DELIVERABLE E:

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- Prepare a pro forma budget for project implementation, including technology, planning, programming, production, promotion and maintenance. Show one-time and continuing
- Propose at least five criteria for measuring the web usage and business success of this website. Explain the rationale for selecting these criteria.

Smart Home Inc.® 3 Year Finance Budget (attached pdf)

Our company is a smart, nimble, and driven by the entrepreneurial spirit of us, the founders to ensure our company becomes a success, and we build a brand that will one day be a staple name in most households across the U.S. We understand that will not happen overnight, or in the next few years, hence our budget proposal is on the conservative side, as we want to keep our expectations reasonable, while making sure we do not understate costs.

Our projects are that we will break even during year 3, and turn a small profit by end of year 3. To fund our business, we need a huge influx of capital, which our funders, will all initially invest our own money to get the business off the ground. In the 3 years leading us to making a profit, we will not pay ourselves any salaries, but rather the salaries depicted are those paid to our temporary staff, sales reps and sub-contractors performing the administrative work in the office, and conducting installations, and selling. In terms of sales reps, we begin to hire by year 3, as the first 2 years, we will try to run the business among the 4 founders, and using temporary staff in the office in order to keep wage costs down. By year 3, we hope to have our business name established online through heavy advertising over the first 3 years, and through referrals. Here, we should start to have a client list that is large enough to start having full-time sales reps join the company and further drive sales for our business. It year at this point, we feel the investment for additional full-time employees will start to payoff.

Our heavy advertising will include a portion of a fee paid to an advertising agency to ensure we put our business on the right foot in the social media space because it is critical that we come off strong, with a presence that commands professionalism and engagement with our viewers. The agency will help us reply to questions on social media channels, while our temporary employees in the office, will help direct specific product, installation, and service questions to us to provide an answer to our viewers who could become our clients through the social interaction. So, it is very important that social presence drives sales and build our brand in a meaningful manner.

The other part of the advertising budget is the cost of advertising with large search engines like Google® and social media outlets like Facebook®. The key to advertising with these outlet is that our clientele are on these sites daily, and these sites will allow us to run focused advertising campaigns to ensure we are targeting the right audience, while at the same time providing us analytical data to see what type of ads and interactions online had the biggest impact and who did they impact.

Our first year costs have some of the larger costs built into things such as website development which makes sense, as the initial costs to get our site up and running will be significantly higher the future
costs of maintenance and enhancements on an annual basis. Our budget also includes many fixed costs such as rent, phone services, and internet service at the office.

Most costs are continuing costs with some having varied rates in year 2 and year 3. Here is the breakdown:

- **Costs of Goods:** Costs of the products we sell and install represent 80% cost of the products sold. (20% margin).
- **Wages:** Represent the cost to pay temps, sub-contractors, and sales reps. The first 2 years, that represent 40% of installations and repair sales, while year 3 that increased to 50% due to the expectation of bringing on board at least one full-time sales rep.
- **Advertising:** We have a very heavy budget in the budget for year 1 to get our business up and running, with that base budget continuing and increasing in years 2 and 3 as we continue to build clients and our brand.
- **Rent, Phone Service, Internet** are on-going fixed costs that we are confident we could lock in the rates for at least 3 years at a time without any material increases in costs.
- **Since our business is small with huge expected growth potential,** we will host our site through a cloud provider such as Amazon® to ensure we have the highest security of our clients’ personal information, provide best possible speed and user experience on our site, but most importantly avoid having to spend huge capital upfront investing in servers and software, space, backups, experts, etc. to get our own internal servers up and running. That potential will not occur until at least year 5 or beyond when we start to hit the $1MM sales mark, and if the costs of cloud become too expensive based on the traffic and needs of our site and clients. But, with trends in the marketplace becoming more and more competitive for the cloud, we believe that there could be a potential and high likelihood that we may always remain on the cloud, rather than bringing the site, database, etc. inhouse.

**Criteria:**

**Number of Unique Visitors:**

- For us to become successful, we need more and more visitors to our site, to ensure we capture the interest of as many people as possible that we are targeting. What we want to see is at least a 10% to 20% growth annually of unique visitors so that we know are site is relevant, and bringing in new customers at double digit growth. The high growth of unique visitors is critical in the first few years, as we won’t have many established clients, and our growth is dependent on getting new customers.

**Time spent on our site:**

- If we are capturing more than just a few seconds of a visitors time on our main page, we are showing success. Here we would love to see at least 3 click throughs to products and services from each unique visitor so that our site is not just a visit by random, but rather it was visited for a reason, and what we are offering is on trend to what the users want, and are interested in, hence their desire to learn more and go beyond the home page.
Visitor to customer conversion ratio:

- In a perfect world, a 1:1 ration would be outstanding. This is reality, and in the first year, if we could convert 1 visitor out of 100 we are in good shape. By year 3, we should be at least 5% conversion rate, and it will climb with our referrals growing, and brand being established online, where we hope beyond year 3, we will one day achieve a 25% ratio where 1 of 4 unique visitors becomes a customer.

Social Media Feedback:

- With the help of an ad agency, and using metrics provided by social media providers, hope to gather positive feedback and positive social comments about our products and services. It is critical that we are a keen to this aspect, as negative feedback in this space, will significantly impact our business going forward due to the fact that our main audience utilizes this channel for feedback our products and brands they are shopping for.

Brand Awareness:

- This will be a harder matrix to measure especially in the first few years, but with tools from Google®, Facebook®, and others, we would like to see if we are starting to see our brand being searched more often with keywords associated with smart home automation, and at the same time seeing if we could understand if our brand is being talked about in a positive manner in online forums, blogs, etc. We want to ensure our Smart Home® brand has a positive halo effect in the sense that potential consumers and existing customers are starting to associated home automation with our products and services we offer because our brand is the trusted brand to bring that automation to life at your home.