then develop a business plan. Nico and Jimmy started to develop the application for iPhone. Later on the need to connect to the BCS vanished and the service is now being developed separated from Ericsson BCS. Instead the service utilizes some of the functionality from the Ericsson Labs Mobile Location.

2.2 Mission Statement

The mission of Akero HB is to simplify the experience for taxi customers.

2.3 Tagline

"One number!" or "Closest cab!"

This tagline explains the idea of having to remember only one number for all taxi traveling. It is also short and simple and therefore reflects our focus on simplicity.

2.4 Product and Services

Akero HB will offer its customers two services. The first one is the ability to get connected to the closest taxi without having to talk to any operator first. The second one is a nationwide telephone number eliminating the need for taxi customers to remember different numbers when they travel from city to city. The main product distributed to the customers and used to achieve the first service will be the Smartphone app developed by the development team.

Product description (the app)

The main feature of the app is that it connects the customer to the currently closest taxi. It will achieve this by first checking the position of the customer using the GPS in the smart phone. It will then match the longitude and latitude with a database with positions of the currently non-occupied taxi drivers. The closest taxi will be sent a request to accept the customer and if he/she accepts the customer will be notified that a taxi is on its way. This reduces the average waiting time for taxi customer since they will always get the geographically closest taxi regardless of taxi company. This means that the driving distance to the clients will be shortened. This is followed by many advantages were some of the most important are

1. Reduced emission of greenhouse gases, making it more environmental friendly to use our service than to call an ordinary taxi company.
2. Reduced abrasion of the cars, less driving distance means less repair costs.
3. More clients per hour for each taxi driver since he can spend less time getting to the customer.

Another feature of the app is that it automatically checks the customers position, there is no need to type in any address as is the case of many of the existing taxi apps, making it possible to call for a taxi even though the customer is lost or don't know his or her exact position. This makes it easier and faster to "call" for a taxi and eliminates the risk of misunderstanding where the client wants the taxi. Our service is unique in that it will be faster than the other today existing services. Since the customer won't need to talk to a phone operator first, he or she will be connected to the closest taxi-driver immediately, thus following our philosophy of simplicity. Connecting the customer directly to the driver eliminates the cost of the phone operators which reduces the price of the service.

Typical customer use case

To make it easier to understand how the product will appear a description of the app from a customer point of view follows:

1. Download the app from the App-store or Google play, where u can read a description about the app and also hopefully some positive user reviews
2. Start the app
3. First time the app is used a popup box appears asking "Taxi app would like to use your current location"
4. Agree to share current position
5. User is given a choice: Customer or Driver
6. Select Customer
7. A map with current position marked will show up. On top of the map in one corner there will be a button saying "Get a taxi!"
8. Push the button and a list of close taxis, their company, price and distance in minutes.
9. Push one of the taxis and it will arrive really soon

Typical taxi driver use case

1. Download the app from the App-store or Google play, where u can read a description about the app and also hopefully some positive user reviews.
2. Start the app.
3. First time the app is used a popup box appears asking "Taxi app would like to use your current location".
4. Agree to share current position.
5. User is given a choice: Customer or Driver

6. Select Driver
7. A form to fill out with fields like: full name, social security number, taxi driver license number, car registration number etc
8. A map with current position marked will show up. On top of the map in one corner there will be a button saying "I want a customer"
9. Push the button and wait for a customer.
10. When a customer wants a taxi his position will be marked out on the map and a button saying "accept" appears. When the driver accepts the job a message is sent to the customer with estimated time of arrival. The app will also mark the way to destination for the taxi driver.

Each taxi driver will by this have his/her own account in our service and log on each time he/she wants to use the app. Users will then be able to review the driver, for example if the driver took an unnecessary long road to reach the destination the customer will press "bad driver" on his app and if a driver gets 5 negative reviews he/she will be banned from our service for a month.

Product description (the phone number)

The second service, a global telephone number is similar but simpler and is used in another use case. When a customer is using his/her telephone to call this number we quickly look up the current position of the customer. Then we do a similar check as in the app case but when we find the closest taxi driver we will instead send the phone call to the taxi company connected to the driver. This whole process will be in less than one second and the customer will barely notice any difference from calling directly to a taxi company. The only difference for the customer is that he/she knows he will get connected to the taxi company with the closest taxi and therefore have most of the advantages of the app.

Payment method "Taxi app"

For the taxi customer our service will be completely free of charge. It is instead the taxi drivers who will have to pay to receive a customer. The app service will be using a credit system where the driver can buy credits directly in the app. All taxi drivers using the app will get 3 credits for free to start with. When a customer uses our service and gets connected to the driver's app one of the driver's credits will be spent. When the credit count reaches zero the driver has to buy new credits for 10 SEK if he wants new customer directed to him by our service. The prices are as follows:

1 credit	9 SEK
10 credits	99 SEK
50 credits	399 SEK
100 credits	699 SEK
500 credits	2999 SEK

If the taxi driver has less than 3 credits at 00:00 GMT, he will receive one credit for free. This is to remind him of our service and offer him a chance to realize its value. Also if the driver has 0 credits and he/she is the closest taxi to a customer who wants a ride he will receive a message containing something similar to the following: "A customer called out for a taxi and you were the closest one! Too bad u didn't have any credits..." The taxi customer using the smart phone app always gets connected to the closest taxi driver who has remaining credits.

Payment method "One Number"

Customers calling our one number service will not have to pay anything extra (apart from their ordinary minute cost). Instead the Taxi companies will have to pay 10 SEK for each customer we redirect to them. (Their amount of redirected customers will be summarized each month and the taxi company connected to us will be billed on a monthly basis)

2.5 Current Status

The Smartphone app is under development and the business model is being refined January – May 2012.

3. A 4 member management team is in place
4. Partnership agreement is signed
5. Akero HB is registered at Bolagsverket
6. The domain www.akeroco.uk is reserved

2.6 Funding Sought

Akero HB is seeking 3 000 000 SEK in investment capital to finance a citywide marketing campaign in Stockholm summer 2012.

2.7 Legal Status and Ownership

Akero HB is a Swedish "Handelsbolag" owned by the four members of the management board. For details see "Management Team and Company Structure"

3 Industry analysis

3.1 Industry Definition

Defining the industry we are about to operate are somewhat tricky. We are about to operate in the Taxi industry, SNI2007 Nr. 47320, but the company is not a pure Taxi operator, (E.g. we will develop an app for smart phones). Therefore the Industry analysis will mostly be regarding the Taxi Industry but also include some app-related facts at the end.

SNI 2007 means "Svensk Näringsgrensindelning" and follows the European standardization in categorizing different industries and assigning them five figure codes.

3.2 Industry Size, Growth Rate and Sales Projections

Industry Size

	2008	2009	2010	2011
Industry Sales (SEK million)	13 013	12 993	13 217	[Not yet compiled]
Number of Establishments	8 595	7 719	7 464	8 020
Number of taxi drivers	16 428	16 474	17 395	18 316

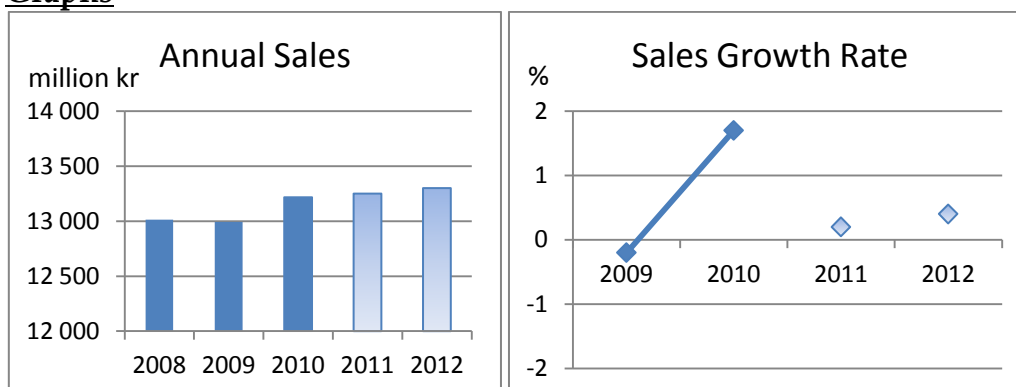
Industry Growth Rates

	2009	2010	2011
Industry Sales	-0,2%	1,7%	[Not yet compiled]
Number of Establishments	-10,2%	-3,3%	7,4%
Employment	0,3%	5,6%	5,3%

Industry Sales Projections

	2011	2012
Industry Sales (SEK million)	13 250	13 300
Growth Rate	0,2%	0,4%

Graphs



Source of all information: Statistiska Centralbyrån, Mars 2012

Summary

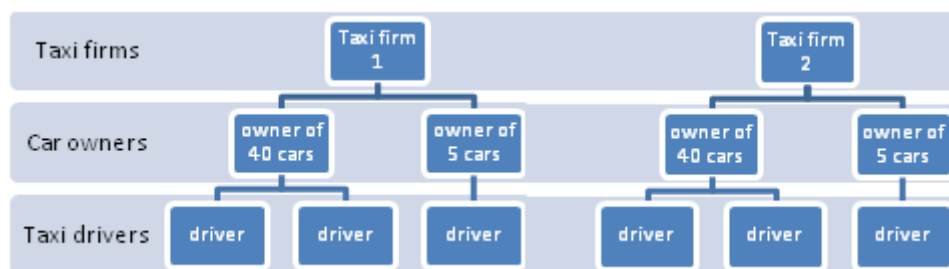
This enterprise is not necessarily strictly dependent of the growth of the taxi industry. The main reason is that there are more than enough taxi customers out there and we will not focus on first time customers. Defining in which part of the industry lifecycle the taxi industry is situated is tricky. First there are clear signs that it started a growth phase along with the deregulation in 1990 (see industry structure) with lots of new small companies. That growth phase shortly shifted into a stagnant phase characterized by smaller growth and a declining number of companies. The remaining companies grow larger and this is where we are today.

There are no projections about the future of the Swedish taxi industry from any serious and reliable sources but there are no apparent reason for the taxi market to start growing rapidly and also no reason to decline much either in the coming 3 years. Therefore the projections are pretty much an extrapolation of the historic trend with sales around 13 000-13 500 million SEK and a rather slow growth somewhere between 0 and 2% each year.

3.3 Industry Structure

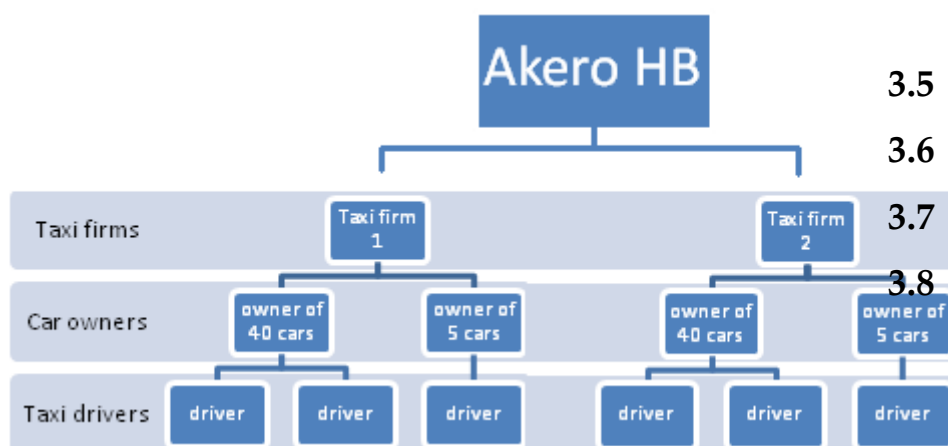
The Swedish taxi industry was deregulated in 1990. This led to a great increase in the number of taxi companies and an increased amount of taxi traveling. More taxi companies led to increased diversity between them which led to a greater awareness of the quality of the service from the customers. Forcing the companies to find niches, like “the most environmental friendly” or “only new cars” or “best local knowledge” and spread those messages in aggressive marketing campaigns. Most industries show a pattern of changing from fragmented to more concentrate over time. The Swedish taxi industry is not an exception but follow the rule fairly well. Large companies have grown and started to dominate the industry over the last 10 years. This could be a potential threat against us since if there is only one company left their own app would provide the same service as our app and there would be no reason for the customers to use our service. Economies of scale are important in the taxi industry since more cars means shorter waiting time and a well known brand makes people feel safe. In recent years the concentration has stabilized in Stockholm at 3 large companies and a number of smaller establishments. The competition among the existing taxi companies is strong since it’s fairly hard to stand out from the group when all the large companies offer almost the same service, (differing a little in car size and quality). This should not be a problem for us since we are not a direct competitor, we will have more of a client - supplier relationship to the existing companies.

3.4 Nature of Participants



The general structure of the existing companies is as follows:

The top layer consists of large taxi companies. These companies have a call center with employees who answer when someone calls for a taxi. Then they distribute the customer to the taxi drivers who belong to the car owners. The car owner pays the taxi company a monthly fee to receive this service. It is worth to mention that there are also smaller companies where the mid and top layers shown above are the same person/company. There are also some black market taxi drivers, often with a single car and without a number just picking up people on the street and take the payment in cash to avoid having to pay tax. That part of the industry is not of any interest to us and will therefore be left outside this business plan. Our goal is to put ourselves on top of all the exiting taxi companies and distribute the customers among them.



Our relationship to the three big companies will therefore been utterly important. Our role will be to provide them with extra customers; we need to convince them that the extra customers will be worth the trouble of downloading the app on all their drivers' smart phones. The argument to convince them is that the customers using our app will be more cost efficient than the ones using the call center operators. How much more efficient are estimated below:

In 2010 Taxi Stockholm had 158 employees for 61 303 000 SEK. Excluding the board of directors takes this figure down to 57 420 000 SEK.* Estimating there are 8 members of the board this sum is splitted between 150 employees. Subtracting an estimated 50 IT technicians, marketing department and HR personnel there are about 100 employees left operating the call center. These 100 call center employees cost Taxi Stockholm estimatedly 38 280 000 SEK each year.

*Taxi Stockholm annual report 2010, p. 15, note 4.

Both Taxi 020 and Taxi Kurir have their own call center and similar figures. The more customers they get through our app the less personnel they will need to operate the call center thus reducing this expense. This is therefore the figure we want to cut in on.

High end vs. Low end

The taxi industry in Sweden is somewhat segmented and bifurcated. On one side we have the large and expensive companies. They have nice new cars, huge marketing campaigns, often focused towards environmental friendliness, and are really reliable. On the other side we have the small, cheap and fairly unknown companies. They have fewer and often older cars, they have limited to no marketing and lower prices. They also have limited capacity making it possible to be rejected if they simply don't have any unoccupied cars, in other words they are less reliable.

3.9 Key Success Factors

The key success factors in the Swedish taxi industry are:

7. Price
8. Quality of cars
9. Marketing
10. Reliability
11. Ease of use
12. Memorable telephone number
13. Efficiency of GPS navigation system

3.10 Industry Trends

Threats:

14. Rising oil prices makes it expensive to travel by taxi which is already considered an expensive way to travel in Sweden due to high fuel tax.
15. Environmental awareness makes people more inclined to travel by subway or bus
16. Better public transportation

Opportunities:

17. New fuels that may prevent prices from increasing with the oil price and make the taxi travel almost as environmental friendly as the subway. In the long term new fuels may make taxi traveling cheaper than it is today.
18. Ageing population call for more comfortable ways to travel
19. Better road networks

3.11 Long-Term Prospects

The taxi industry will probably keep this trajectory and is very unlikely to decrease anytime soon since there are no current alternative to taxis that can offer the exact same service. Any such an alternative would take several years to develop.

3.12 Smart phone and app industry

The use of smart phones has increased rapidly the last few years and 2012-04-19 there was more than 4 million smart phones in use in Sweden*. There are no signs of deceleration; instead this number will probably continue to increase since most mobile telephones sold today are smartphones.

* From: <http://www.stockholm.se/KulturFritid/Upptack-Stockholm/Fragor-och-svar-om-appen/>

4 Market analysis

4.1 Market Segmentation and Target Market Selection

First of all the market has to be roughly defined. We have 2 products, the app we offer to the drivers, and the app and number we offer to the taxi customers. This will result in us having 2 markets, the taxi companies and the taxi customers. Both markets will be analyzed here starting with the taxi customers.

Market Segmentation

To be able to analyze the taxi customer market efficiently we will have to segment the taxi industry in three parts. Business, government paid travels such as paratransit, and private travels. The business segment contains all taxi customers who travel by taxi in their work. This can be pre-booked trips which are of no interest to us, since not our niche, i.e. customers who need a taxi immediately. But business travelers can also be everyone ordering a taxi immediately and later letting his/her company pay the bill. Those are of great interest to us, therefore we can't discard the business travelers in whole. The paratransit traveling, on the other hand we can discard immediately since they often are pre-booked and the few of them, who are not, are too few to be worth focusing on. The last one, private travelers are our main targets group since they have a relatively low amount of pre-booked runs. Nationwide the paratransit travels accounts for 50% of all the income, in some small communities this number can be up towards 100% on the other hand in the large cities this number is much lower.*

*Numbers from: <http://www.taxiforbundet.se/html/shared/Bran2011.pdf>

Target Market Selection and Motivation

Our market are limited to the taxi customers who wants the closest taxi right now, in opposite to the ones who want to book a taxi for later. This means our focus must be on private travelers and some on business travelers and not at all on the paratransit travelers. This makes Stockholm and excellent market to start with. Later if we get the opportunity to expand to all of Sweden we should focus on the other large cities.

4.2 Market Size, market share and Estimate of Annual Sales

Regarding the market size two stages are included. The first stage includes launching the service in Stockholm and estimates the size of our market in Stockholm. The second stage is an expansion to all of Sweden, therefore an estimation of our total market size in Sweden is also included further down this document.

Estimation of number of runs each year:

There are 5899 taxi cars in Stockholm* Taxi Stockholm has 1650 cars and does 8 million runs each year. Assuming the big majority of these cars operate in Stockholm, they have some small ventures outside Stockholm as well but that is few enough to be insignificant in this case, they have 28% of all taxi cars in Stockholm. Furthermore we assume all taxis are equally often occupied. This is most likely not really true, since popularity differs among the companys, but in general it is probably accurate since if a taxi has no clients it will leave the market. If all taxis are equally occupied and 28% of all the cars does 8 million runs each year the total amount of taxi runs in Stockholm can be estimated to 29 million runs each year.

*from: <http://www.uskab.se/images/stories/excel/b212.htm>

These numbers are calculated from 2010 years figures.

Stage 1, Stockholm

- a) Subtracting 15 million pre-booked, business and paratransit taxi traveling gives us 14 million runs left each year.
- b) Multiplied with 0.5 results in 7 million which is the total number of taxi runs in Stockholm each year by people who would rather call the closest taxi than a specific taxi company. (see buyer behavior further down in the market analysis)
- c) Multiplied with 0.02, (2% of the population are estimated as susceptible for new technology and are likely to try it) gives us 0.14 million. This is the maximum number of runs we can get our hands on.
- d) Multiplied with the 10 SEK, the average income/run, gives us 1.4 million in income each year.

Summary (in million runs/year)

- | |
|--|
| a) $29 - 15 = 14$ |
| b) $14 * 0.5 = 7$ |
| c) $7 * 0.02 = 0.14$ |
| d) $0.14 * 10 \text{ SEK} = 1.4 \text{ SEK million}$ |

Stage 2, Sweden

When we expand to Sweden we will focus primarily on the top ten largest cities roughly doubling our primary market. Effectively this gives us 2.8 million in income per year

Following the estimated figures of growth in the industry analysis and an increased marketshare in our targetgroup of 2% each year the equivalent numbers for 2011, 2012 and 2013 will be

Summary of estimated potential income:

Year	Income Stockholm SEK million	Income rest of Sweden SEK million	Total Income
2013	1.4*	-	1.4
2014	2.8	1.4**	4.2
2015	4.2	2.8	7
2016	5.6	4.2	9.8

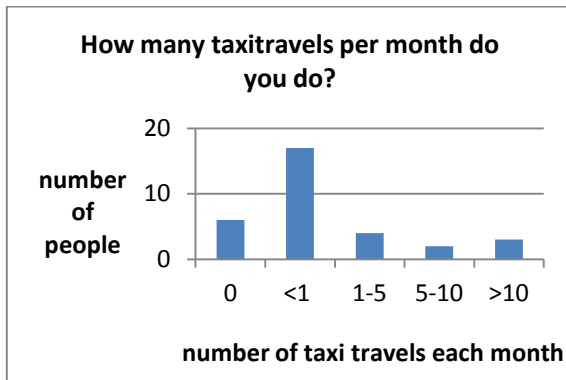
*Akero HB plans to launch its business in Stockholm in early 2013

**A nationwide expansion is planned roughly to start 2014

4.3 Buyer Behavior

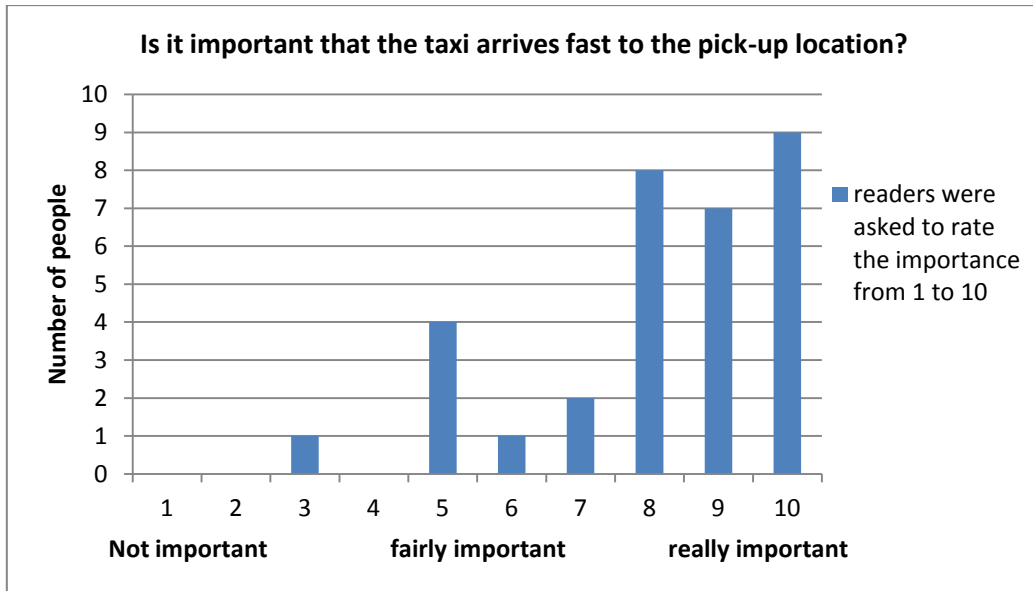
To get a hint of the buyer behavior some market research has been done by distributing a questionnaire about taxi habits. The questionnaire in full can be found in the appendixes. Unfortunately only 34 people have answered the study and therefore the results may be unreliable at some points. This and some other sources of error are discussed at the end of this section.

The first question asked on the survey was "How many times do you travel by taxi each month?" As seen in Figure 4.1 the majority of the people travel less than 1 time each month. This is fortunate for us since those traveling by taxi more than 10 times per month are probably business travelers and may escape our primary target group.



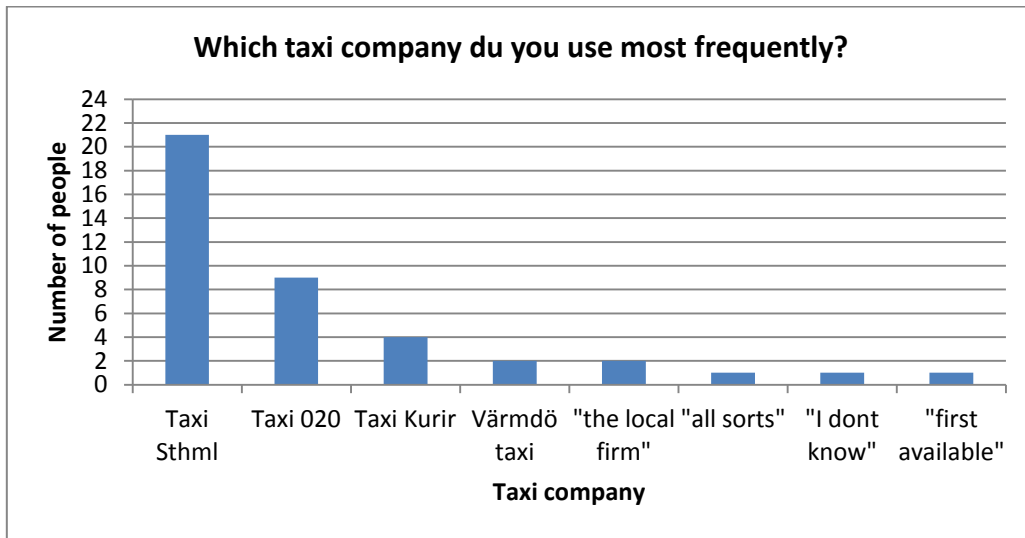
4.1: Number of taxitravels.

As seen in Figure 4.2 people find it really important that the taxi arrives fast to the pick-up location. This is the key feature that we can improve and it is therefore critical that people want this improved.



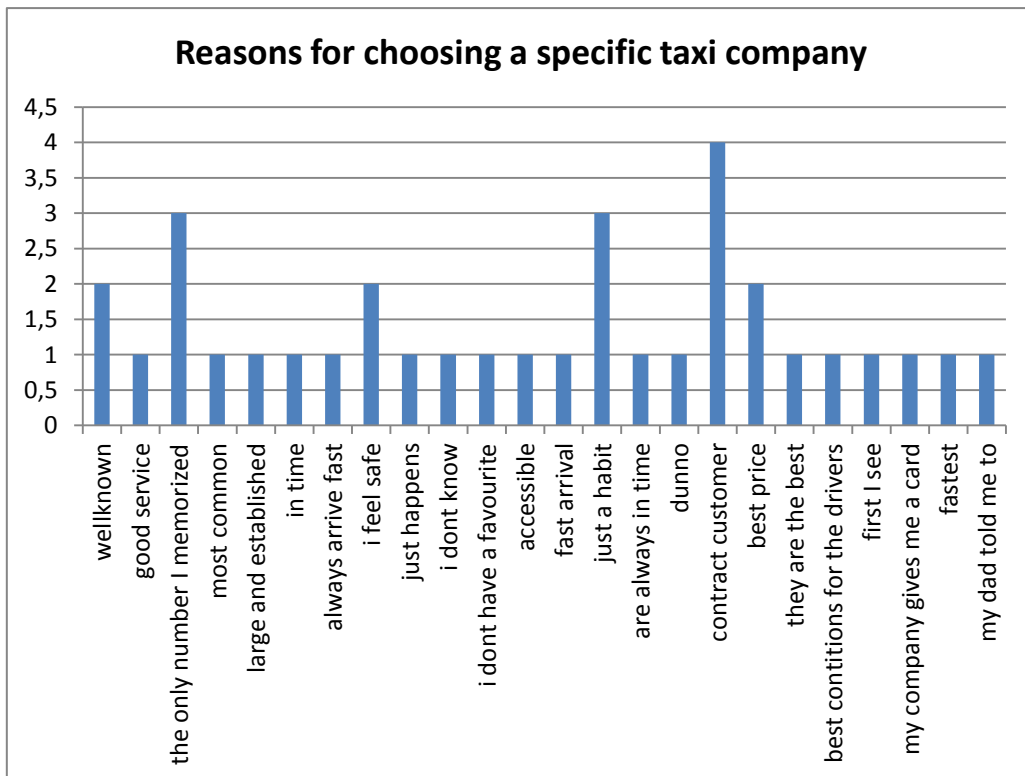
4.2: Importance of fast arrival to pick-up point.

Taxi Stockholm was as expected the most popular choice according to Figure 4.3. Taxi 020 and Taxi Kurir were also popular choices and about 20% prefer other choices than the big three.



4.3 Popularity of different taxi companies.

The reason for choosing a specific taxi company differs a lot according to Figure 4.4. We got almost as many different answers as we got people answering the survey. One notable answer are “contract customer”, people answering this are customers outside our target group. To us advantageous answers are: “the only number I memorized”, “just a habit”, “I dunno” and “fast arrival” which are spot on our target customers.



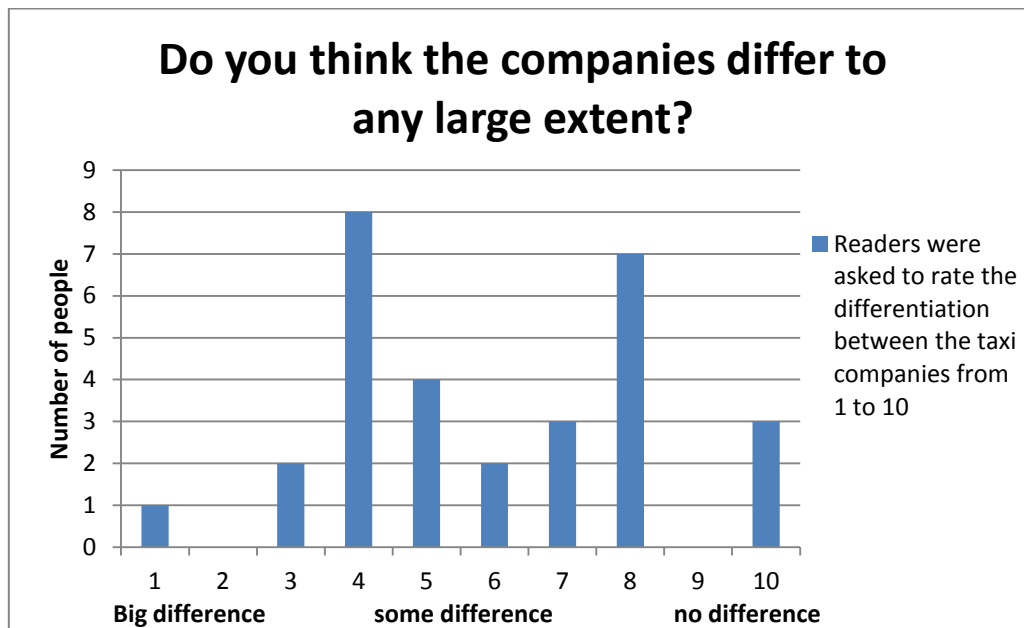
4.4 Reasons of choice of Taxi Company

For the interested reader the reasons for choosing a specific taxi company are listed under the company chosen in Figure 4.5 here below.

Taxi Sthlm	Taxi 020	Taxi Kurir	Värmdö Taxi	Others
contract customer	contract customer	contract customer	Best prices	Firs one I spot
the only number i memorized	the only number i memorized	Well known		
my company gives me a card	best contitions for the drivers	Good service		
my dad told me to	Best prices			
Simplicity	wellknown			
Price	Good service			
best contitions for the drivers				
Just a habit				
I feel safe				
dunno				
Wellknown				
Arrives in time				
accessible				
large and established				

4.5 Taxi Company paired together with reason for choosing it.

One of the most important questions asked in the survey were the last one: "Do you think the taxi companies differ to any large extent?" The answers to this question varied wildly from 1 to 10 as can be seen in figure 4.5. Those who answered "no difference" to "some difference" are our potential customers since the customers with the company opinion that there is a big difference will probably rather keep traveling with his or her favourite taxi company.



4.6: Percieved differentiation among the taxi companies.

Summary

This study shows that many taxi travelers value a fast arrival to the pick-up location and that Taxi Stockholm dominates the market but completely. It also shows that people in general think there are some differences between the taxi companies. The reasons for choosing a specific taxi company differ a lot. All in all this points toward that there is a target group of taxi travelers that would value our service.

Criticism of the study

To get people to take time to answer the questions proved to be really difficult. 32 people have answered the survey in total. Out of these only 4 people are truly random inhabitants of Stockholm, due to the lack of interest and time to answer studies among random people in Stockholm. The other 28 answers come from friends and relatives have also been asked. The number of people should exceed at least 100 to make this study reliable and the selection of people to answer should be randomly selected. This proved to be too expensive or to take too long time depending of choice of method and therefore these result may not achieve desirable accuracy.

4.4 Competitor Analysis

Direct competitors:

In Stockholm there are three large operators, "Taxi Stockholm", "Taxi 020" and "Taxi Kurir". "Taxi Stockholm" is the largest one with 23000 runs every day. There are also a number of small and single car taxi companies who are not connected to any taxi company/operator. These large operators and all the single car taxi companies are both our competitors and our clients. They are competitors in the sense that when a customer wants a taxi he or she can choose between them and us. On the other hand, and this is the critical part, they are also and mainly our clients. They are our clients in the sense that they buy taxi customers from us. Therefore we will need to cooperate closely with these companies to succeed.

Another competitor to us is a company called "Taxi Caller". They are the only real direct competitors to us. They have, just like us, realized that the innovation in technology creates opportunities in the taxi industry. They differ in their business model and focus more on providing the functionality of a taxi phone operator center but without any phone operators, using internet booking instead. They have several smaller companies connected to them already but are unlikely to close any agreements with the big operators since they are a real direct competitor to them (they provide the same service as them). This is where we differ. We will not provide the exact same service as the 3 large corporations, and are therefore more likely to be able to sign agreements with them.

Indirect Competitors

Indirect competitors are all the companies offering alternative ways to travel. Buss companies, bicycle rental companies, etc. This will not be an issue since, as stated in the industry analysis, even though these alternatives offer means of transportation from A to B none of them offer the exact same service as a taxi, referring here to speed, comfort, reliability etc.

Future competitors

There is of course a risk that someone decides to try to do exactly what we do once we have launched our business. Our advantage against them will be that we were first and are therefore hopefully already well known. To meet this future competition we will have to keep developing our service and app to not give our customers any reason to switch. Starting with customer feedback early will help us in this case.

5 Marketing plan

5.1 Overall Marketing Strategy

The marketing will be divided into two parts, taxi customers and taxi operators.

First we will have to do an extensive marketing campaign towards taxi customers. The primary goal of this marketing should be to make people use our Taxi app and One Number services. Target group are defined in the market analysis and it's important but difficult to find a marketing model directed towards them. Regardless if we spread our message through radio, TV, ad on the taxis, in the subway walls or on the internet we will focus on two things. First we will explain our service (since it's a new concept and it's important to make people realize that this is not an ordinary taxi operator among others but rather a distributor of customers connected to all taxi operators). Secondly we will promote our three most important points of differentiation to make customers realize the advantages of our service.

Points of differentiation

20. Faster than our competitors (shorter waiting time until the taxi arrives)
21. More environmental friendly
22. Easier to rate drivers i.e. better quality and service of the drivers (applies only to the app service)

We will also do marketing towards the taxi operators. This marketing will not be ordinary commercials or advertisements but rather focused articles in carefully chosen magazines read by taxi operators. Taxiförbundet* is a Swedish trade association with more than 200 taxi operators affiliated to them. To be on good terms with the trade association will be extremely important to reach the taxi operators (they send out a monthly news letter and reports every now and then about the industry situation). They protect the interest of its members and will be a real problem if they are not convinced that our company will change the industry to the better. The important message to get through here is that we will stop the current market consolidation and promote competition among the taxi companies.

Why would our entering to the market have this effect? Because small companies with few or only one car currently has a small chance to compete against the larger operators when it comes to marketing. This results in them having to rely on getting on sight customers. When we have entered the market they can simply use our service and have as big chance to get a customer as any car connected to one of the larger operators.

*more information at: <http://www.taxiforbundet.se/>

5.2 Pricing Strategy

Our pricing strategy will be not to burden the taxi customers with any fees, but instead making the taxi companies and drivers pay for the customers given to them. The reason for this is they are more motivated to pay. The overall difference for a customer if he/she uses our service will only be a minute or two faster travel and knowledge that he/she has done the trip a little bit more environmental friendly. For the taxi driver it's the difference between getting a customer and earning money or to keep waiting for customers.

6 Management team

Nico Ghatore, Cofounder and CEO

Student at KTH, programming skills, friends in the taxi industry in Stockholm

Jimmy Wickström, Cofounder

Student at KTH, programming skills

Mattias Holmgren, Marketing and sales

Student at KTH, programming, economics and marketing skills

Igor Eklund, board member

Student at KTH, programming and database skills

Ownership and Position

Name	Position	Base compensation	Ownership in Company
Nico Ghatore	Cofounder and CEO	Not specified yet	80 %
Jimmy Wickström	Cofounder	Not specified yet	10 %
Mattias Holmgren	Marketing and Sales	Not specified yet	5 %
Igor Eklund	Board member	Not specified yet	5 %
Total			100 %

7 Operations plan

7.1 Operations Model and Procedures

Both members of the development team develop the services together following the SCRUM programming methodology. This method and how they work and all procedures can be found in *[insert name of Nico and Jimmy's thesis]*.

7.2 Business Location

We have chosen Stockholm as our primary business location. Later on we will hopefully grow to cover all of Sweden and in the future expand to other suitable countries within Europe. The reasons we have chosen to start with Stockholm are the following:

23. We all live in Stockholm and are therefore closer to the market
24. Stockholm is suitable in size, neither too big nor small.
25. Stockholm is a trendsetter in Sweden.
26. Stockholm has Kista which is a high tech/IT hub in Sweden.
27. Stockholm has a lot of taxi customers.

7.3 Facilities and Equipment

We have looked into renting office space in Sundbyberg, a suburb to Stockholm, but for now we use the seminar rooms at Forum campus provided by KTH Kista.

8 Development plan

8.1 Development status, Tasks and Risks

The service is under development and is estimated to be finished by third quarter 2012. This delay emerged out of the need to switch to another programming language. An important risk to keep an eye on is the risk that the development may be delayed even further.

8.2 Cost

There are no costs of the service development yet but may be when the need for testing appears. Costs that may appear are server costs and the cost of an android smart phone.

8.3 Intellectual Property

After extensive research in the area we have found that the patentability of this idea is limited and therefor we have not applied for any patent. Trademarks and Copyrights will be secured once we have anything to secure.

9 Appendices

Frågeformulär – Taxivanor

Svara på frågorna genom att ringa in ett av svarsalternativen på varje fråga.

1. Hur många gånger i månaden åker du taxi?

0 <1 1-5 5-10 >10

2. Är det viktigt att taxibilen anländer fort till upphämningsplatsen?

Nej, inte särskilt nja, ganska viktigt ja, väldigt viktigt
1 2 3 4 5 6 7 8 9 10

3. Vilket taxibolag brukar du åka med?

4. Varför åker du med det bolaget?

5. Upplever du att det är stor skillnad mellan bolagen eller är de ganska lika?

Det är stor skillnad nja, lite lika De är alla lika
1 2 3 4 5 6 7 8 9 10