The establishment of a wholesale company of paramedical products in Albania.

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1. EXECUTIVE SUMMARY

In a range of 1 to 183 economies, Albania is ranked in the 82nd place in terms of easiness to do business according to *World Bank (2011)*. Recent reformations and most of all the willingness of locals to evolve their country and meet the European standards, have cultivated a business attracting environment. Although there are still distortions in the local market, there is always space for high risk high return business movements.

Albania is currently considered as a transition economy which tends to be a nominate country in the near future to join the European Union. For that reason, both political parties which normally rotate in power have agreed over last decade upon the European orientation of the country.

This business plan is a proposal to establish a company located in Albania, which will import a set of paramedical products from China and wholesale them to local hospitals, doctors and pharmacies. There will be also a retailing opportunity for customers living in the south-east rural areas of the country, which may not have direct access to medical experts. The base of the company will be at Tirana which is located geographically almost in the middle of Albania. The company will also have presence in Korce, through a small retail store. Korce is a small city located in the south-east part, but has a strategic position because it is considered the centre of the region.

The company will run under the administration of a Management Team consisted of five persons who are specialised experts from different sectors, a fact that is considered crucial for the investment. The Management Team comes from medical, pharmaceutical, logistics, marketing, finance and administration areas. Moreover, one of the members has full knowledge of the country's specialties and parameters since she is native Albanian and has experience with the economy and trade of the country. The team decided to go with this mixture of people as it is inevitable to do business in a transition economy without someone expert from the inside.

A thorough evaluation identified that currently there is a gap in the service market of paramedical products in Albania. Although there is a small number of wholesalers that distribute paramedical products, they are not specialised, since they are mostly involved with pharmaceuticals. Therefore, they provide this service as a supplementary business. This is happening mainly for two reasons. First, the current network of the sector is following traditional models, where usually non-experts are involved due to the circumstances; these are simple sellers. On the other side, because the economy suffered from restrictions and deficits, during the previous years, the living standards were too low so as consumers did not have access to these kinds of products.

For that reason there is the thought that the presence of "ALBAN Paramedicals" will change the evolvement of the sector by contributing with its value and expertise. The company will not have stable suppliers so it will not represent any specific companies in the local market. On the contrary, there is a big network of potential suppliers who are reviewed on the basis of quality and price; they should comply with ISO in order to do business with them. This gives us flexibility in negotiations and maintains us with low cost-low price advantage in the local market. The company's products are the cheapest in the country and the South East Europe area. Moreover, the prices are very competitive comparing to other European and international markets.

The company is planned to be a joint-stock company (SA) with a starting number of total shares of 500,000 Euro. The value of each share is defined to 2 Euro; therefore, the starting capital will be 1,000,000 Euro. The amount of 510,000 Euro will be deposited from the management team which will keep the administration of the company. The rest are requested by investors.

The financial part of this plan presents very interesting data which give an overall of the potential investment. The company will start with zero financing from banks and most of its assets will be leased. The working capital comes from the management team and the investors. The return of investment is placed during the second year of operation, meaning that investors may exit

at that time with a good return, if they wish to. The second year of operation is crucial for the company since it is expected to cope with hard competition and its establishment as a brand in the country.

Some projected numbers are given in the next table, for the four years of operation of the company:
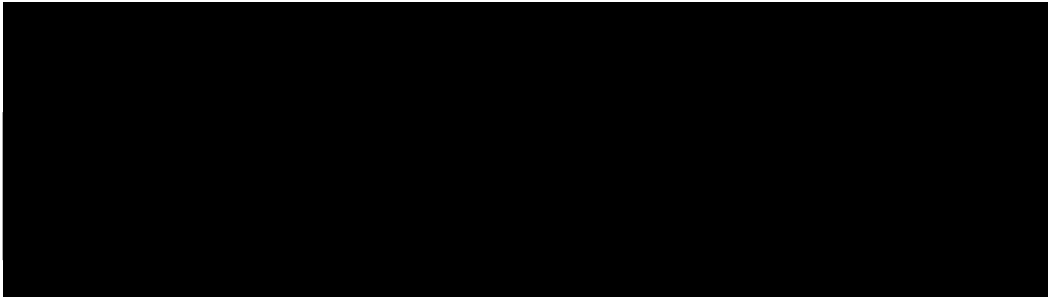

Figure 1. Projected numbers on the investment

There is a projection of experiencing a 20% decrease in sales during the second year due to competition's reaction. Since the local market is immature, such shifts are considered natural. The team would like to incorporate a scenario-planning philosophy, thus it is prepared for such a reaction. Nevertheless, this is not expected to affect the profitability in terms of gross profit to the actual sales. The company is expected to maintain privileges gained through the first-movers advantage in the market.

The following chart represents the relation between sales and profits compared to 4-year of operation.
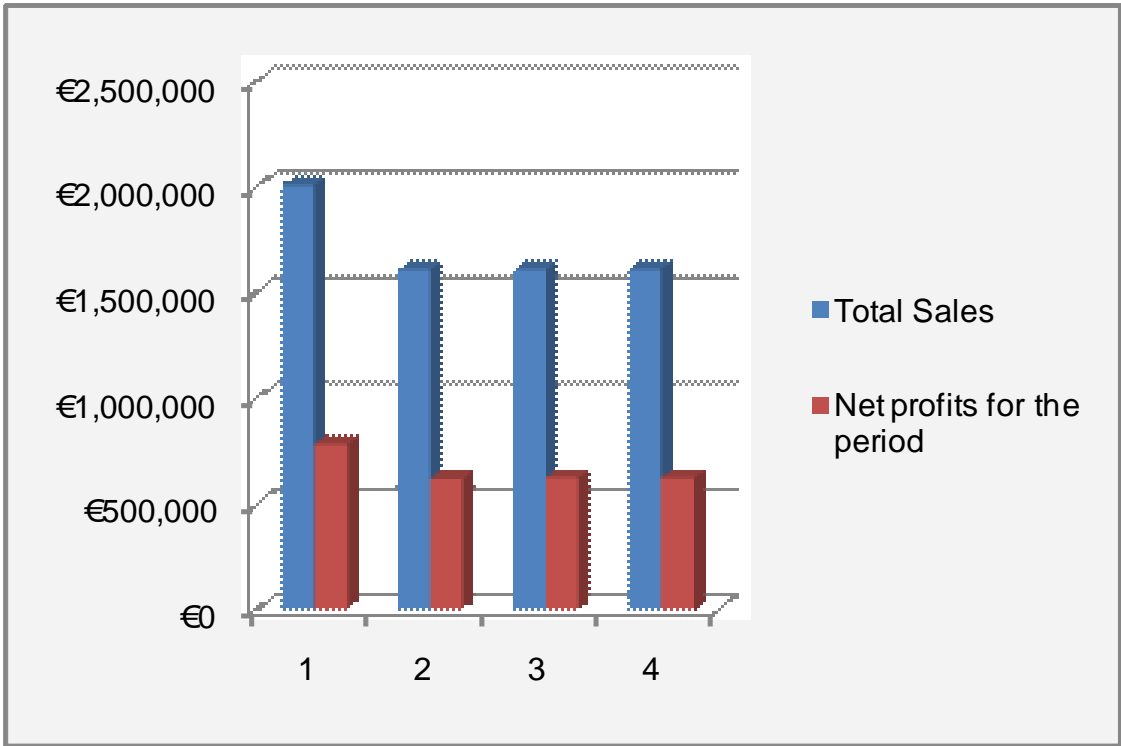

Figure 2. Sales and profits in the 4 years of operation

The investment is highly promising. The Albanian economy demonstrates distortions and there is still a significant part of black market; actually, the country is in a transition stage. The team

believes that this transition offers challenges and opportunities in order to enter and establish its brand equity. The information displayed below, is the real money investment and the team considers that it gives the overall picture in the projected four years of operation. It shows the payback period both for the team and the investors. Moreover, it provides the expected cash flow and the expected profits at the end of the fourth period.
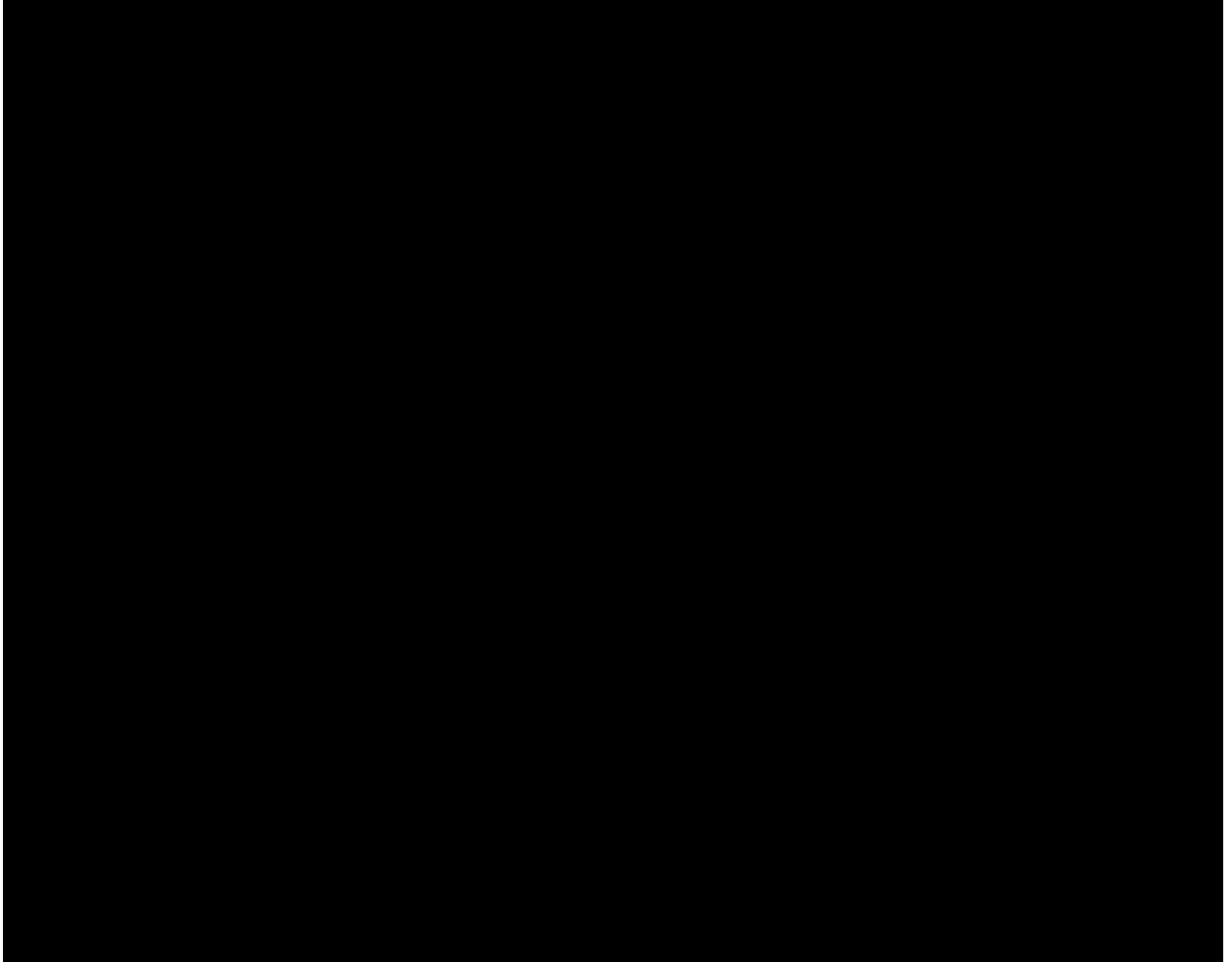
Figure 3. The payback period of the investment

Using the information above, the team and the potential investors could consider future scenarios regarding the company. The team search for investors that have the ability to identify the company's value and its expected growth. Based on that there might be future considerations.

Finally the investors have a variety of options in case they are involved. They have an option of leaving at the end of the second year getting back their money plus a 20% as a profit. They can stay and support the idea almost tripling their initial investment at the end of the fourth year. In addition, the management team is willing to discuss with the investors the future of the company at the end of the fourth year of operation. Such scenarios may involve (a) expanding the company if the investment and its potentials are promising, (b) selling it to other investors, (c) acquiring or strategically ally with other companies that may guarantee synergies in the health care sector, (d) expand its activities to South East European market area, (e) or even purchase of the company by the management team.

2. THE MANAGEMENT TEAM
The Management Team consists of 5 persons:

1. **Mr Kostas Papathanasiou**, General Manager
Duties and responsibilities
- Coordination and control of company's activities
- Ensure that both strategic and business plan are followed
- Vision and strategic decision making in terms of the long-range planning of the company
- Responsibility for the implementation of every aspect of the company's main office and branch in Korce

Background
A 15-year experience in running a company as owner and general manager in combination with an education which comes with a Bachelor in Sports Management. Mr Papathanasiou has experienced the establishment and the operation of a product and service business both as an owner and investor.

2. **Mr Alex Avramidis**, Logistics & Operations Manager
Duties and responsibilities
- Responsibility for fleet management
- Responsibility for the inbound and outbound of orders in terms of supply chain aspects
- Coordination of outsourcing and 3PL activities
- Administration of warehousing and selling operations
- Maintenance of good relations with key account customers regarding logistics activities
- Implementation of KPIs (key performance indicators)

Background
A 5-year experience in logistics and supply chain aspects, in SEE markets and in Albania as well. Mr Avramidis has a deep knowledge of supply chain weaknesses in a market of transition economy since he had participated in similar projects in Bulgaria, Romania, Fyrom, Kosovo and Albania. His education comes with a Bachelor in Logistics Management.

3. **Ms Maria Spachidou**, Marketing Manager
Duties and responsibilities
- Industry and Competition Analysis
- Responsibility for the marketing plans of the company
- Coordination of sales team
- Markets penetration and expansion to new products and services

Background
Ms Spachidou has an almost 10-year experience in the biotechnology and research in health care industry. She has undertaken in the past relevant positions in different companies with similar objectives getting significant experience. In addition she has a deep knowledge of the industry in terms of global perspectives. Her education comes with a variety of degrees from Biology, Medical Sciences and a PhD in Immunology.

4. **Ms Suela Ceka**, Finance & Accounting Manager
Duties and responsibilities
- Strategic alignment with the financial planning
- Coordination of economic activities of the company
- Keep track of any transactions in terms of accounting and financial issues
- Close cooperation with other managers and provision with adequate information
- Evaluate the market and combine plans with actions from the economic perspective
- Counseling to other staff of the company on the country's specialties
- Get advantage of her personal networking in the country

Background
Ms Ceka, is the team member which knows the country and its parameters. She has an almost 8-year experience in financial issues as partner or accounting manager in a number of companies.

She has been involved in similar projects in SEE countries as well. She is capable of administering financially, newly established companies and identifies possible risks and threats. Her education background covers a range of degrees from Business and Accounting to Logistics and Human Resources.

5. **Mr Evangelos Ergen**, Investors' Relations and Internal Auditing
Duties and Responsibilities
- Secure that investors remain happy with the information and feedback from the company
- Scenario planning on the potential expansion of the company and other strategic issues
- Close cooperation with the General Manager on the strategic and business plan
- Keep track of internal monitoring on the company's progress on each aspect

Background
Mr Ergen has an approximate 22-year of experience in managerial positions in different sectors with one of them being in health care industry. Moreover, he was a partner in a technology oriented company for 5 years. His background comes with degrees in Computer Science, Management, Technology and Innovation.

It is realized that the team secures a significant know-how, and the adequate experience to serve the company's objectives. The capital of 510,000 Euro will be provided by these members which in extent assures their commitment in the whole investment. All members have experienced same or similar projects and prove that can deal with pressure and uncertainty.

3. FEASIBILITY ANALYSIS
Before going to actual plan, there is an initial effort to check whether the idea has viable elements. So the following section presents the rational and the basic ideas of its further development.
Albania is considered a transition economy where important changes are taken place both in political and economical aspects. Such situation creates opportunities, and especially affects the society and the population's needs and expectations. These needs and expectations can create potential markets. Usually these markets start as micro-trends and tend to evolve into high-promising ones.

3.1 Description of the product
The management team will establish a wholesale company in Albania which will import mainly from China and sell paramedical products for domestic use, in hospitals, pharmacies and doctors. The specific products will end to patients who are the end-users and to doctors who are considered as end-users as well. The plan includes the simultaneous opening of the Head office and the main warehouse in Tirana and of a branch in Korce, which will cover the south-eastern part of the country. Actually, in Korce the company will be present through a retail shop in order to serve specific needs of the local market. This will be the only retail selling point of the company. Korce covers a rural area of approximately 400,000 inhabitants who prefer to visit Greece in order to buy paramedical products instead of going to Tirana.
The company will import the products only from China because of the variety of suppliers that exist there, the low prices and the products' quality according to ISO standards.

The initial list of products to be imported includes the following:
- Home care
  - ✓ Transport wheelchairs
  - ✓ Assist walkers
- Diagnostic equipment
  - ✓ Blood pressure monitors and accessories
  - ✓ Medical massage equipment
  - ✓ Thermometers
  - ✓ Pulse oxymeter
  - ✓ Electrocardiograms
  - ✓ Blood glucose meters
- Everyday disposables
  - ✓ Gloves

- ✓ Catheters
- ✓ Gauges
- ✓ Bandages and tapes
- Orthopaedics medical supplies
  - ✓ Arms and ankles support
  - ✓ Knee sleeves
  - ✓ Braces for knees, backs, wrists

3.2 Intended Target Market

The target market complies of all hospitals, including rehabilitation centers, pharmacies and doctors in the country, with emphasis in the well-established doctors with good reputation and surgical experience. Doctors are considered the key customer for the company. In reference to the pharmacies, there will be a priority in targeting the ones which offer a variety of products, are easily accessible, situated in central points and have a stable customer pool of different ages. Concerning the hospitals, in recent years there is a liberalization of the sector, which allows the existence of both public and private ones which will be in the target as well. It is worth mentioning that the target market is consisted of customers' groups that are interconnected in a manner and often interact with each other. This is a special characteristic of the health care sector and the company should take into account this characteristic when building its customer loyalty policies.

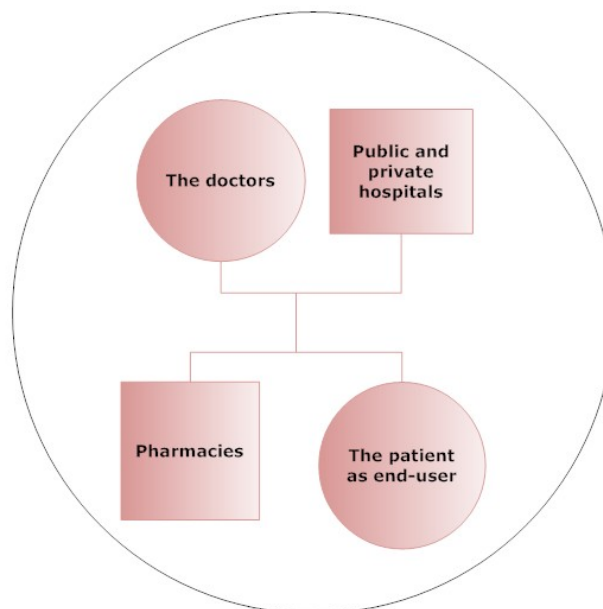TARGET MARKET - TARGET GROUPS of ALBAN Paramedicals

Figure 4. The target market (groups) and their interconnection

3.3 Benefits for our customers

Albania is an emerging economy which lacks the specialization in health care services. A surface survey has demonstrated that the supplying network of the hospitals is highly corrupted and that the health care market is in high need of the specific products. Albanian citizens are obliged to find other ways of getting the home medical products, which most of the times are imported through relatives or friends. The country shows characteristics of a black market economy in terms of such products since there is no official network of supplying. The pharmaceutical warehouses are located mainly in Tirana and provide products mostly to local hospitals and local market without including West and East Albania markets due to poor logistic mechanisms.

The presence of the new company intends to change the existed networks by creating a new chain which will be developed among the company and the hospitals, the doctors and the pharmacies. In addition, these new synergies are expected to cope with the new challenges derived from the radical changes in the health industry of the country.

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Moreover, the new company intends to bring in this network, specialized products for high-demanded customers who, in an extent will attract other end-users of similar level.

3.4 Distribution and sales model

The company will base its brand equity in the well established distribution channels and through the logistics operations. The developed local network is expected to be an asset. The team has a prior experience in supply chain networking and it will establish a new network from the beginning. The team will try to take advantage of the first-mover action and establish a network which originally target domestic needs. We aim to provide useful products to the end-user (patients and doctors) through certain selling points including (a) pharmacies, (b) doctors' practices, (c) public and private hospitals.

The competitive advantage will lie on the logistics network (supply chain) within the country. The aim should be to cover the needs of customers on-site. The company will secure that the products will be delivered on time according to demands.

3.5 Positioning

The positioning strategy of the company will be based initially in the place where the products will be available. The logistics handling will operate to secure the channels of distribution. Except the cost orientation as an overall strategy, the team has decided to provide value added services to the customers, meaning after sales contact and interaction to create an essence of customization to the end-user, especially to the doctors (a kind of augmented product).

3.6 Growth objectives

The company will import new products in the existed market and focus on enriching its products list, according to the customers' demands.

4. THE BUSINESS MODEL

So far, a number of core competencies have already been registered such as the management team and the service itself. The company imports high-quality products from China and sells them in the local market. It does not represent specific companies; on the contrary it maintains the option to select from a variety of suppliers each time, in order to keep a good balance between products' prices and their quality. It has a private logistics network and applies modern marketing techniques.

The human resources of the company will be a competitive advantage due to its synthesis, experience and know-how. In addition, the variety of products offered to the market will comply with the internal needs and demands. As illustrated in the next diagram, the team intends to work on the sustainability of the whole service and invest both in brand equity and customer loyalty.
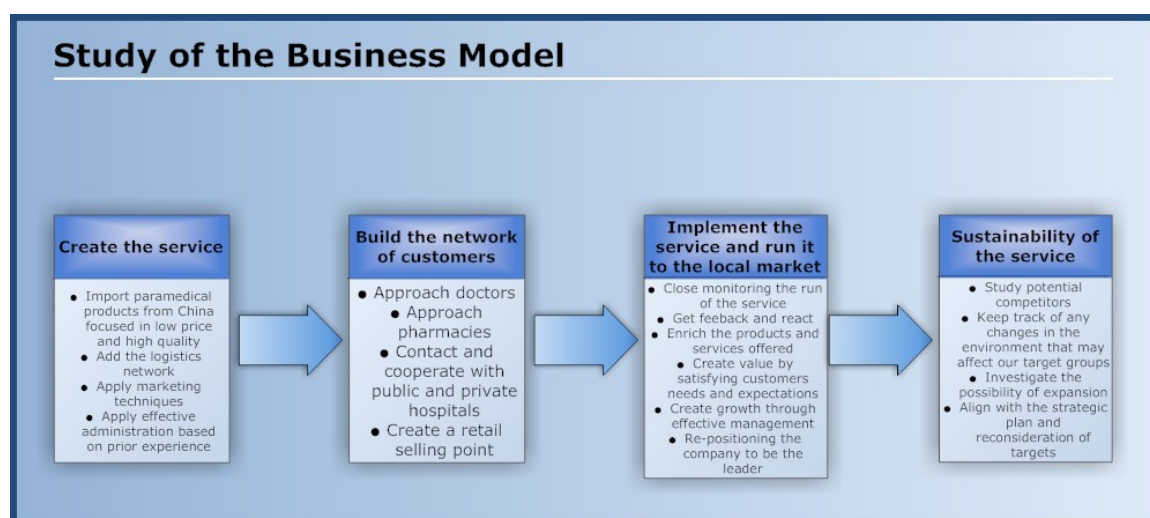

Figure 5. ALBAN Paramedicals: The study of the Business Model (value chain)

This is the figure illustration of the value chain of the business model, which actually presents the cycle of the service and how it is expected to interact with its environment and evolve throughout time. The components of the business model are given in the diagram below.

ALBAN Paramedicals

The Components of the Business Model

Core Strategy	Strategic Resources
Provide to our customers an augmented service which is based on: communication-sale-after sale support-feedback-research-innovation-change- and again the same value chain	• Unique set of recources • Experience, Expertise and Knowledge

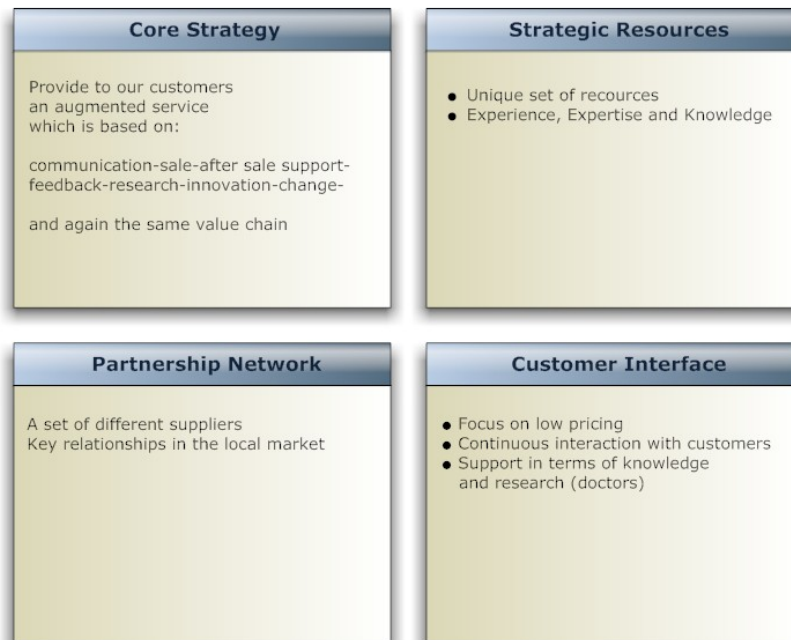| Partnership Network	Customer Interface
A set of different suppliers Key relationships in the local market	• Focus on low pricing • Continuous interaction with customers • Support in terms of knowledge and research (doctors)

Figure 6. ALBAN Paramedicals: The Business Model (components)

It is expected that the customers will be motivated through the augmented service offered by the company, which will be the basis for the differentiation. Below is given an illustration of the augmented service, as the team intends to establish and apply it. This service will be difficult to be replicated by the rivals as its core advantage is the continuous change and flexibility to the emerging trends.

ALBAN Paramedicals
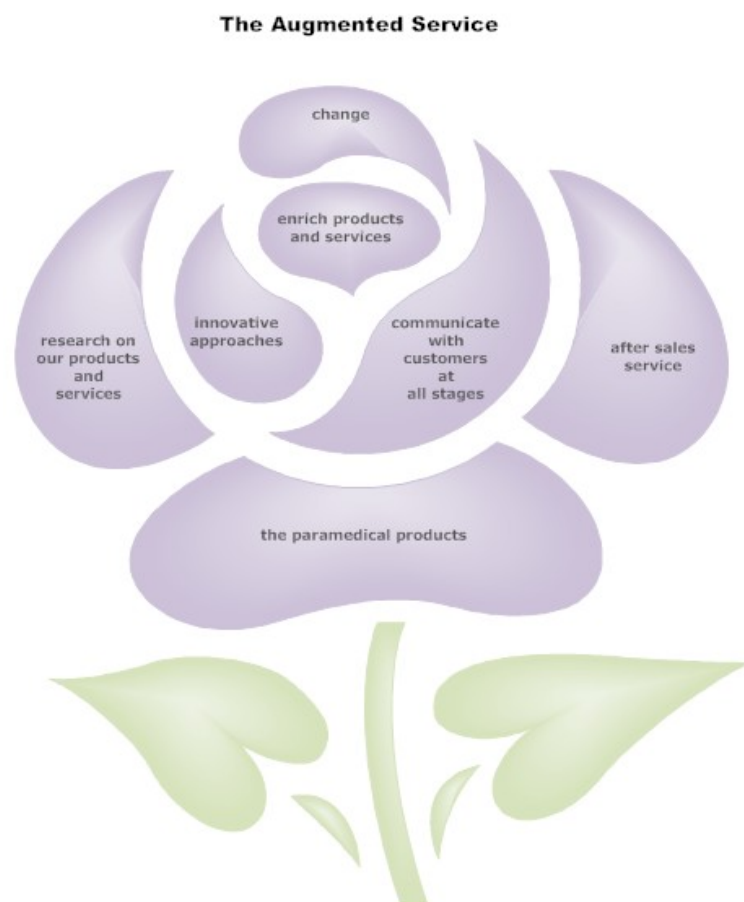
The Augmented Service

Figure 7. ALBAN Paramedicals: The Augmented Service

Likewise, this service could not be copied due to the unique set of resources, which primarily is the human resource of the company. Therefore, it is important for the management team to operate under consensus and coherence toward the business plan.

5. MISSION & VISION
5.1 Strategic Vision

As *Klososky (2011)* highlighted, vision is about forward thinking. One can also say that, visioning incorporates seeing what everybody has seen, and thinking what nobody has thought. Thus, strategic thinking is interrelated with vision. Moreover, forward thinking consists of forecasting and commitment. In other words, according to *Raynor (2007),* strategic thinking and visions depend on uncertainty. The ubiquity of randomness is the characteristic of possibility space, the set of all the possible things that can happen and may affect the company. *Raynor (2007)* embeds the idea of scenario-planning in the definition of vision, as a tool to embrace uncertainty. This mostly deals with learning to face the unexpected future. Establishing a new company and doing business in an emerging market, like Albania, is challenging but hides risks.

The vision of the team is expected to combine uncertainty and commitment with hierarchy and the relationship of each member to these two components. Therefore, the team intends to handle the investment, by splitting the strategic thinking in the two parts of: (a) dealing with uncertainty, and (b) dealing with commitment.

The team expects not only to harness the vision for the company but to maintain a vision precision in order to acquire flexibility throughout time.

The vision will be:

> *"ALBAN Paramedicals will be a leading company in the supply of paramedical products in Albania, using technology and research, complying with the healthcare regulatory rules and promoting the health, safety and well-being of people."*

The vision precision is expected to be refined through a strategy *(Klososky, 2011)* which will cope with the following questions:

1. What is the best and most efficient way to perform critical tasks in our industry?
2. How are the trends we have identified going to mature over time and what will be their impact to our company?
3. What other industries are ahead of ours and what can we learn from them?
4. What is the time horizon for the most important changes we see coming in the future?

5.2 Mission statement

> *"To enhance the quality and availability of paramedical products to the community, through the power and application of research, knowledge and technology related to the healthcare sector."*

5.2.1 The guiding principles

In order to implement our mission and use it as a compass, it is necessary to adopt in parallel a number of guiding principles as referenced.

- Making a difference
- Protecting the patient
- Respecting the human nature
- Respecting the doctor as scientist
- Leading the way
- Achieving excellence
- Cultivating blue oceans
- Working together

6. INDUSTRY & COMPETITIVE ANALYSIS

6.1 External and Internal Environmental Analysis

The understanding of the external environment is important for the evaluation of the company's competitive advantage. A business external environment consists of all the factors that can influence the company's well-being; it can be distinguished in the micro-environment and the macro-environment *(Kotler, 2008).* The microenvironment involves those factors that are promptly connected to the company; such factors are the customers, the suppliers and the competitors. The macroenvironment includes factors that have a long-term influence to the business; the most important elements of the macroenvironment are considered social and cultural aspects, economic and technological factors, political and legal forces *(Kotler, Harrison and Caron, 2010).* The evaluation of these environmental factors can create opportunities and/or threats to the organization by influencing the business' demands and supply levels. They have been, also, proved essential for the better understanding of the company's position in the market and for the establishment of business and strategic plans. Such analysis is known as PEST or PESTEL or PESTLE or PLEECST analysis. These terms stand for "**P**olitical-**L**egal **E**conomic **C**ultural-**S**ocial and **T**echnological" forces combined together.

6.2 PLECST analysis for the foundation of ALBAN Paramedicals

6.2.1. Political / Legal forces

Albania was under the governing of a communistic party until 1992. Up to that year the country regulations regarding property rights or trade rights were subjected to major restrictions. Upon the transition of democracy the country has experienced major economic, political and social changes.

The liberation of trade was one of the first aspects that were positively affected by the new political environment and it was also certified by Free Trade Agreements (FTAs) and a Free Trade Agreement with the EU (CEFTA). As a result imports and exports of products are not subjected to authorization requirements. According to the country's custom regime there is a free circulation regime with a VAT of 20%, and a custom-control process depending on the commodity. The imports of paramedical products have a 10%+1% tax according to this regime. Along with the geographical edge that Albania offers and with the Albanian government's planning of new trade arrangements the country provides opportunities to foreign investments *(Source: Southeast European Investment Guide, 2007).*

The political and the legal forces that are issued in a region/country determine significantly the position and the success of an organization. The regulations that are applied to monopolistic or oligopolistic markets, the intervention of the government to the profit decision-making, the trends of deregulation and privatization that appear in many industries, the tax incentives and subsidies, the party systems and the lobby teams are some of the key elements that a newly developed company is going to deal with *(Source: Southeast European Investment Guide, 2007).*

6.2.2 Economic forces

Albania displays a successful economic progress, illustrated by the annual 6% GDP growth rate until 2008, generated by sufficient governing actions and the prospective foreign capitalization; the last decade the growth rate had dropped to 3% without though to be subjected to fluctuations. Along with the stable growth rate Albania experiences a low inflation rate of about 3%. As most countries that are under development, Albania suffers from a high unemployment rate that reached 13% in 2010. Besides the fact that unemployment is a crucial drawback in the economic development, it influences positively the labor cost by subjecting it to stronger competition.

It is quite noticeable how economic forces can have an impact on a company's operations. Economic elements such as inflation, the level of unemployment, interest and exchange rates, taxation, economic growth are a few of the key factors that can influence the organizational behavior of the company by interfering with consumer's demand or with capital availability *(Harrison and Canon, 2010; Thompson, 2008).* The current and the future economic conditions of a region/country affect significantly the level of success or the level of the profitability of a company. Later on in the chapter of financials, potential investors may get an overall picture of country's economic condition in combination with additional social indexes.

6.2.3 Technological

The technology is undoubtfully a key player in the industrial revolution; it provides new products and services and reshapes the way business is performed. Big innovations in production levels, the evolution of information technology and communications, the future offered by biotechnological inventions have an enormous impact on the way industries operate. Despite the fact that our company is not a manufacturing company, in order to maintain a significant competitive advantage a close monitoring of technological developments will be an essential component of our strategy. Following the technological evolution will assist decision making regarding suppliers, products, distribution and company's expansion *(Harrison and Canon, 2010).*

6.2.4 Social – cultural

Social-cultural factors are considered the cultural aspects, such as the population growth, the age distribution, the health care, the child care or immigration restrictions, migration, education, demographics, segmentation etc. Albania's population is over 3.5 million with the working population estimated slightly close to 2 million people. Albania's capital, Tirana, is inhabited by approximately 1,000,000 people, while Korce, which is located near the Greek borders, is populated by approximately 65,000 people. The education level in Albania reflects the country's development. Because of its geographic location (neighbors with Serbia, Greece, Italy), the migration status and the high import and export levels most of the Albanian population is multi-lingual *(Demirel, 2008).*

Despite the increased developing rate, Albania is suffering socially by an underground economy; corruption, bribery, illegal activities, unlawfulness ranked Albania as one of the most corrupted European countries in 2008. One of the main reasons of this informal economy is the inability of the public institutions to abolish bureaucracy and meat effectively their prospects and goals. Inefficient procedures have been reported even to areas of trade and justice. Such a weakness affects negatively the membership application of Albania to the EU *(Demirel, 2008).*

As far as the establishment of ALBAN Paramedicals is concerned a research on the health care system provided by Albanian authorities is required. The Health Care System in Albania is coordinated mainly by the public sector covering diagnosis, treatment and most of the health services and is mainly funded by the Ministry of Health, by the Ministry of Defense and by the Ministry of Justice. The private sector is still emerging and provides mostly diagnosis for specialized conditions, pharmaceutical and dental services *(Source: Ministry of Health in Albania, 2009).* According to the Ministry of Health in Albania there are established approximately 3 local private drug manufacturers, 200 pharmaceutical warehouses, 700 pharmaceutical private agencies and 42 hospital pharmacies that offer public services. The aforementioned pharmaceutical agencies have the responsibility of reinforcing the drug distribution network across the country. It is worth mentioning that the Ministry of Health runs a Reimbursement System that is growing including more drugs and health services. Moreover, the application of a developing health insurance plan is willing to enhance the providing private health services (*Source: Ministry of Health in Albania, 2009).*

6.3 Application of the Porter's five forces model of competition on ALBAN Paramedicals

The analysis of a company's microenvironment is more related to the immediate factors that influence the company's operations. Such factors are the customers, the suppliers and the competitors. All these factors were combined by Porter in the Porter's Five Forces model of Competition. The evaluation of these combined forces offers the company the opportunity to be prepared for possible changes in the microenvironment, especially regarding competition. The Porter's model signifies the five states of competition that a company is facing. These forces are illustrated in the figure below and include the competitive pressure that derives from potential new entries, the competitive pressure that is associated with other firms that offer substitute products and the bargaining power of buyers and suppliers over the company *(Porter, 2008; Thompson, 2008).*

In the model illustrated in the figure below, the five combined forces are plotted in a framework that specifies the **Highest** or **Lowest** influence of these forces to the company for the first 3 years of business plan. It is expected that the fourth year will be the same with the third.
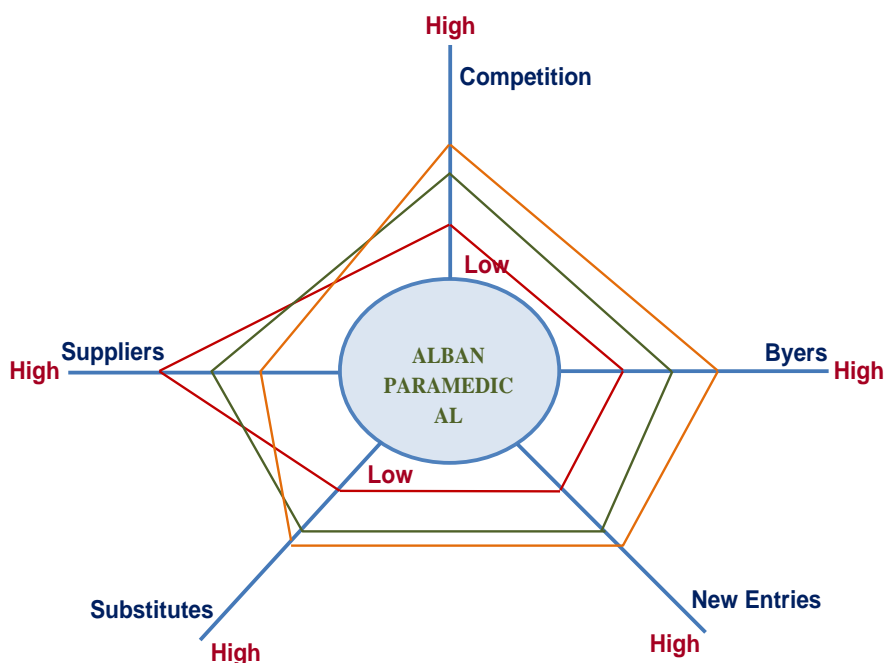

Figure 8. Porter's Five Forces Model of Competition.
The three different colored frameworks represent the three different years of the business plan.
*(**1ˢᵗ year**, **2ⁿᵈ year**, **3ʳᵈ year**)*

6.3.1 Competition – possible new entries - Substitutes

According to the management-team's research there is no current significant competition for ALBAN Paramedicals. Albania lacks an established network of paramedical suppliers. Whenever is needed, the private pharmacies or private physicians tend to order paramedical products upon request directly from manufacturers or from suppliers in the nearby countries Serbia, Italy or Greece. Thus, in the first year of entry there will be a low influence of competition or of possible new entries in the market. Along the years there is a substantial possibility of new entries resulting also in the increase of substitute products. There are a significant number of suppliers that offer products with similar quality, manufactured by different companies. The new entries will strengthen the influence of the competition and there will be a need of a strategic action in order to face successfully that prospect.

6.3.2 Bargaining power of buyers

In the time being the existing customers that are in need of paramedical supplies are seeking products through doctors or pharmacies. The opportunity to have immediate access to products in a non-competitive environment arise a low bargaining power of potential customers. As the competition will grow over the years the power of buyers will get stronger and will drive the company to reconsider its strategy formulation.

6.3.3 Bargaining power of suppliers

Because of the abundance of the products that ALBAN Paramedicals offer, there are an unlimited number of suppliers throughout the world. The company focuses in the current market of China. The choice of suppliers will be based on the quality of the products, the warranty, the availability and the trade agreement. Being new in the market, the bargaining power of suppliers in the beginning is considered of medium strength. Taking into account the possible new entries and the increase of competition, the key suppliers would be under constant evaluation; considering the position that ALBAN Paramedicals will maintain in the market after year one and the variety of existing suppliers the bargaining power of the latter will drop slightly over the years.

6.4 SWOT Analysis

A SWOT analysis will be used as a strategic planning in order to evaluate the current position of ALBAN Paramedicals in the market. The PLECST analysis that was performed along with the management team research contributed in the synthesis of the following schematic configuration of the SWOT analysis. The figure below illustrates the Strengths and the Weaknesses of the company and how they can be combined with external factors that represent the business' Opportunities and Threats *(Kotler, 2008; Thompson, 2008).*

	Helpful	Harmful
Internal origin (attributes of the organization)	**STRENGTHS** ✓ Well experienced personnel ✓ Low cost products ✓ High quality products ✓ Existing project planning ✓ Well established marketing plan ✓ Well established distribution channel ✓ Product stock – immediate availability ✓ Adequate salaries – benefits ✓ Initial capital	**WEAKNESSES** ✓ New at the business ✓ No product differentiation ✓ Not proven project planning
External origin (attributes of the environment)	**OPPORTUNITIES** ✓ Virgin environment ✓ No paramedical suppliers network ✓ No significant competition in entry ✓ Time to establish good customer relations ✓ Potential of competitive advantage ✓ Change suppliers – capture economies of scale	**THREATS** ✓ Unpredictable market response ✓ Possible new entries ✓ Increased Competition from year 2 ✓ Interest rates ✓ Taxes ✓ Exchange rates

Figure 9. SWOT Analysis for ALBAN Paramedicals

The above SWOT analysis represents mostly the current situation with a light future projection. At the present time according to the SWOT analysis ALBAN Paramedicals has the opportunity to penetrate the newly developed Albanian market as paramedical supplier and try to consolidate its position. The management team of ALBAN Paramedicals will perform another SWOT analysis at the end of each year in order to evaluate the competitive forces existing at the time and the company's environment that signifies its position in the market.

6.5 Formulation of strategic actions

Having the PLECST, the SWOT analysis and the financial analysis under consideration, a strategic course of action can be determined. In the first year of business the management team of ALBAN Paramedicals expects to penetrate the market with a low cost strategy and a well-established distribution that will cover central and southern part of the county. Without the presence of significant competition the company will assess the "first-mover" advantage and will successfully approach and consolidate a sufficient customer network that will involve mainly private pharmacies, private physicians, public and private hospitals including rehabilitation centers and retail services.

The use of direct-to-end-user sales and the choice of key suppliers will give the opportunity to the company to apply a low-cost strategy. Because the business will be a new entry in the Albanian market, at first it will concentrate on a narrow piece of the total market including two main cities Tirana and Korce. Moreover, despite the fact that the company is not manufacturing the products, it

can earn a differentiation advantage by providing better quality sale services. Along with the well-experienced personnel and the time-edge against competition, ALBAN Paramedicals will move ahead and maintain a competitive advantage at least for the two years of business. More detailed strategic objectives are presented in section 7.

6.6 Strategic group map

A strategic group map includes the industries that share similar competitive approaches or address the same market position *(Thompson, 2008).* In our case such map cannot be drawn since for the time being there are not significant competitors in the field. ALBAN Paramedicals will generate a strategic group map at the end of every year of business in order to avoid unexpected "surprises" of possible competitive entries in the market.

The impact of competitive forces is expected to be high in terms of profitability amounts, after the second year of operation. Since the company will establish its brand in the market, the flexibility given by the different suppliers plus the internal competitive advantages acquired in the meantime, will keep the percentages of profitability in a good standard. The market is intensive, so the company should remain flexible in terms of its business moves. In any case its business model provides increased flexibility due to its human resource synthesis.

6.7 Key success factors (KSFs)

The key success factors are elements that constitute the competitive advantage of a company. These factors attribute to the business prosperity in the market. Such factors can be considered a well-structured management team, an inspired and capable leadership, the adoption of the correct strategy, the ability to identify market availability, a significant customer relationship *(Thompson, 2008; Ghosh, 2001).*

In ALBAN Paramedicals we believe that our main attributes lie on:
- The dedicated management team
- The substantial period of time to enter Albania market when paramedical supplies network is poor
- The strategic points of establishing the business (Tirana and Korce) covering the center and the southern part of the country
- The initial obtained capital
- The well-organized implementation of sales and marketing projections – 4 year marketing plan
- The well established distribution network

Based on the above factors the company is expected to differentiate and try to make competition seem irrelevant.

6.8 Drivers of change

As described in the vision of the company, ALBAN Paramedicals is dedicated to use technology and research as means to achieve its goals. Therefore, it will keep track with product innovations and technological changes that affect the health care sector. Moreover, it will survey on any changes in societal concerns, attitudes and lifestyles. Since these are considered major driving forces for changes, the management team is willing to monitor them in order to maintain sustainability and increase the value of the sector.

6.9 Attractiveness of the industry

The sector currently seems to be unattractive due to economic and country's specialties but this is due to its immaturity. Actually, as it is described in the financial plan there are hidden opportunities. There is a rising percentage of population which inhabits the country as well as a return of immigrants who have adopted different cultures and request higher living standards, thus demanding better services, especially in health issues. The country is in a total reformation, on almost every aspect of daily living so this is a good opportunity for placement.

7. STRATEGIC OBJECTIVES, GROWTH & GENERIC BUSINESS STRATEGIES

The company intends to fully exploit the first mover's advantage and secure its customers' pool against the expected competition. The strategic objectives to be adopted will be a mix of focusing in two generic strategies and this is (a) low-cost leadership and (b) broad differentiation. Since the target market is a broad range of buyers, it is expected that the specific mix will consist the basis for further success and value. Below is given a diagram of the competitive strategies of the company.
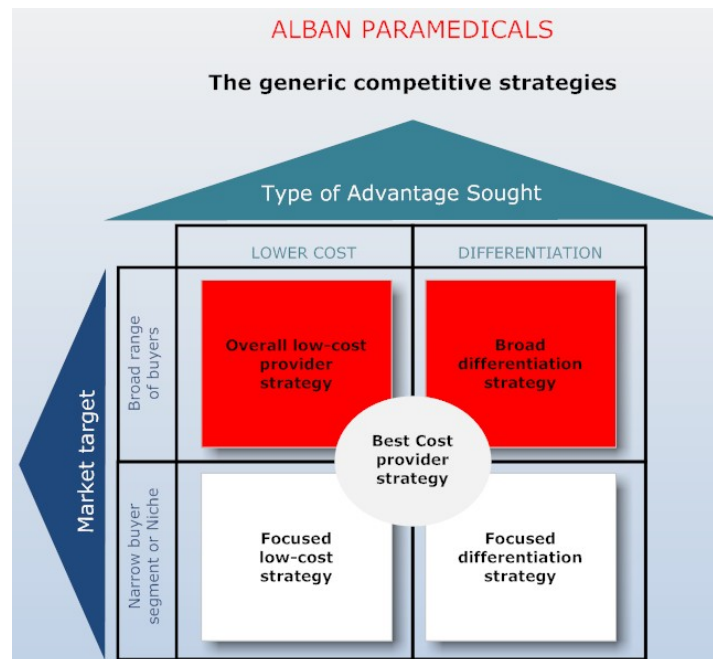
Figure 10. ALBAN Paramedicals: The Generic Competitive Strategies

As described thoroughly in the financial plan, the cost of the products and the final costs of the augmented service will be of continuous monitoring. This is the main reason of giving special focus in the financial and accounting control of the company by hiring a specialised manager. The competitive advantage based on low cost leadership will be based on certain tactics which are given in the next diagram.
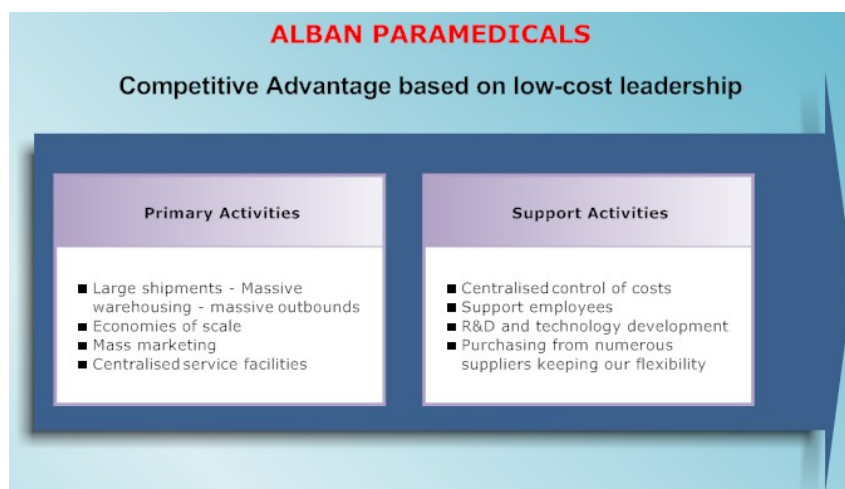

Figure 11. ALBAN Paramedicals: Low Cost Leadership

Regarding the differentiation strategy this is based in the idea of creating continuously value for our customers which will be altered based on the feedback we get. Such strategy could not be copied easily since it does not stand stable for a certain period. Giving no time of reaction to our competitors may be an answer to rivals.

On the other side, it is planned to monitor any pitfalls that both strategies have. Moreover, the Team will incorporate the advantages provided by the balanced scorecard. The most important, at this stage, is considered that the scorecard will make the managers think about relationships within the company's framework.
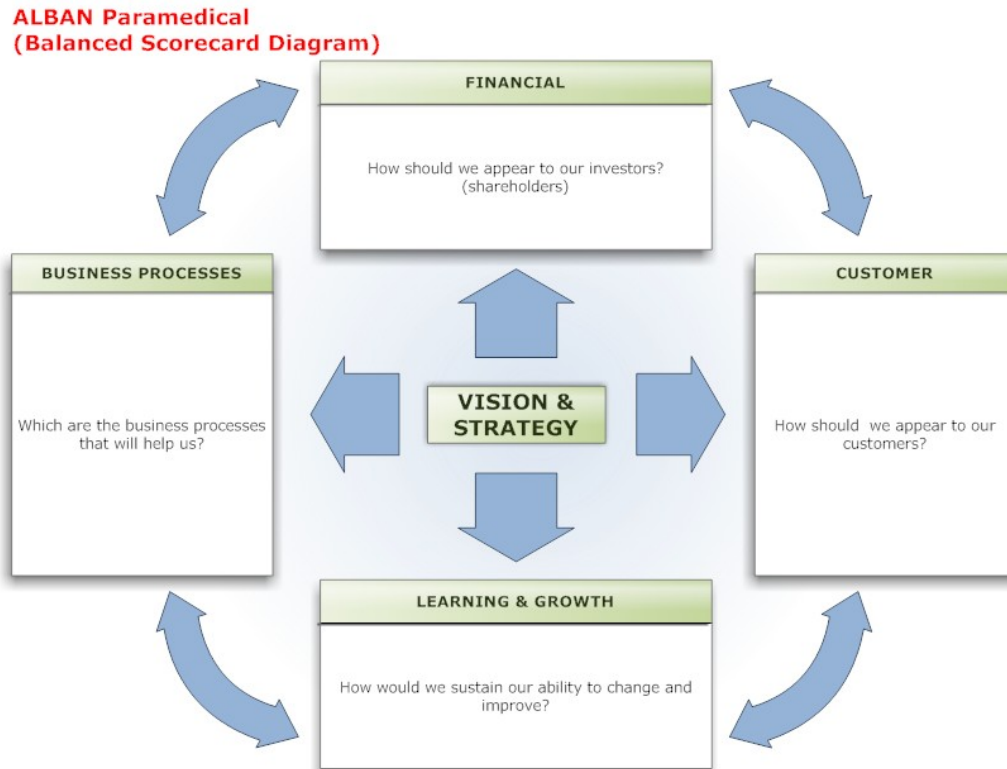

Figure 12. ALBAN Paramedicals: Balanced Scorecard

As it is illustrated, the vision and the strategy will be placed in the centre of the activities and will be examined in terms of daily operations. The Ansoff Matrix is used as a tool to identify where the company will base its growth. Current situation presents a specialty as mentioned earlier. The market is non attractive but is becoming attractive. This is a fact and in order to cope with it, the Team will apply all four growth strategies as given in the figure below. It is considered wise to keep flexibility on using each strategy according to the market's situation.
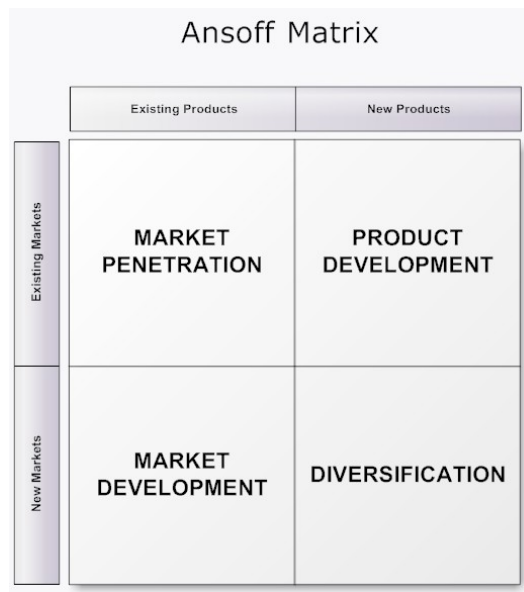
Figure 13. ALBAN Paramedicals: ANSOFF Matrix

Therefore, since the market is expected to remain non-attractive when we enter, we will apply market development and diversification as initial growth strategies. In continuous, the Team plans to use its resources to apply market penetration and product development.

8. MARKETING STRATEGY

ALBAN Paramedicals is a wholesale company of paramedical products which aims to be established in Albania as the major wholesaler in the sector. The specific market in the country is still under development. Only specific products can be found through different sellers whose product catalogue includes more pharmaceutical and less paramedical ones. The import of the products is being held from different companies, with different cost policies and usually over the average selling price comparing to European and global markets. The company has identified a gap in the offered service. Therefore, on the one side, it has decided to fill that gap in the market while on the other side intends to take the leading position within the first year of operation.

8.1 Marketing strategy- Introducing the marketing mix

Every company planning to be the best in its field should apply a marketing strategy. Adopting a strategy can help the team to find the benefits of the market as well as to identify the potential threats and weaknesses that may be faced in the future. In order to determine the advantages and disadvantages of the marketing strategy, a widely used technique for market analysis will be used; this is the marketing mix and is based on 4Ps: product, price, place and promotion. According to *Kotler et al (2008)*, managers use the marketing mix as a tool to achieve their goals. Through the marketing mix, managers can have the opportunity to acquire an in-depth knowledge about their product and its impact in the market, to locate the needs of the market as well as its size and the potential expansion. Overall, such information can create an image of the possible penetration and how this could be achieved. *David Jobber (2001)* claimed that, the strength of the 4Ps is that, it can be a strong and practical guide for marketing strategy and decision making. In this section, there is an effort to make such an approach in order to providing the marketing perspective of this plan.

8.2 Marketing mix in ALBAN Paramedical: a service company

The company will provide an augmented product incorporating a number of services. Bringing in the market supplies in the lowest price with increased availability and secured quality, the company is considered to provide services than only products. As *Goldsmith (1999)* stated, service companies are trying to establish a long term relationship with their customers giving them a unique market experience. Because of this differentiation more aspects are added to the marketing mix, apart from the 4Ps: People, which refer to the management team and the employees of the company and Process, which includes all the procedures involved in bringing the final product to the customer, i.e. the supply chain and the distribution channels. The expansion of marketing mix

was decided because the company is actually a distributor. The main targets at this stage, is first to establish the company and second to distinguish and strengthen its position from the beginning and during the entrance of other competitors in the market.

8.3 Target market and segmentation

In order to evaluate the new market sufficiently, the latter will be divided into smaller segments. As *Wood (2010)* identified, segmenting a market is essential for a company, because it can understand better the needs of the consumers and the differences between them. Consumers have to be grouped based on their needs so they can be served more efficiently.

The focused market will actually be the Albanian health system. Albania has more than 3,700,000 inhabitants with an average age of 28,6 years old; the one third is under 15 years old and the 40% under 18. Albania, after the communist period, has moved to a national health care system emphasised in the primary care. The health care is provided by policlinics, first aid, and by hospitals for the longer treatment. In 2009 there were 41 public hospitals with more than 11,000 beds, a fact, which is considered as high standard. There is also an increasing private health sector which covers drug distribution, dentistry services and medical care.

The market of ALBAN Paramedicals lies primarily in the public sector consisted of the two biggest health care providing sectors of the country, public hospitals and military hospitals and of the private sector including diagnostic centres and specialised clinics located in large urban areas and Tirana. Third and last is the sector of retail. We will provide products directly to customers through our shop in Korce.

8.4 Entering the market.

Albania, as mentioned in the beginning of this plan is at the 82nd place among 183 economies in terms of doing business. The number of procedures need to start a business are 5, one of the smallest in the region. Also the time period requested to start a business is only 5 days. Comparing to Greece for example the numbers are 19 days and 15 procedures. The imports' tax is 1% plus the custom tax which is 10%. In general, it is not difficult for a new company to enter in the market. The only negative factor is the corruption in the public sector, which however sometimes can be an advantage. The team has considered this factor very seriously and has forecasted a relevant expense which is included in the financial plan.

8.5 Health statistics

According to the Ministry of Health, the main causes of deaths are: (a) diseases of the circulary system, about 285 deaths per 100.000 people, (b) cancer, estimated at 92,8 per 100.000 people, (c) accidents and injuries in about 38,9 /100.000 people, (d) diseases of the respiratory system, estimated at 30 per 100.000 people, and (e) diseases of the nervous system 13,8 per 100.000 people. Some other threats comes from the fast growing amount of wastes, the uncontrolled dumping and burning of wastes around the country which are expected to increase the percentages of health diseases in the next few years. Several industrial plants, like the copper smelter in Rubik and the nitrate fertilizer plant in Fier, are also factors which are considered responsible for increasing health risk in the region. Despite of these negative factors, such conditions create a framework of a community which will need help from health experts in order to cope with the health difficulties expected. That means a rising market with more needs to cover.

8.6 Marketing mix
8.6.1 Product

ALBAN Paramedicals has planned to offer: (a) the tangible products, which are the paramedical ones and (b) the augmented service, as described adequately earlier.

The tangible products are definite and are not manufactured by the company. They will be imported from different manufactures from China. The list of products is given below. We have to mention though that this is the introductory list based on the initial survey made. This will be enriched according to continuous research.

• Home care
  ✓ Transport wheelchairs
  ✓ Assist walkers

• Diagnostic equipment
  ✓ Blood pressure monitors and accessories

- ✓ Medical massage equipment
- ✓ Thermometers
- ✓ Pulse oxymeter
- ✓ o Electrocardiograms
- ✓ o Blood glucose meters

• Everyday disposables
- ✓ Gloves
- ✓ Catheters
- ✓ Gauges
- ✓ Bandages and tapes

• Orthopeadics medical supplies
- ✓ Arms and ankles support
- ✓ Knee sleeves
- ✓ Braces for knees, backs, wrists

8.6.1.1 Range and quality

This is a wide range of paramedic products which cover the main health issues mentioned before. Public or private hospitals, first aid situations, diagnostic centers, clinics, private doctors, retail patients, will have access and exploit the quality and availability of the offered service.

Beyond the benefit of wide range, paramedical products display another advantage comparing to pharmaceutical products which is the longer duration life. The expiry date of such products can be years ahead and many of them can be used more than once and from different patients, so both from marketing and logistics perspective they demonstrate a good standing in the market.

The quality of the products, except the diagnostic equipment, is more or less the same from the wide range of approved manufactures. This gives us the opportunity to select the most cost effective solution, with our terms in the market.

8.6.2 Packaging

Packaging of the products is very essential for the brand equity of the company. Even if it refers to paramedical products, the convenience, usability, duration and aesthetics are some of the characteristics that the marketing department will invest on.

8.6.3 Price

According to *Akshay et al (2000),* in order to be the best in the market you have to be different from others. The base of differentiation could lie either on different products or on pricing policies. As *Kotler et al (2008)* highlighted, to set a price is an essential part of your marketing mix .This not only does add value to our augmented service, but also it is a feature which is expected to provide a definite competitive advantage. The company will be primarily cost-oriented. It is a matter of policy to provide the cheapest products in the local market. Specific product pricing is illustrated in section 11, table 11.

8.6.4 Place

In marketing strategy the effective selection of the place can bring the company at the top of the market. The geographical position and the conveniences that such place guarantees may add in the value and create a positive framework both for the human resource of the company as well as for the customers. The team, having tested thoroughly the statistical data on population, diseases percentages and other relevant information decided to operate 2 premises as described earlier. This double presence will secure the brand's awareness both in north and south part of the country giving direct access to more than the 2/3 of the total population.

8.6.5 Promotion

The company has incorporated in this plan a significant fund on monthly basis for promotional operations. The will be done in a number of ways such as:
- TV Advertisimements
- Announcements in papers and special magazines
- Participation in seminars and health conferences
- Organizing of events

The bottom line of the strategy is to keep close contact not only with each target group separately but with the whole community. This is a mix which will cope with the specialty of our customers' interaction.

8.6.6 Processes

It is true that despite the products which ALBAN Paramedical will distribute to the Albanian market the company will also focus in providing a service experience. As *Karmarkar (2004)* claimed business scholars and practitioners are aware that inside the market, a competitive advantage can be reached through service". In return, such a competitive advantage can advance to a superior performance.

Processes aim to bring service quality to the final consumer. With processes we implement our plan from choosing the appropriate product from the suitable manufacturer to the transportation in the shortest available time to the consumer. *Cooper and Hisrich (1987)* concluded that, the health market demands high precision, on-time delivery and constant attention.

8.6.7 People

The company will invest in its team. According to *Genami (2007),* the general goal of the management team is to make an effort to eliminate all those situations that can create dissatisfaction inside the organisation. To demand the best from the employees you have first to take care and invest on them. The company has projected to provide increased salaries to the staff which is 10% to 50% above the country's standards. In continuous, in the end of the second year of operation, the human resource development is planned to be of top priority. Among others, the employees will be trained and gain valuable experience over time which can be used in the further development of the company. As *Ikwukananne and Udechukwu (2009)* stated, the job creates knowledge, skills and abilities in mind.

9. LOGISTICS & OPERATIONS STRATEGY
9.1 The supply chain of ALBAN Paramedicals

Many different researchers are responsible for many different definitions regarding the supply chain management. *Christopher (1998),* defines the supply chain as a connection between suppliers and clients, within various processes, that result in added value. On the other hand, *Peck (2006),* highlights that supply chains comprise flows of materials, goods and information (including money), which pass within and between organisations, linked by a range of tangible and intangible facilitators, including relationships, processes, activities and integrated (information) systems.

Moreover, according to *Geary et al (2002),* benefit can come out of good supply chain management. This benefit refers to both internal and external factors of an organization. Better resources management and cost reduction are two of the internal benefits and fast reactions according to customers' needs is an external benefit that may come out of good supply chain management.

An analysis of the supply chain of the company will be presented. The general idea of the products flow within the chain is given in the next diagram.
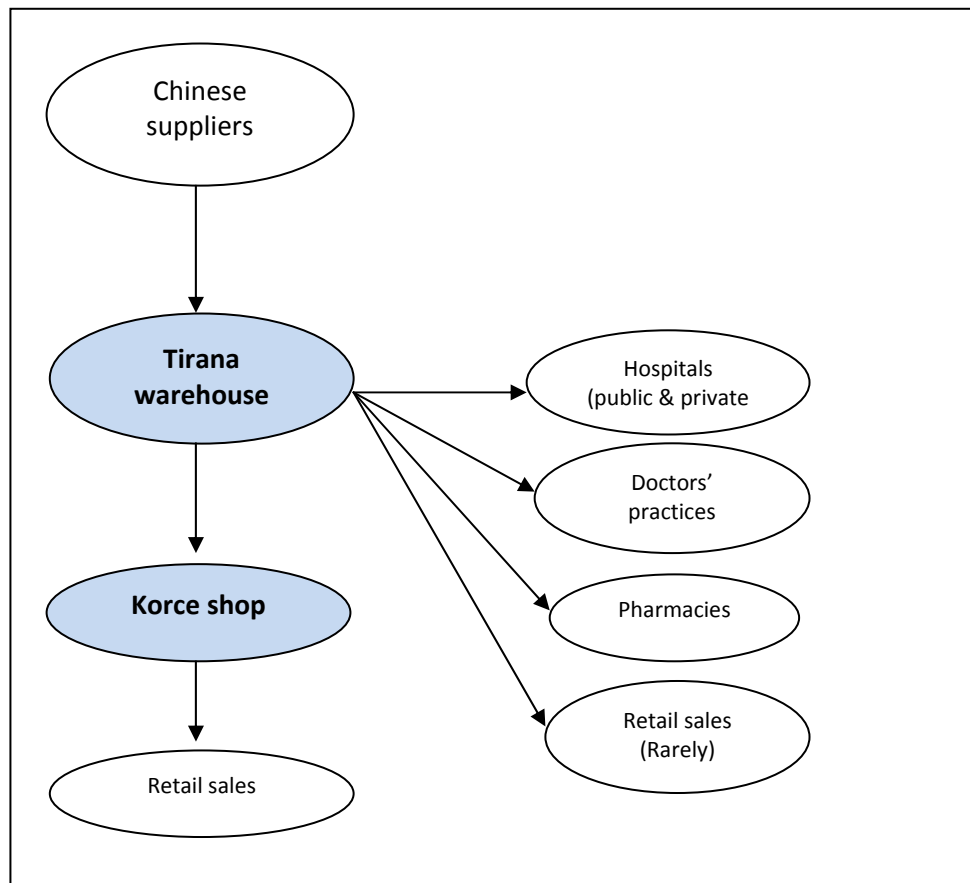
Figure 14. ALBAN Paramedicals: The supply chain

9.1.1 Upstream

The company will be working with suppliers strictly from China. After an extensive research, Chinese suppliers proved to have the desired combination of characteristics such as variety, high quality (ISO), low prices and small delivery times. The team has also decided that in order to preserve flexibility and negotiation power against suppliers, there will not be a contract with a specific supplier. The "no contract" policy is also followed because of the fact that suppliers in China suffer from heavy competition and they are willing to make great offers in order to gain a client. According to the opinion of the Logistics & Operations Manager, which is supported by the rest of the team, there should be four orders given to the supplier each year. The conduction of those orders will be made by the Logistics Manager and the warehouse supervisor who, amongst other things, is responsible for keeping the Logistics Manager informed about stock levels. Finally, in terms of transport, the products will be shipped to the port of Durres and a 3PL company will be responsible for taking them to the main warehouse by truck. The supply chain, up to the point that products reach the warehouse, is also shown in the next diagram. The 3PL company is a permanent cooperator of the Durres port authority and the expense is included in the handling and import expenses.
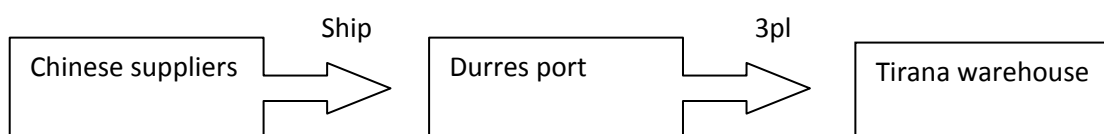

Figure 15. ALBAN Paramedicals: Supply chain

9.1.2 Downstream

The customers of ALBAN Paramedicals can be divided in four groups which are hospitals, pharmacies, doctor's practices and customers that buy retail. Retail sales take place at the shop in Korce, whereas the rest of the sales are done through the main warehouse in Tirana. Because of the fact that the two branches (Tirana, Korce) deal with different clients, they will be presented separately.

9.1.2.1 Korce branch

As it was mentioned, the premises in Korce include a warehouse that is small in capacity. Because of its small capacity it has to be supplied with products by the main warehouse approximately four times per month. Driving time from Tirana to Korce is approximately three hours which means that for the transactions between the two warehouses one driver would have to spend minimum four working days per month. This is the reason that the team considers to outsource this function as well using a 3PL company for these transactions. Although, this is not in the initial operation it may be under full consideration during the first quarter of operation.

9.1.2.2 Tirana Head office

The Head Office in Tirana deals with all the wholesale customers. Pharmacies and doctors are the customers that regularly need small quantities of products. For such customers the company has included alternatively motorcycles in its fleet to gain quick response times. Obviously, motorcycles guarantees agility and fast movement through traffic. In order to cope with the demand that hospitals have, which is much bigger in quantity, it was decided to use small vans and bigger vans (diagram 3). Having four different ways of transport in our disposal will help the delivery process and hopefully keep our customers satisfied.
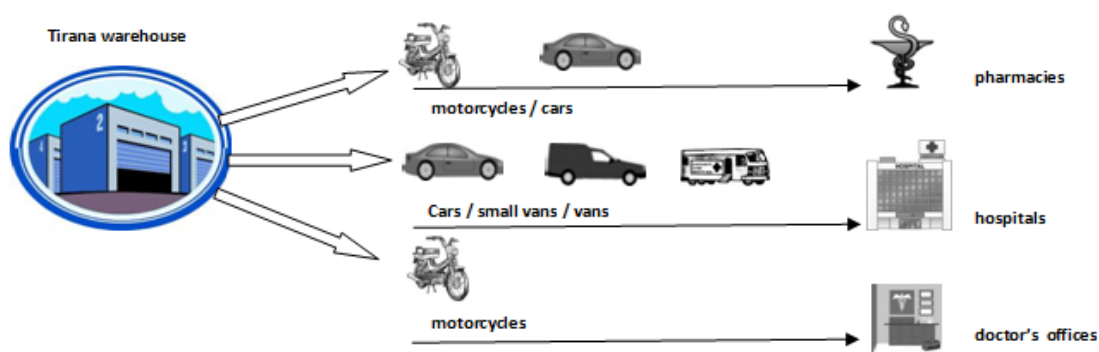

Figure 16. ALBAN Paramedicals: Delivery plan to customers

9.2 Premises description
9.2.1 Premises in Korce

In Korce, apart from the shop, the premises will facilitate a small warehouse of about 80 sq.m. The initial idea is to try and keep a small quantity of every product that the company offers. Nevertheless, there should be enough quantity in this warehouse so that it is only supplied with products once a week by the main warehouse in Tirana. The picking process will be done manually by the warehouse employee and should be easily handled regarding the lightness of the products offered and the rather small variety. The equipment that will be used in the picking process consists of a pallet jack and a cart *(Figure 17)*. The shelves that will be used are small in size and height, so that they are easy to put together and easy to use *(Figure 18)*.

Figure 17. ALBAN Paramedicals: Korce Warehouse Equipment

Figure 18. ALBAN Paramedicals: Korce Warehouse Shelves

9.2.2 Premises in Tirana

The main warehouse in Tirana should be able to handle a considerable number of euro pallets. In order to increase the capacity, this warehouse is bigger and higher than the one in Korce. In terms of equipment, this warehouse will have two pallet jacks and three carts but in addition to the equipment of the small warehouse, this one will also have an electric forklift and an order picking machine *(Figure 19)*. The extra equipment will increase productivity and make the picking process easier so that the warehouse employee with help from the drivers will be able to execute the orders without the need for extra personnel. The shelves that were considered suitable for our products, which throughout their range are not so heavy, were medium duty shelves that expand to two levels and also exploit the ground level *(Figure 20)*. Apart from the administration offices, the premises in Tirana will also facilitate a small showroom of the company's products that will offer, to any potential client, the chance to evaluate them.

Figure 19. ALBAN Paramedicals: Electric Forklift & Order Picking Machine

24

Figure 20. ALBAN Paramedicals: Medium duty shelves

9.3 Performance measurement of ALBAN Paramedicals Logistics system

For many years companies only used financial figures as a performance indicator. The most common financial data that were used to assess performance were earnings per share and return on investment *(Kaplan and Norton, 1992)*. KPIs were also based on financial figures completely ignoring a qualitative approach, resulting in slow and bad response to any organizational changes.

On the contrary, academics have made statements regarding the need of change in the whole system of measuring performance in a supply chain of an organization as a whole. Academics claimed that monitoring performance with traditional non qualitative KPIs cannot be of any real help for a management team *(Kaplan and Cooper, 1998)*.

In conclusion, performance measurement should be constant and always with the use of both qualitative and quantitative KPIs that give accurate and real information about an organization or supply chain *(Van Hoek, 1998)*.

In order to improve performance in the company, we have to constantly measure the processes within the logistics system. The only way to know if our company meets its original goals is measurement of the processes and comparison. One way to make these measurements is the use of KPIs (Key Performance Indicators). KPIs are ratios that are specially designed to feed employees and the management team with valuable information in order to improve performance and make correct decisions.

Examples of the KPIs that the Logistics Manager suggested for the company are the following:

1. **Percentage of backorders**
This KPI shows the percentage of unfulfilled orders and will be especially helpful for the branch in Korca. If the management team notices this percentage rise, this would probably mean that by the time that the small warehouse is resupplied many orders are not executed due to lack of stock. A possible course of action in this case is to resupply the warehouse more frequently.

2. **Percentage of correct orders**
This KPI shows the percentage of correct orders in a certain time period. This is a very useful KPI that shows the efficiency of the warehouse department in Tirana.

3. **Forecast accuracy**
This KPI is used to compare the demand forecasts, made by the Logistics Manager, with the actual sales made in a certain time period.

4. **Number of orders fulfilled**
This KPI measures the number of orders that were executed per day or month and it is considered to be one of the most important KPIs considering the warehouse department performance.

5. Percentage of warehouse use
This KPI is used to monitor the percentage of the space that is used in the warehouse. Especially when Albamed starts operating, this KPI will determine with certainty whether bigger or smaller premises are needed.

9.4 Human Resource aspects
   The company is considered a small one in terms of staff. The initial hiring plan involves 18 people, from which the 13 are employees and supervisors. The human resource policy initially is restricted in two main strategies:

(1) to provide salaries bigger than market's average
(2) to support and train people

The management team has in its policy to start operations hiring local people. The market has young candidates with good skills and academic background who are willing to work and succeed in their field. Below is the initial organization plan according to what has been described.
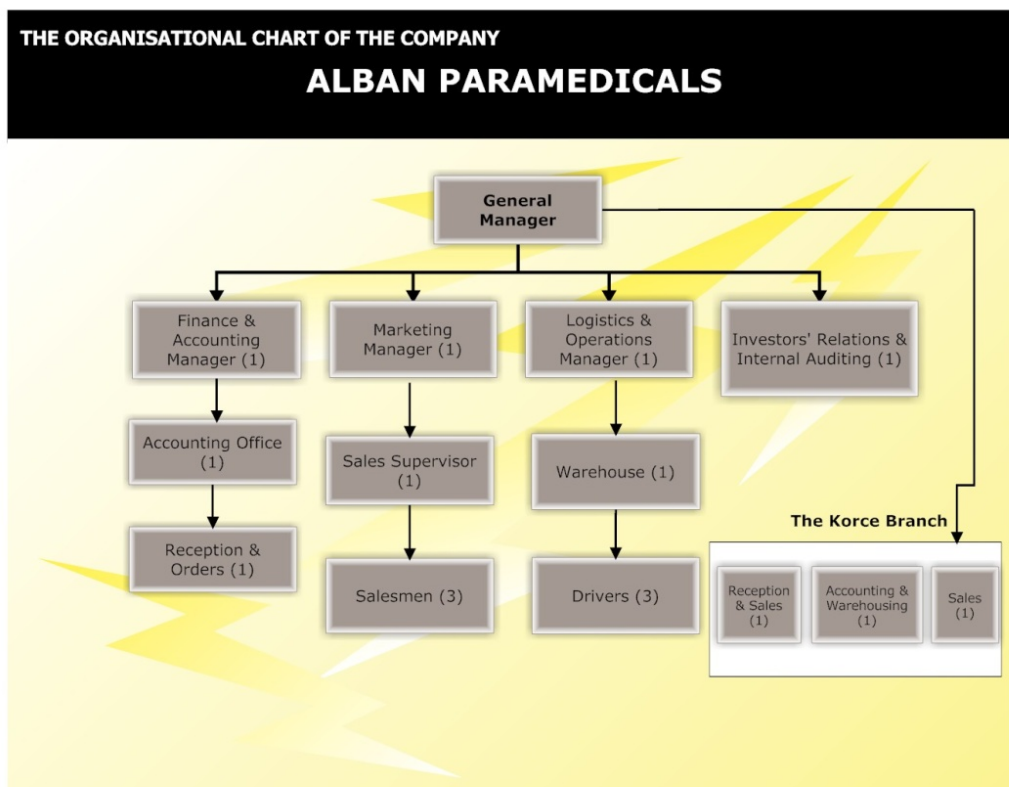

Figure 21. ALBAN Paramedicals: Organisational Chart

10. RISK MANAGEMENT

Obviously, such an investment in an environment of transition hides risks and implies operating in uncertainty. The team considers that risk is a decision that cannot be avoided. On the contrary risk could be analysed, assessed and controlled. There will be a two-pronged strategy in dealing with risks and these are: (a) risk mitigation and (b) scenario planning. The second is involved mostly with embracing uncertainty. In the figure below, there is an effort to present a strategy form to react in risks and undertake responses.
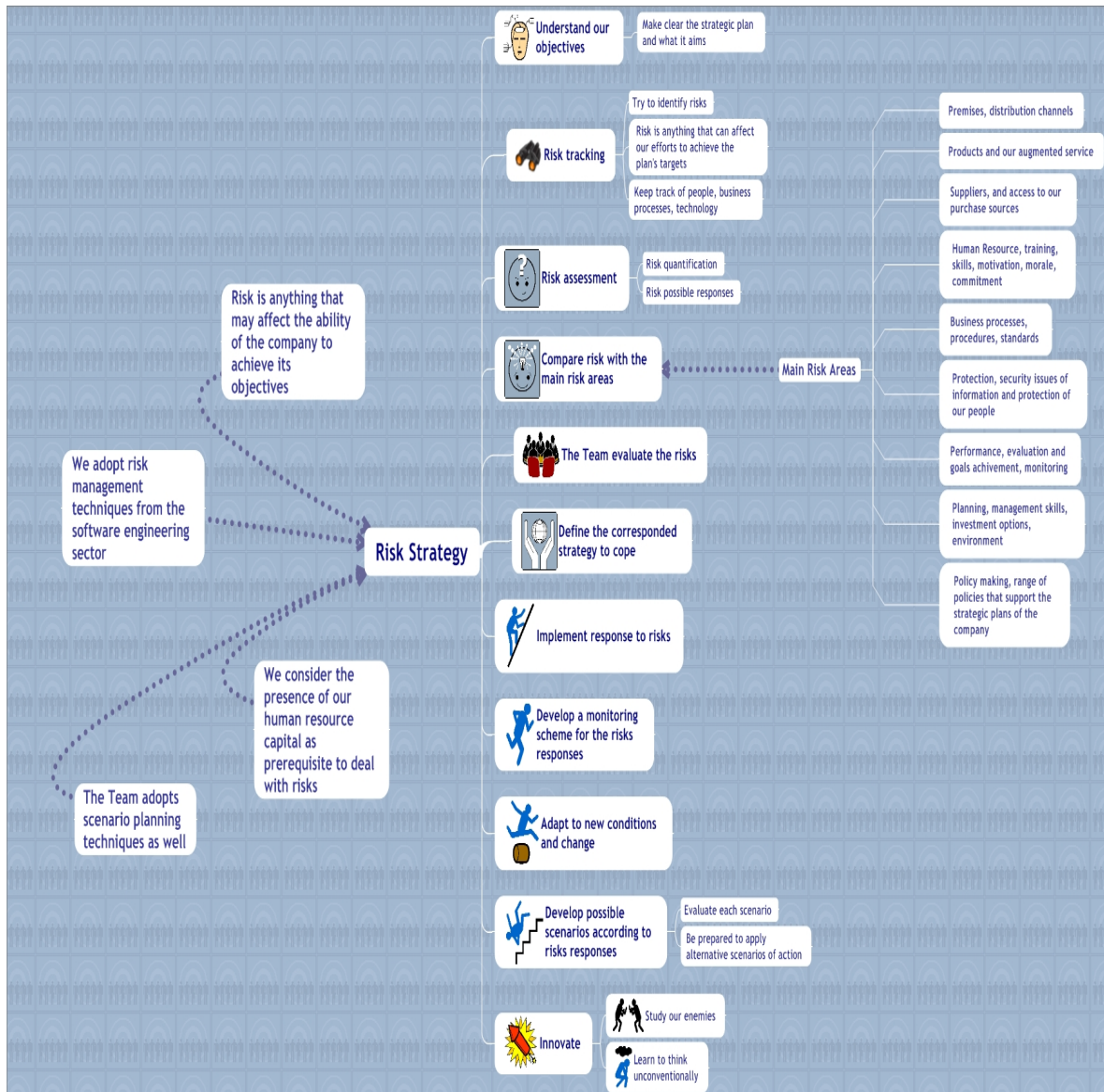

Figure 22. ALBAN Paramedicals: Risk Strategy

11. FINANCIALS, FINANCIAL CONTROL & STRATEGY

11.1 General economic overview of the country

In order to create the financial plan a literature review on definite sources has taken place. It was considered crucial to gather a number of economic and financial data on the country and the health industry in extent. The aim was to create a framework of useful information for the potential investors and the team. Therefore, certain editions of World Bank, International Monetary Fund (IMF), OECD, CIA Factbook, were used as a primary source.

Albania experienced a period of high growth in the years of 2004 to 2008 meaning a rate of 6%. Last two years (2009, 2010) this growth rate declined to 3% and seems to remain stable *(CIA Factbook, 2011).* It has a fairly low inflation rate, of 3.6%. On the contrary, the unemployment rate is officially calculated in 13.5% (2010). The budget of the country shows that revenues are around $3,205 billion while the expenditures are $3,571 billion. This is mostly due to high needs of oil which is imported. The public debt is estimated in 59.3% of GDP (2010). Actually the economy is in a transition state demonstrating the characteristics of a ready-to-burst one, since there are a number of parameters that contribute positively to this.

For example, since foreign direct investments (FDIs) is considered among the lowest in the region, both political parties that rotate in the government, the Democratic Party of Sali Berisha, currently in authority, and the Socialist Party of Edi Rama, a powerful opposition, have jointly created an ambitious programme to improve the business climate *(Balkan Insight, 2011).* Currently, Albania experiences legislative reforms in the extent of creating an attractive environment for foreign investors. The real growth rate of GDP for 2010 was 3.1%. The economy has a steadily increasing GDP purchasing power parity which is the following for the last three years (numbers in $):

2008	2009	2010
$21,91 billion	$22,63 billion	$23,33 billion

Table 1. Albania – GDP Purchasing Power Parity of the country, last three years
(Source, CIA The World Factbook – Albania 2011)

Nevertheless, the country has an unreported sector that may be as large as 50% of official GDP. This hides opportunities for penetrating in an undisciplined market but risks as well. The GDP per capita is estimated for 2010, $7,400. According to the Bank of Albania (USA Department of State, 2011), the per capita income for 2010 is expected to reach $4,200. In 2002, the 25.4 of the population lived below the poverty level while in 2008 this came to 12.4 making a good difference. GDP of the country is comprised mostly of the following:

GDP components	Percentage
1. Services (including trade, hotels and restaurants)	21%
2. Transport	5.5%
3. Communication	4.5%
4. Agriculture	19%
5. Construction	14%
6. Industry	10%
7. Remmitances	9%

Table 2. Albania – GDP components
(Source: http://www.state.gov/r/pa/ei/bgn/3235.htm , accessed on 27/5/11)

Remittances are a significant income since it contributes with 12%-15% to the GDP of the country. Although, this percentage faced a small decrease in 2009, to 9%, still this demonstrates the attitude of Albanian expatriates who tend to send money in their metropolitan country. Nevertheless, the infrastructure in terms of business environment is still poor and needs time and effort to improve.

Albania seems that has a stable network of cooperative countries from which it exchanges goods (importing & exporting). These are:

Country	Imports (percentage)	Exports (percentage)
Italy	28%	50.8%
Greece	13%	5.4%
China	6.3%	5.5%
Turkey	5.6%	5.9%
Kosovo		6.2%
Germany	5.6%	

Table 3. Albania – Import, Export major cooperative countries

11.1.1 Currency data

The official exchange rates will be a very useful tool for the team in order to cope with the daily transactions both in terms of purchasing and selling. The company needs to administer three different currencies (Euro, USD, Lek) since its operations dictates involvement in local and international markets.

Offical Exchange Rates

These are the official exchange rates, between foreign currencies and the Albanian Lek.

Last update : 12:10:53 27.05.2011

			Albanian Lek per Foreign Currency Unit	
US Dollar	USD	99.68	-0.28	↓
EURO	EUR	141.68	+0.16	↑
Great Britain Pound	GBP	163.79	+1.00	↑
Suisse Frange	CHF	116.28	+1.53	↑
Japanese Yen (100)	JPY	123.10	+0.84	↑
Australian Dollar	AUD	106.29	+0.52	↑
Canadian Dollars	CAD	101.95	-0.25	↓
Swedish Krona	SEK	15.91	+0.03	↑
Norwegian Krone	NOK	18.21	+0.08	↑
Denmark Krone	DKK	19.00	+0.01	↑
Special Drawing Rights	SDR	158.33	+0.15	↑
Gold(OZ 1)	XAU	152047.67	-39.62	↓
Silver(OZ 1)	XAG	3762.04	+48.60	↑

Table 4. Official exchange rates of Albanian Lek, Bank of Albania
(Source: http://www.bankofalbania.org/web/Exchange_Rates_2014_2.php
Accessed on 27/5/11)

11.2 Healthcare sector overview

The country has no background and activity in manufacturing any kind of paramedical products. Actually, any internal need is satisfied through imports from local distributors that are not specialised. Instead, by applying synergies usually such products are promoted with pharmaceuticals. Thus, there is a gap in the service of bringing paramedical products to local citizens.

The country has approximately 3,700,000 inhabitants (2009). The population growth rate is 0.56% per year. Almost one third of the population lives in Tirana, the capital, which is situated in the centre of the country, in a small distance of Durres the commercial port. Regarding health indexes, the life expectancy for males is 75 years and for females is 80 years. The infant-mortality rate is 20 deaths for 1,000 births. The active economic labour force is estimated in 1.06 million and is split into agriculture the 47.8%, in services 29.2% and in industry 23%. It has to be considered though, that there is a huge unmarked market which covers almost half the official one. Moreover, especially in the south-east area of the country there is an unknown percentage of working force (not rated yet), which travels in Greece as hired staff for specific periods of time.

According to *Enterprise Surveys (2011),* Albania has one of the highest percentages of corruption in the region, in terms of doing business with the civil employees in order to get the things done (informal payments, gifts etc). This factor is the only constraint in deciding to do business and investing in the country. On the other hand, easiness of financing through banks and foreign financial institutions, according to the same source, is the highest in the region. Therefore, there is a challenge for the team to handle both situations. To cope with that, it was considered necessary to go locally in the country, meaning including in the team a native member who knows very well the specialties in order to overcome any constraints.

11.3 Financial data and statements
11.3.1 Source of funds
The new company will be a joint-stock company (S.A.). The requested fund is 1,000,000 Euro. This fund will be used (a) as restricted equity capital and (b) as working capital. The capital of 1,000,000 Euro is split into 500,000 shares of 2 Euro value each. Although all transactions within the country will take place in the local currency LEK, the capital and the financial statements of the company will be administered in Euro. The company is dedicated to import paramedical products from China, due to the low cost and good quality meaning that imports will take place in USD. As a result, the company has to deal with three different currencies, which is tough to administer but offers financial opportunities due to currency differences (carry trade).

There will be two entities in the company which will have different contribution:

- The Management Team: **510,000 Euro**
- The Investors Team: **490,000 Euro**

The Management Team is responsible for the whole establishment and run of the company. It is consisted of 5 persons, who will owe the shares as follows:

Team member	Position	No of shares	Value (in Euro)
Costas Papathanasiou	General Manager	55,000	110,000
Maria Spachidou	Marketing Manager	50,000	100,000
Alex Avramidis	Logistics & Operations Manager	50,000	100,000
Suela Ceka	Finance & Accounting Manager	50,000	100,000
Evangelos Ergen	Investors' Relations & Internal Auditing	50,000	100,000

Table 5. ALBAN Paramedicals – The Management Team

The Internal Auditor will be the link among the management team and the investors. This person will also guarantee and be in charge for the rational administration of the rest 245,000 capital shares. These shares belong to the investors. The team considers crucial separating the functions of uncertainty and commitment within the specific industry. Therefore, the first four members in the list are expected to deal and involve with the daily operations and the strategy of the company, while the fifth will deal with the investing issues and the perspectives of additional funding.

It is of high priority for the team to keep the cost of purchase of goods in fairly low and competitive prices. The competitive advantage, in terms of pricing, is that the company will be the cheapest in the region compared to the European competitors. For this reason, it is a matter of policy not signing long-range contracts with external suppliers, but instead choose to keep a close cooperation with them at no commitment. Main supplier country is considered China, since it has a vast number of competitive suppliers, with high quality and adequate experience in health issues.

The source and use of funds for starting the company, is given in the diagram below:

Source of funds				Use of funds	
		Share value	No of shares		
The Management Team	**€510,000**	€2	**255,000**	Working Capital	**€490,000**
Alex Avramidis	€110,000		55,000	Restricted equity capital	**€510,000**
Suela Ceka	€100,000		50,000		
Evangelos Ergen	€100,000		50,000		
Kostas Papathanasiou	€100,000		50,000		
Maria Spachidou	€100,000		50,000		
The Investors Team	**€490,000**	€2	**245,000**		
Total funds	**€1,000,000**	shares	**500,000**	**Total use of funds**	**€1,000,000**

Table 6. ALBAN Paramedicals – Source and Use of funds

11.3.2 Important assumptions
- Initial wages are 20% on average above the country standards. Wages will remain stable for the first two years of operation. After that, and effective from the third year of operation, wages will follow the inflation percentage.
- Imported goods will follow the Customs procedure as imposed by the State.
- Since 1st January 2008 there is a tax of 20% on profits for all business payable on annual basis in the State.
- The customs tax is 10%.
- Value added tax on all goods and services is 20%. The calculations have been done on the basis that VAT is a return fee. The VAT has been incorporated in the profit margin percentage.
- The company will not purchase any premises or vehicles. On the contrary, it will rent the needed premises and exploit the leasing option for its fleet management.
- The rent for the Korce premise will remain stable for the first and second year and for the remaining two years there will be an annual increase equal to the inflation rate as is in 2011, meaning 3%.
- The company will fulfil its obligations to the investors as it will be agreed. The cultivation of good business relations and the spirit of partnership will be first priority.
- The goods sold to wholesale customers (hospitals, private doctors and pharmacies for Tirana and other regions) are considered to be paid either on delivery or within the month or with the option of 2 or 3 months maximum credit.
- The company will administer to get at least the 40% of goods sold in cash within the month, 30% of goods sold with 2 months credit and the rest 30% of goods sold with 3 months credit.
- The imported goods are paid cash on delivery. The prices include shipping costs and handling on ship.
- Company's financial obligations are paid within the time limit arranged (usually within one month).
- The strategy of paying on time is considered as a matter of good reputation.
- Regarding the retail selling in Korce, the goods are considered to be paid only with cash on delivery.
- The company will accept cash, valid bank checks and credit cards from known banks. No other way of payment is acceptable.
- The company will start its operations in Tirana and Korce on the 1st of July 2012.
- The period of 1st January 2012 to 30th June 2012 is considered as the pre-establishing period.
- The company will not start its operations on the scheduled dates if it does not ensure the participation of the investors. This is because the team wants to establish in the country full capacity and financial strength.
- The economic year for the company is considered from 01 July of the year one to 30th of June to the next calendar year.
- No bank financing will be requested.

- All equipment and material necessary to start operation (office machines, administrative material etc.) will be purchased from the local market.
- The preferred policy is to lease instead of purchase wherever possible.

11.3.3 Start-up summary and costs
The key elements in the start-up for ALBAN Paramedicals are:
- The legal expense for filing and registering the company;
- The location and place of establishing the business (both places: Tirana and Korce);
- Expenses on possible restructuring of the premises, redecorations;
- Purchase of administrative equipment;
- Initial salaries for the staff (6-months planning);
- Travel expenses for the team prior to the establishment of the company which is planned to be a 6-months period (the pre-establishing period).
- Hidden expenses for any constraints raise (sponsorships, donations, grants-in-aid etc.);

All expenses have been encountered in the first months of operation and will be covered from the working capital.

11.3.4 Key financial issues
The official exchange rates between Albanian LEK and the EURO and US Dollar will be of significant impact in terms of the company's profitability. The gross profit margin will be calculated in Euro. Nevertheless, all transactions within the country will take place in LEK. The imported goods will be purchased in Euro and US Dollars. The Accounting & Finance Department of the company will keep close monitoring on the exchange rates and the trends of the currencies on daily basis.

11.3.5 Premises
The team has made a research through real estate evaluators and decided to rent the premises required in Tirana *(Colliers, 2011).* Actually this is expected to be a valuable decision, since the real estate market in Albania is unstable and about to face increases again in prices and values, after the crisis of 2009. The presence in Korce will be through a retail shop, which as well, will be placed in a 4-years rent plan. It was realised that it is difficult to find a premise in Korce. Nevertheless, the presence of the company there is considered crucial. The country is split in two parts based on the existence of population and urbanization; the north-western part and the south-eastern part. Establishing both contact points, the company aims to cover the bigger part of the country. The area around Korce counts about 360,000 inhabitants *(Municipality of Korce, 2008).* Tirana counts almost 1 million inhabitants.

The premise in Tirana is a building of 1.000 sq.m where accommodates except the services and the administration, the main warehouse of the company. The shop in Korce is 200 sq.m., including a small warehouse. The detailed plan of expenses in premises is given in the Appendix section of this plan. The team has taken into consideration the possible reconstruction needed for both premises.

Below is given a brief list on the premises initial expenses and the total costs during the 4 years of operation.
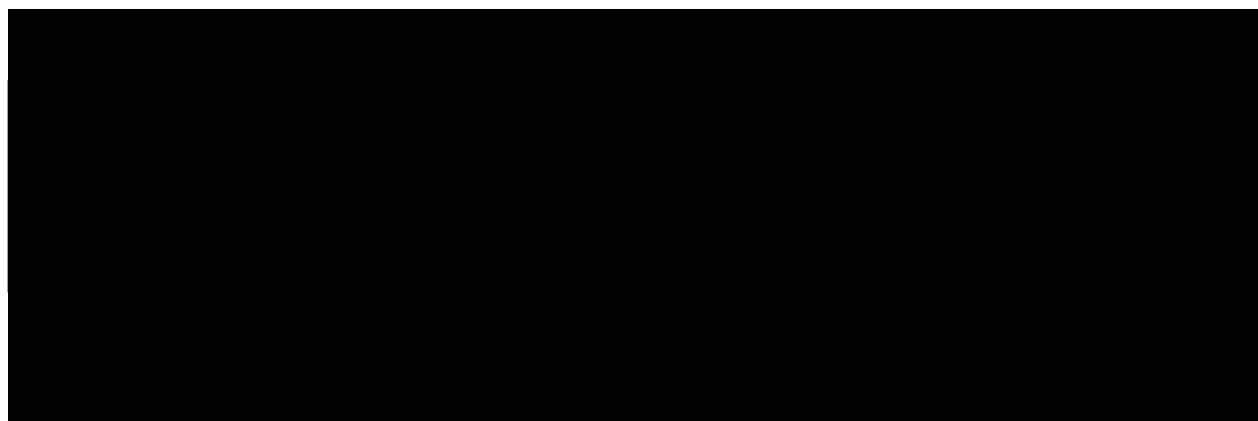

Table 7. ALBAN Paramedicals – Premises, rents and costs

11.3.6 Projected hiring plan

According to *Federation of European Employers (2011)* the minimum wage in Albania should be 19,000 LEK (approximately €135 Euro). Albania still demonstrates exceptional labour cost, which reaches almost the one fifth of the other European countries. This is still a challenging motive for potential investors. In addition, the team has conducted further investigation and on-site research in the local labour market. That demonstrated that actual good salaries for starters University graduates are €300-€315. Employees with experience usually get around €350. Supervisors and positions of medium authority usually get around €500. Managers and positions of high authority in a company of size like ALBAN Paramedicals, get around €1,000. All salaries are gross amounts.

Below is given the detailed catalogue of all staff to be employed and their projected salaries for the next four years of operation.
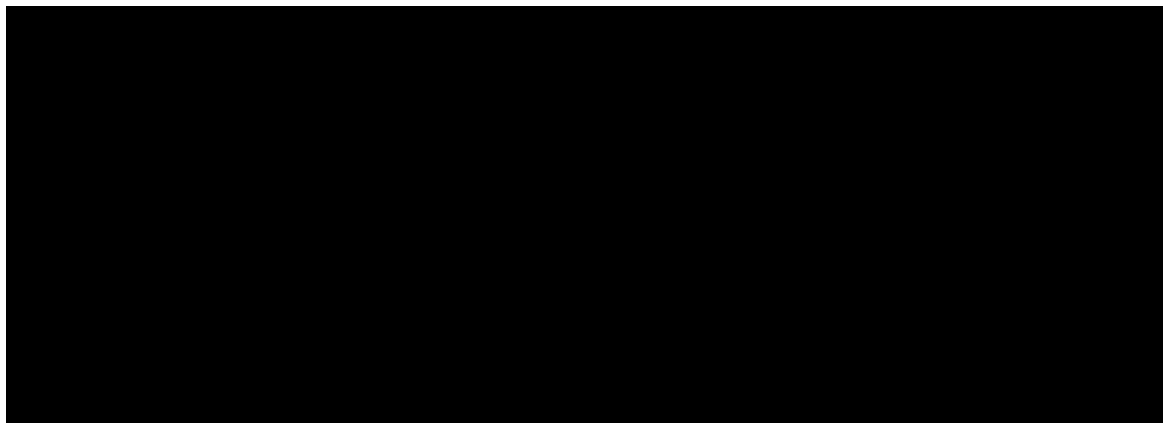
Table 8. ALBAN Paramedicals – Staff salaries

The team decided to offer initial salaries which will be 10%-50% above current standards in the local market. The financial plan defines that the first two years of operation salaries will remain the same. Effective third year of successful operation, salaries will follow an increase equal to the inflation. Extra motivation schemes will be under consideration, such as bonus or shares programmes for the employees, but this is not obligatory. Management and investors will re-consider the employment policies at the end of the second year of operation. As demonstrated in the table above, the company will employ 18 people in total including the 5 members of the management team.

Initially there was the option for the team to hire other managers and participate as a Board of Directors in the company, but for specialty reasons that was considered risky. Local market demonstrates high penetration of black exchanges and needs to be close monitored on every aspect. It is a challenging market but needs involvement and high commitment.

11.3.7 Fleet Management

For the need of operations and sales, the company will need to use a fleet of vehicles (vans, cars, motorcycles). Since there was the option to use the leasing alternative, it has been decided not to directly purchase vans and cars. On the contrary, the team decided to buy the motorcycles. Below is given the full list of the fleet and costs. In the first table, it is illustrated the leasing expenses, while in the second the transportation cost of fleet in terms of fuel use.
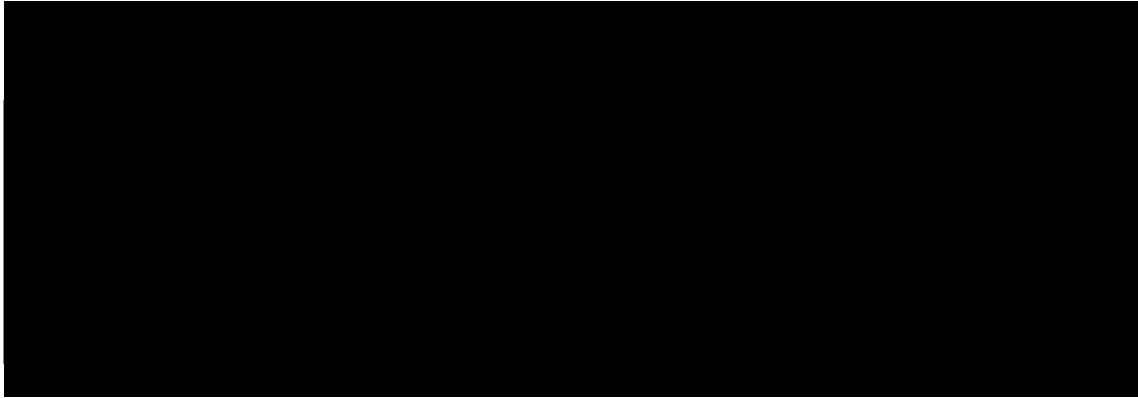
Table 9. ALBAN Paramedicals – Fleet expenses

There is a monthly leased fee of €2,160 Euro for all vehicles. Through the agreement with an external supplier to lease the vehicles, the company will avoid any technical and repairs costs, since they are included in the contract of leasing. Moreover, in case of any breakdown the supplier (*AVIS rent-lease*) is obliged to replace the vehicle within 24 hours. Except the leased fees, the fleet management includes the transportation costs meaning fuel costs mostly. Below is given the projected cost on monthly basis.
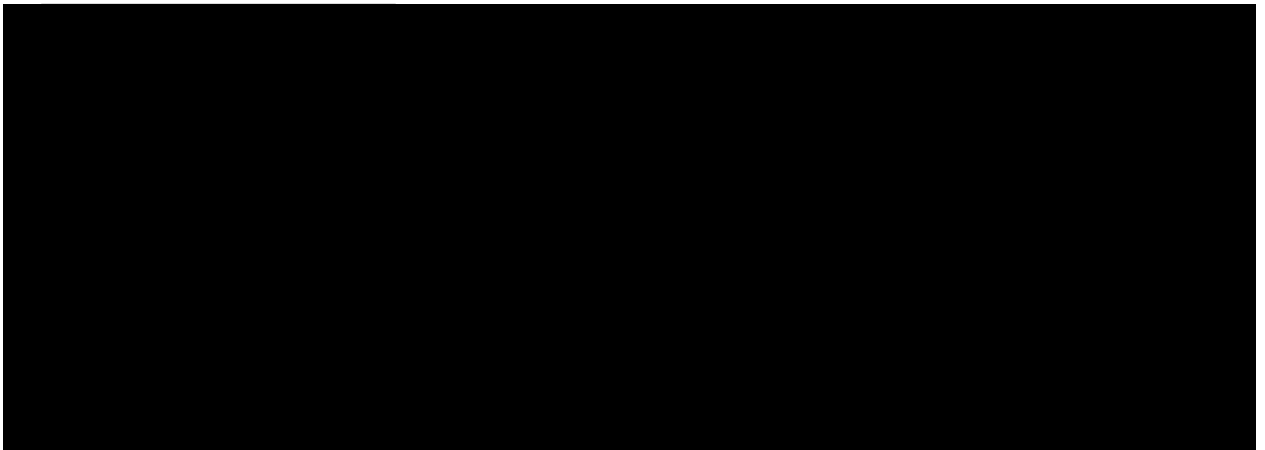
Table 10. ALBAN Paramedicals – Fleet transportation costs

This is the projected cost of fuels for one month of operation according to the routes. Vehicles are used by sales and logistics and cover the area that is under their responsibility. The van1 is considered a serious expense but this is due to the fact that the main warehouse is in Tirana as Korce will not have enough space to keep back orders. This is an issue to consider also in the end of the second year of operations. The detailed list of expenses is given in the appendices section, where we also monitor the fuel prices of the local market. Fleet management is an inelastic expense, therefore the team is dedicated to give full attention.

11.3.8 Products' list and selling prices
The company will get its supplies in paramedical products mainly from China exporters. Below is given the list of products which will be imported in Albania. The pricing policy is to maintain cheap prices comparing to the European competition and in the same level or little above the International competition.

The gross profit margin will vary from 50% to 300% depending on the product. In the specific table, it is given also the purchase prices as well as the actual selling prices comparing to the competition standards.
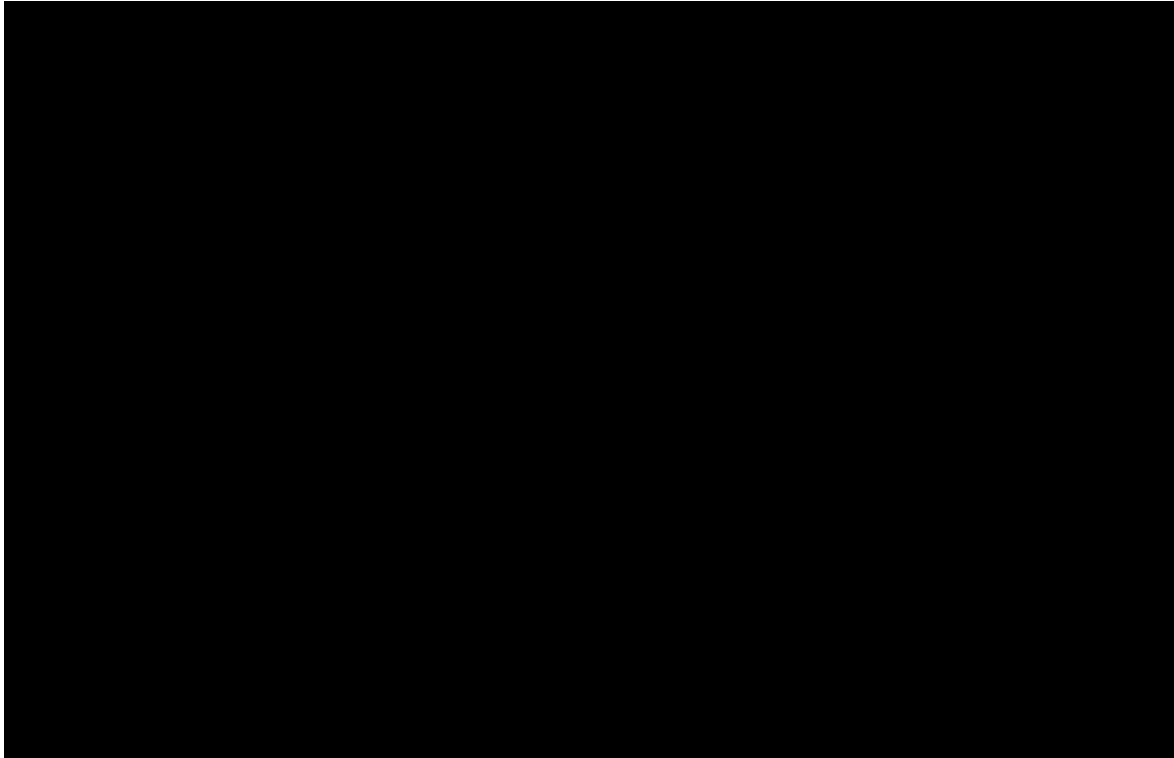
Table 11. ALBAN Paramedicals – List of products and selling prices

Gross margins are a significant factor which affects the profitability and the liquidity of the company. Competition works with a range of 50% to 150%. Currently there is no other company in the local market that adopts this model of importing, as ALBAN Paramedicals. This is mostly due to narrow or no strategy in terms of standing in the specific industry.

<u>11.3.9 Operational and administrative expenses</u>

In this account are included any fixed costs in terms of office materials, premises bills, accounting and legal consulting costs, as well as equipment and purchases.
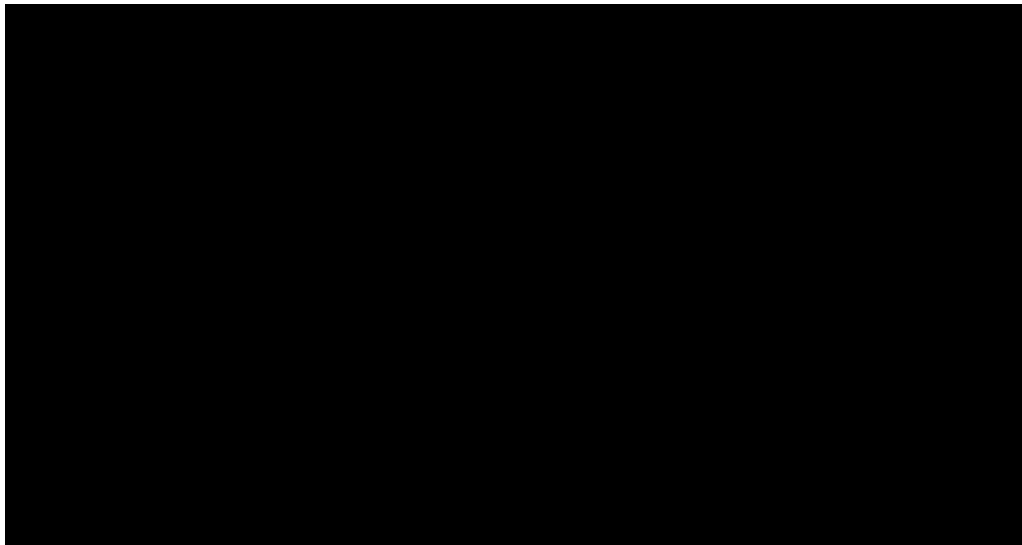

Table 12. ALBAN Paramedicals – Operational and Administrative expenses

In addition, the leasing of office equipment and furniture are included.

11.3.10 Marketing expenses

The team has identified that it is crucial to cover a broad range of media and declare its presence in order to increase the local awareness. Marketing expenses focus in a number of events and activities which considered strongly related to the nature of the company. It is significant though to declare that there is an account "Grants-in-aid" which refers to the gifts given for gaining access mostly to the hospitals market.

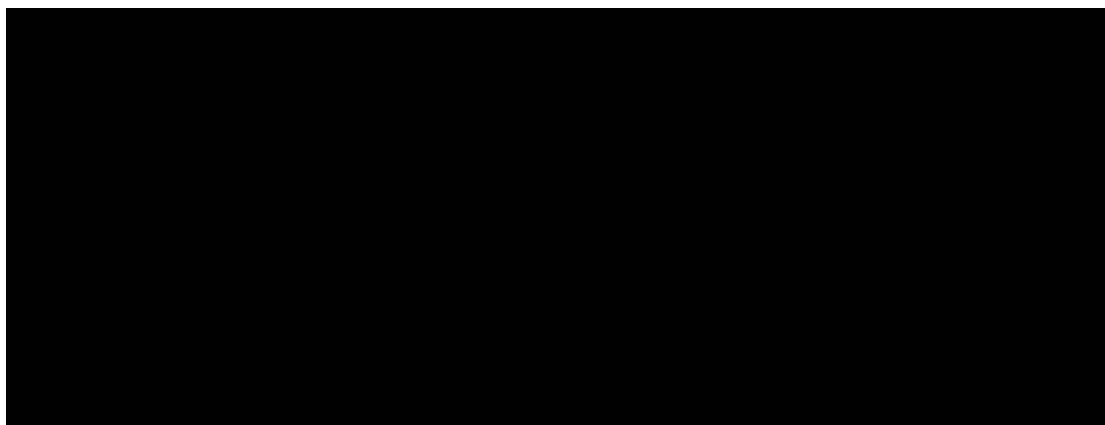Below is given the list with the marketing expenses for the first month of operation.

Table 13. ALBAN Paramedicals – Marketing expenses

11.3.11 Breakeven year

The breakeven year is the second year of operation. At the end of second year the management and the investors is expected to make a review of the two years of operation and discuss on any improvements in the business plan for the next two years. There is an additional option for the investors, if they do not feel satisfied to make an exit at this stage, getting their initial investment plus 20% as a profit. According to the projected income statement the expected progress of profit is given below:
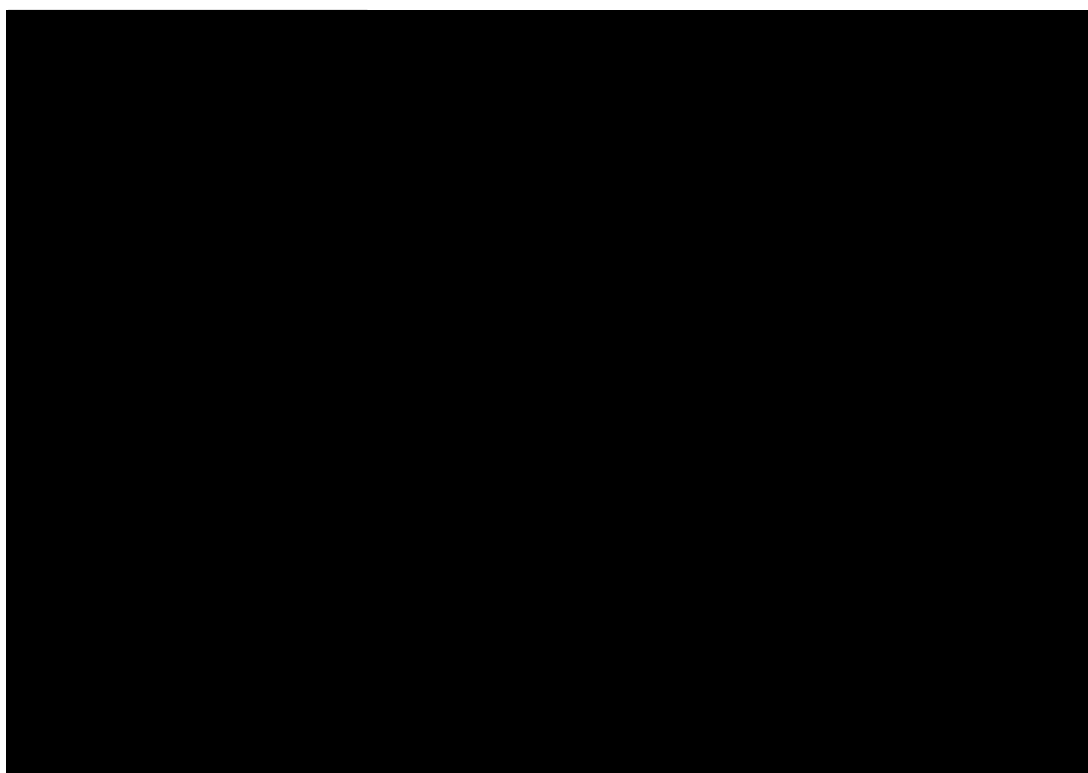

Table 14. ALBAN Paramedicals – Income statement, cummulative income, breakeven year

Regarding the expected returns, as it is illustrated in the above table, at the end of the projected 4th year, there will be a net profit of approximately € 1,500,000 Euro (initial capital not included). This estimation incorporates the expected decrease in sales which is planned for the 2nd, 3rd and 4th year of operation. This percentage is projected at 20% from the initial year. The loss will be due to competition and the reaction of local market's forces which will try to recover from our entry.

The team, based on the vision and mission of the company, will reconsider its policy against competition at the end of the second year and will discuss with investors innovative approaches to cope with the local market. No changes in the initial vision will take place. On the contrary, new ways of leading the market will be investigated.

11.3.12 Ratios (Internal Rate of Return, Net Present Value, PP index)

The Internal Rate of Return (IRR) and the Net Present Value (NPV) are two of the most popular measures for evaluating the viability and return of an investment. They are used as well for comparing seemingly equal opportunities for investments. It is worth to mention that the income stream in the specific investment is high, thus the indicators are expected to bring high returns. Taking under consideration the discounting future income and the alternative for the investors of depositing their money in the bank getting a 5% interest, the team is giving below the tables of both measures.
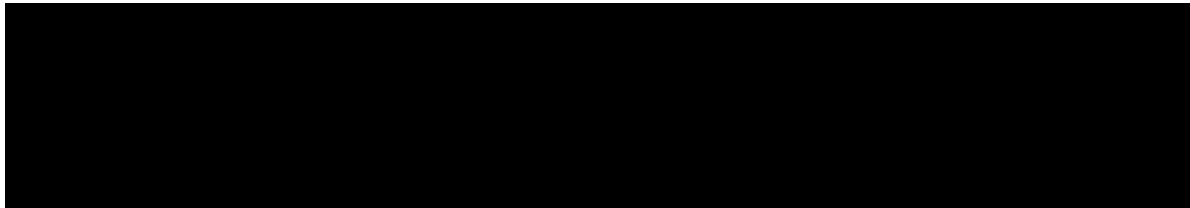

Table 15. ALBAN Paramedicals – The Net Present Value

The net present value is the sum of the present value of each year, taking into account the discounted future income. We assume that the discount rate is 5% and will remain the same for all 4 years of company's operation. Starting from the initial investment made both from management team and investors, this ends in a 1,3 million euro return throughout the years.
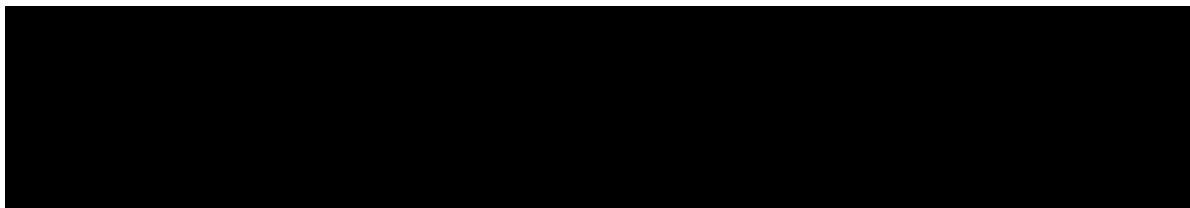

Table 16. ALBAN Paramedicals – The Internal Return Rate

The internal return rate declares the discount rate percentage that zeroes the net present value of the investment. Actually, the internal rate of return is the expected rate growth which in the specific investment is 58%, fairly high considering the industry and the market gap that currently exists. Moreover, the team has encompassed a serious sales decrease (20%) in its forecasts.

Another useful index for the return of investment is the examination of Payback Period (PP). Below is given the calculation as well as a useful diagram of the actual payback point which is before the end of the second year.
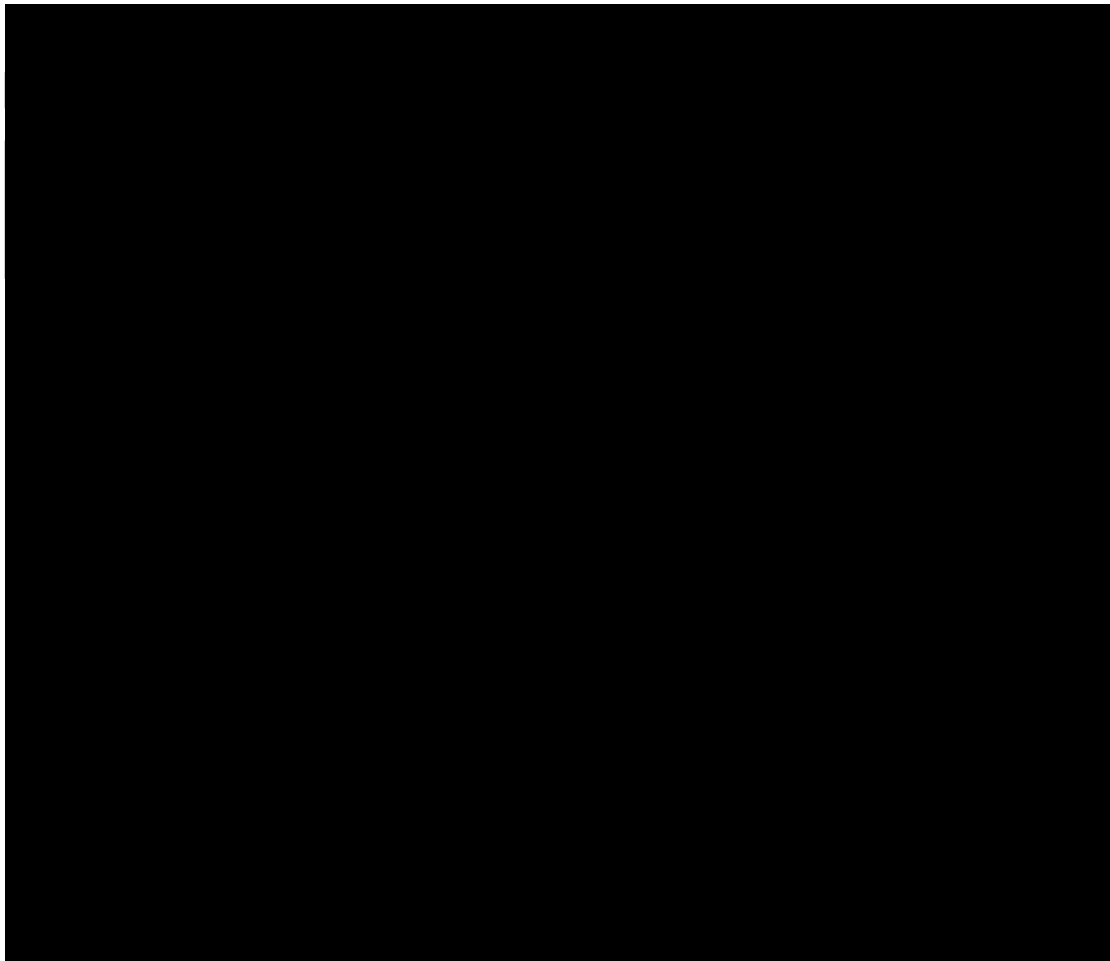
Table 17. ALBAN Paramedicals – The Payback Period index

Actually the payback period is between the first and the second year of operation, to be precise, during the third quarter of the second year.

11.3.14 Other ratios

Moreover, it is significant to include the profit margin ratio which is net income/sales. It remains steady over 60% throughout the operation of the company. This ratio is much higher compared to the existing competition (calculated to 20%-40%).
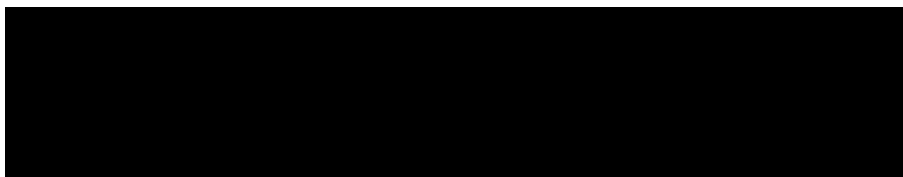

Table 18. ALBAN Paramedicals – The Profit Margin ratio

11.3.15 Projected data (4 years)

The projected financial data have been calculated for the period of 4 years ahead. In the section of Appendices are given the detailed financial statements of (a) Income Statements, (b) Cash Flow Statements and (c) Balance Sheet as well as numerous others.

11.3.16 Financial milestones

The second year of operation is considered a milestone for the company and the investors as well.

11.3.17 Some future assumptions affecting the company
- The highway network is continuously improving and is expected to reach European standards within the next 5 years in the country (road facilities, level of constructions etc).
- More vehicles are expected to be purchased in the country.
- The population is expected to increase by 10% in the next 5 years, due to the increasing level of prosperity, especially at Tirana.

12. EXIT STRATEGY

So far there were discussed some of the exit strategies for the investors. The investment has been scrutinised and evaluated for the next four years of operation. Based on the business model and the financial plan of the company the exits are the following:

Investors' contribution in the initial capital: 490,000 Euro at point zero.

1. At the end of the 2nd year of operation, the Team buys out and give a 20% premium to the investors.
2. Also at the end of the 2nd year, which is considered as a financial milestone, the team and the investors can discuss and re-evaluate the business model and decide for the next two years of operation of the company, in terms of its viability and expansion.
3. At the end of the 4th year of operation the company will consider the possibility of acquiring a competitive company, or merging in order to maintain its leading position. Also the issue of expansion to other markets will be under consideration and decision.
4. At the end of the 4th year there is also the opportunity for the investors to sell their shares to the management with a good premium.

The Team does not use any banking leveraging and will use its own funds come from retained earnings in order to pay the investors. In case any member of the management team decides to exit this is acceptable but this has to be in prior notification of at least 6 months. The rule of premium is the same. Synthesis of the management team may change if special circumstances arise. Investors will have direct access to any inside information through the investors' relations liaison.

CONCLUSIONS

This plan has a primary aim to detail and present with a business rationale the idea of establishing a wholesale company of paramedical products in Albania. Various numbers and indexes registered throughout this study have confirmed this effort. The Management Team has made a thorough survey and tried to investigate the implementation of the investment in different perspectives. This effort is a derivative of group cooperation and it followed a preliminary plan which is given below.
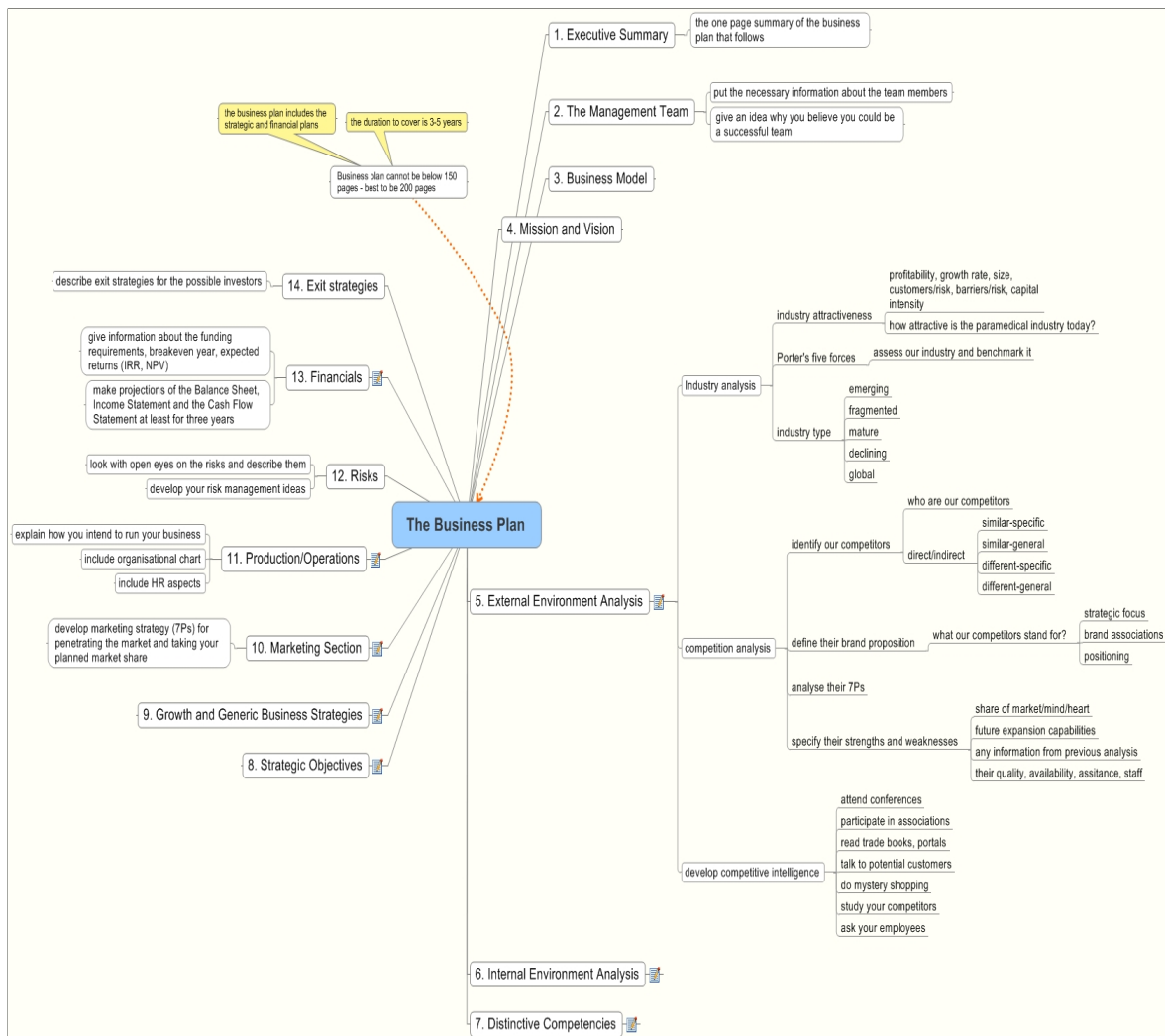
The data provided were retrieved from creditable sources. The team considers the investment a high-promising one since the Albanian market provides a frame for further development.

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APPENDICES
Projected Data of the: ALBAN Paramedicals

APPENDIX	DESCRIPTION
Appendix A	Funds sharing, source and use of funds
Appendix B	Staff Hiring Plan / Human Resource
Appendix C	4-years Payroll Plan
Appendix D	Fleet Plan
Appendix E1	Detailed fleet gasoline expenses (YEAR 1)
Appendix E2	Detailed fleet gasoline expenses (YEAR 2)
Appendix E3	Detailed fleet gasoline expenses (YEAR 3)
Appendix E4	Detailed fleet gasoline expenses (YEAR 4)
Appendix F	Products list and prices / Pricing structure
Appendix G1	Premises – Rents (YEAR 1)
Appendix G2	Premises – Rents (YEAR 2)
Appendix G3	Premises – Rents (YEAR 3)
Appendix G4	Premises – Rents (YEAR 4)
Appendix H1	Operational Expenses (YEAR 1)
Appendix H2	Operational Expenses (YEAR 2)
Appendix H3	Operational Expenses (YEAR 3)
Appendix H4	Operational Expenses (YEAR 4)
Appendix I1	Marketing Expenses (YEAR 1)
Appendix I2	Marketing Expenses (YEAR 2)
Appendix I3	Marketing Expenses (YEAR 3)
Appendix I4	Marketing Expenses (YEAR 4)
Appendix J1	Sales Forecast (YEAR 1)
Appendix J2	Sales Forecast (YEAR 2)
Appendix J3	Sales Forecast (YEAR 3)
Appendix J4	Sales Forecast (YEAR 4)
Appendix K1	Purchases Forecast, supplies (YEAR 1)
Appendix K2	Purchases Forecast, supplies (YEAR 2)
Appendix K3	Purchases Forecast, supplies (YEAR 3)
Appendix K4	Purchases Forecast, supplies (YEAR 4)
Appendix L1	Income Statement (YEAR 1)
Appendix L2	Income Statement (YEAR 2)
Appendix L3	Income Statement (YEAR 3)
Appendix L4	Income Statement (YEAR 4)
Appendix M1	Cash Flow (YEAR 1)
Appendix M2	Cash Flow (YEAR 2)
Appendix M3	Cash Flow (YEAR 3)
Appendix M4	Cash Flow (YEAR 4)
Appendix N	Balance Sheet
Appendix O	Products Presentation (photos & descriptions)