

DM3105: Enterprise Focus
Individual Research Report (Business Plan)
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Word Count: 2993



WhichRug 

Executive Summary:

WhichRug is a mobile application which uses a custom algorithm to make recommendations for which type of rug is most suitable for the user's horse/s to wear, determined by a number of factors. This includes external factors such as the temperature and weather conditions, as well as internal factors such as the horse's age, breed, coat length, exercise levels and body condition. As well as this, WhichRug considers how different choices need to be made depending on whether a horse is in a field or a stable.

Users are able to set up profiles for multiple horses and input basic information about them, which determines how heavy or light they should be rugged. Each horse has different needs therefore WhichRug's algorithm becomes smarter the more the app is used. This is because users are able to feedback whether the recommendations given resulted in their horse being too hot or cold. The customisability of this application, provides it with a strong competitive advantage, against its less functional competitor.

WhichRug is targeted at those with interest in the equine industry, including horse owners and grooms, who are likely to be around horses on a daily basis. Users will be charged a small subscription fee of £0.99 a month, in return for the premium service offered. This includes access to all of the app's features as well as exclusive discounts for products sold by the sponsoring businesses. Those who sponsor the app will be charged a monthly fee and discount codes, in return for their products being advertised in the app and their logo being displayed on all promotional content.

Founded by Maia McGhee in 2021, WhichRug is currently in its early design stages and has yet to begin its development process. This is predicted to begin at some point in 2022, to ensure the application is ready to be launched at the beginning of autumn 2023, just in time for the temperature to drop and rugging to become more necessary.



Company Overview:

Business Structure:

WhichRug is currently a sole trader however is open to change its structure in the future, depending on the state of the business at the time and any potential investment deals. WhichRug will startup as a sole trader to allow the founder to have complete control in the early stages of the business, when it is important to make a positive presence which aligns with the company's core values.

Mission Statement: *"To take the stress out of rugging".*

Vision Statement: *"For WhichRug to become part of the everyday lives of its users so that rugging is never a difficult decision ever again."*

Corporate Objectives:

- *"To break even within the first year of the app launching".*
- *"To partner with the industry's leading rug brands to provide a seamless rugging experience, from purchase to use".*
- *"To achieve 30,000 app downloads in the first year of launching".*

The Story Behind WhichRug:

The idea to found WhichRug stemmed from my experience in the equine industry, both as a horse owner and a part time groom to over 30 horses at a local riding school in Southampton. A struggle which myself and others involved in this industry commonly face is having to decide which rug to use. This is caused by the inconsistency of the British climate, alongside the many other considerations involved in the rugging process. This is particularly evident in between the seasons, when the weather tends to fluctuate more, or when having to make the decision for multiple horses, each with different needs. Bored of worrying about whether I had made the right choice and constantly asking for second opinions, I decided to develop WhichRug, to take the stress out of rugging.

Industry Context:

What is a rug and why do horses wear them?:

A Rug is a covering worn by horses. Different types of rugs perform different functions such as keeping the horse warm, dry, clean and to prevent irritation from bugs (typically in the summer). Some horses feel the cold more than others and this is dependent on a number of factors.

These include:

- Age
- Breed
- Body Condition
- Coat Length
- General Health
- Exercise Levels
- Access to Forage
- Access to Shelter

Why is rugging correctly important?:

Horses keep themselves warm in different ways. For example, when outside in a field they may turn their backs on the wind and rain or alternatively seek shelter. Furthermore, a horse's coat provides a natural form of insulation by trapping heat when the hairs stand on end. Eating forage consistently also helps to keep them warm, by creating heat as it is digested. They also use the energy consumed from eating to keep warm, which naturally causes loss of excess weight gained over the summer.

Under-rugging can therefore lead to weight loss, from burning fat to keep themselves warm. Older horses find it more difficult to control their body temperature as they tend to have less insulation in the form of fat and muscle and may also have a poorer coat quality.

In contrast, over-rugging can override the horse's natural insulation process, by flattening the hair, making it more difficult to trap heat. Overheating can cause stress and weight gain for the horse which can result in health implications such as laminitis. Horses are typically good at

Source: (Rugging,2021)



Market Analysis:

Market Size:

The global equine market has an estimated annual value of \$300billion USD. This is generated mainly in the USA and Europe. In the UK alone, the economic value of the equine sector equates to approximately £4.3billion of consumer spending each year, and is increasing annually. It is estimated that there are 374,000 horse owning households in Britain, with 900,000 horses in total. These figures (Equine Industry Statistics Overview | Equine Business Association, n.d.) suggest the potential scope for WhichRug in the UK, and eventually worldwide.

SWOT:

A SWOT diagram has been created to analyse the market position of WhichRug.

Strengths:

- Visually appealing
- Free to use
- Only 1 competitor
- Customisable
- Convenience

Weaknesses:

- Lack of app development experience
- Would need to outsource development (costly)

Opportunities:

- Gap in the market
- Competitor lacks functionality and customisability
- Market size of 374,000 households

Threats:

- Not being able to secure sponsor
- Development costs
- Competitor is a credible brand

Competitive Analysis:

Only one main competitor has been identified for WhichRug. This is the 'Turnout Guide' app by Horseware Ireland (Turnout Guide, 2016). Both apps share a similar concept, providing help for users when making rugging choices, however Turnout Guide only considers horses which are turned out in a field, whilst failing to account for those in a stable. Furthermore, following use of the app, it was noticed that the design is fairly basic. My background in design encouraged me to want to produce an application, which is highly functional and has a more engaging user interface. Despite Turnout Guide being developed by a successful company, the app itself isn't well known and only achieved 10,000 downloads on the Google Play Store. This may be due to lack of promotion. Although there are no other apps related to this concept, there are articles and infographics online, which provide a basic recommendation for rugging, however these aren't able to be customised to the specific needs of a particular horse. Instead, they only plot the temperature against whether the horse is clipped and whether they are turned out, or in a stable. This includes the 'rugging guide' table produced by the company Harry Hall (Over rugging: a Horse Rugging Guide, 2019).

Market Analysis:

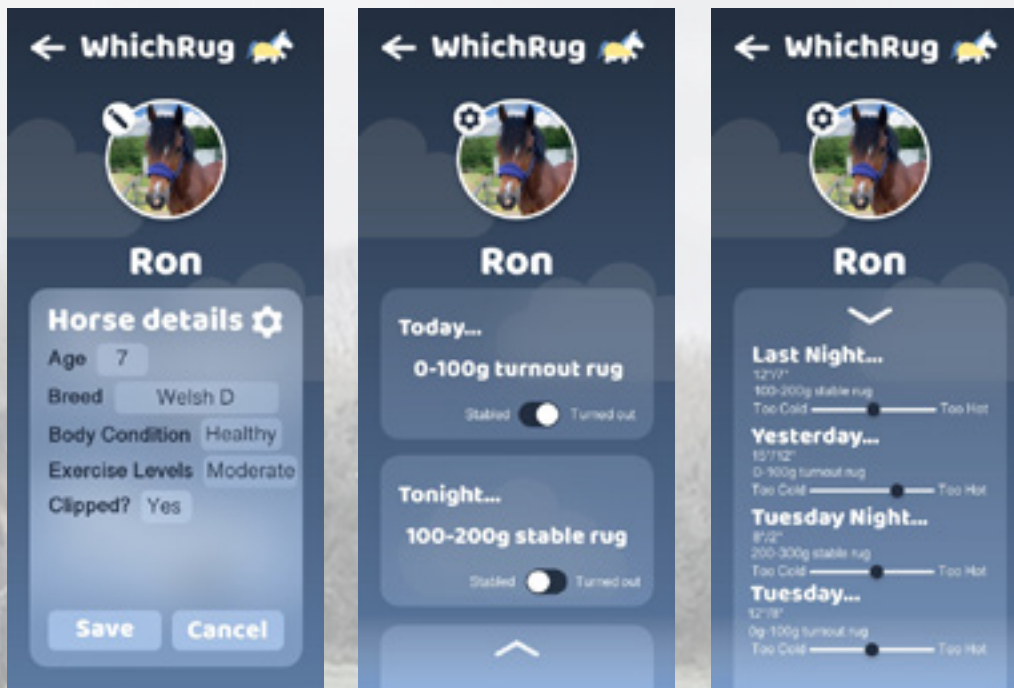
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Unique Selling Point (USP):

The USP for WhichRug is the high levels of customisability which the application offers. The app allows the user to create profiles for multiple horses, where they are able to input details such as the horses age, breed and body condition. Furthermore, the user is able to toggle whether their horse/s is in a stable or turned out in a field, at the time of use, which will change the recommendations made by the app.

Customer Segmentation:

The target market for WhichRug is horse owners and those working with horses. More specifically, the ideal user of WhichRug is likely to be living a busy lifestyle, and therefore wants a quick and easy solution to their rugging queries. Whilst WhichRug can be a helpful aide to anyone involved in the equine sector, it is specifically useful for those who may have less experience with horses. Furthermore, since the product is a mobile application, it is more likely to be used by a younger market, who are more competent using technology, than older people who may use their phone solely for its basic functions. WhichRug will be targeted at the UK equine market, however there may be potential to expand overseas in the future.



App Features:

Live Weather Forecast:

Receive updates based on your local weather, when location services are enabled in the app. The app needs this to function effectively, to ensure recommendations are suitable for the current weather conditions.

Multiple Horse Profiles:

Create profiles for an unlimited number of horses. This allows the user to input details for each horse separately, to ensure the recommendations made by WhichRug are customised to them specifically. Perfect for grooms!

Shop:

Built in shop function, which links to the online stores of the app's sponsors. App users will benefit from exclusive discount codes, which they can use here.

Turnout Options:

When viewing a horse's profile, the user is able to toggle whether they are in a stable or turned out in a field. This will affect the recommendation given, since different types of rug are used for outdoor and indoor use.

Smarter Choices:

To increase the customisability, the user is able to input whether their horse was too hot, too cold or a suitable temperature, based on the recommendations made by WhichRug. This will help the app become smarter and therefore make for accurate choices in the future.

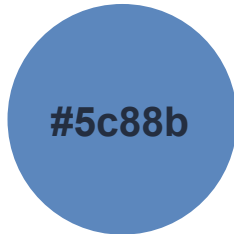


App User Interface:



WhichRug Branding:

Colour Scheme:



#ffffff

Logo Variations:

WhichRug 



WhichRug



WhichRug 

Marketing Strategy:

As a small startup business with a competitor established by a well known company, it is essential that WhichRug is marketed effectively, to gain a strong position in the equine market. To achieve this, the elements of the marketing mix has been considered:

Product:

WhichRug is a mobile application, which helps to achieve a common problem in the equine industry.

Price:

Users will be charged a small monthly subscription fee of £0.99 to access the app's features. The price will be kept low to increase the market reach, as charging too much would put people off purchasing the app. This is because using WhichRug is not essential for horse owners, however is considered extremely helpful. Furthermore, its competitor, Turnout Guide, is free of charge, therefore keeping the price low is important. Customers should be willing to pay the small subscription fee in return for the premium service offered. An alternative to downloading WhichRug would be for individuals to look online for information on rugging, however they wouldn't benefit from the customisability offered by the application.

Place:

WhichRug will be available for download on Apple, Android and Google phones, via their app stores. A website will also be launched alongside the app, providing useful information regarding how to use the app and some context on the science behind rugging. The website will also provide links to download the app.

Promotion:

WhichRug will be promoted primarily on social media. This is the most cost effective method as it will allow content to reach the target market, based on social media algorithms. In contrast to this, a more mainstream marketing method such as a newspaper or TV advert would not be suitable as it would be expensive and reach people who WhichRug is not intended for (e.g. people who are not involved with the equine industry in any way). The marketing strategy for WhichRug therefore involves paying to have posts sponsored on social media sites, particularly Instagram and Facebook. In the future however, when WhichRug has generated sufficient income, there is potential to pay for advertisements in equestrian magazines or at events such as the Horse of the Year Show (Sponsorship Opportunities – Horse of the Year Show, 2021). It is also intended that the app will naturally be promoted through word of mouth by individuals who recommend WhichRug to others.

Financial Plan:

Revenue:

Alongside the small monthly subscription fee of £0.99, WhichRug will be funded through sponsorships from rug brands. In return for a fee of £2000 per month and access to discount codes for their products, sponsors will have their products displayed for sale in the apps shop page and will have their logo featured on promotional content, including social media posts. The purpose of this deal is to benefit both WhichRug and the sponsor. For example, the sponsor is likely to experience an increase in sales through users taking advantage of the exclusive discounts offered by the app. Furthermore, the discounts available will provide an incentive for individuals to download WhichRug.

When researching the 2020 financial reports of three popular rug brands (Weatherbeeta, Premier Equine and LeMieux), figures revealed that these companies generated an average profit of £2.6million. This suggests the viability of using sponsorship as a revenue stream, where a small cost in proportion to the high profits of these brands, can create synergy with WhichRug, therefore increasing profits for both parties involved.



Financial Plan:

(continued...)

Cost Structure:

To calculate the costs for launching and maintaining WhichRug, I contacted a local design agency, which has experience with app development. I also conducted my own online research to find an estimate for the potential costs. To try and minimise the costs involved, I will complete all design work myself. Due to lack of app development experience, all development and maintenance work will be outsourced. The price of this therefore depends on factors such as the complexity of the app, the time taken to develop and the rate charged by the developer. The figure stated in the financial reports is therefore only an estimate. Whilst the apps development accounts for the highest proportion of the total expenses, other costs involved include the hosting and advertising. Another hidden cost involved was the commission which app stores take. Apple and Google play take 30% commission in the first year, and then 15% every year afterwards, which can significantly increase the total costs involved. The initial funding to begin the development process of WhichRug will come from my savings. Once the first sponsorship deal has been secured, WhichRug will seem more attractive for potential users.

Expenses:	Year 1 (£)	Year 2 (£)	Year 3 (£)
Initial Development			
Outsourced development	25,000.00	0.00	0.00
Hosting			
Apple developer licence	75.00	75.00	75.00
Android developer licence	20.00	0.00	0.00
Google developer licence	20.00	0.00	0.00
Website	12.00	12.00	12.00
Web Domain	1.00	10.00	10.00
App Host	1,800.00	1,800.00	1,800.00
Maintenance			
Outsourced Maintenance	5,000.00	5,000.00	5,000.00
Advertising			
Sponsored social media posts	2,400.00	6,000.00	12,000.00
Total	34,328.00	12,897.00	18,897.00

Financial Plan:

(continued...)

Profit/Loss Accounts:

When initially calculating the predicted revenue, I assumed WhichRug would initially achieve 30,000 downloads, across the three different platforms (Apple, Android and Google). This is because the Turnout Guide app received 10,000 downloads on only android devices (data could not be found for other platforms). Considering the scale of the equine market however, there is potential for this figure to be significantly higher. I have therefore predicted that this will gradually increase by 10,000 users each year. The figures also assume that WhichRug has one sponsor, however this can increase. As the revenue increases, I have raised the yearly advertising expenditure. By the end of the first year, WhichRug is predicted to generate £142,613.60 in net profits, if 30,000 people download the app, increasing to £298,615.40 by the end of the third year, with 50,000 users. If the app however is not as successful as estimated, only 2,890 subscriptions of £0.99 a month are required to breakeven in the first year. Given my research and experience in the equine industry however, I am optimistic that WhichRug has the potential to be successful.

Income Statement:

	Year 1 (£)	Year 2 (£)	Year 3 (£)
Revenue	380,400.00	499,200.00	590,500.00
Cost of Sales	114,120.00	71,280.00	84,975.00
Gross Profit	266,280.00	427,920.00	505,525.00
Administration Expenses	34,328.00	12,897.00	18,897.00
Operating Profit	231,952.00	415,023.00	486,628.00
Finance Costs	-	-	-
Profit before Tax	231,952.00	415,023.00	486,628.00
Tax	89,338.40	173,340.35	188,012.60
Profit for the Year	142,613.60	241,682.65	298,615.40

Financial Plan:

(continued...)

Cash Flow Forecast:

£	Year 1	Year 2	Year 3
Opening Balance	0.00	142,613.60	384,296.25
Cash Inflow			
Revenue (Subscriptions)	356,400.00	475,200.00	566,500.00
Revenue (Sponsorships)	24,000.00	24,000.00	24,000.00
Total Inflows	380,400.00	499,200.00	590,500.00
Cash Outflow			
Outsourced Development	(30,000.00)	(5,000.00)	(50,000.00)
App Store Commission	(114,120.00)	(71,280.00)	(84,975.00)
App Hosting	(1,800.00)	(1,800.00)	(1,800.00)
App Store Publication	(115.00)	(75.00)	(75.00)
Website	(13.00)	(22.00)	(22.00)
Advertising	(2,400.00)	(6,000.00)	(12,000.00)
Tax	(89,338.40)	(173,340.35)	(188,012.60)
Total Outflows	(237,786.40)	(257,517.35)	(336,884.60)
Net Cashflow	142,613.60	241,682.65	253,615.40
Closing Balance	142,613.60	384,296.25	637,911.65

Business Timeline:

The aim is to launch WhichRug in the UK within a year of the initial development process starting. During this time, it will be important to contact multiple rug companies, to deliver a sponsorship proposal, as securing a deal prior to the app's launch would help WhichRug gain traction in its early stages. Prior to the app's launch, a social media campaign will be released, to create buzz. Initial research has already been conducted to gather opinions on the concept behind WhichRug, however closer to its release, a focus group will be held where participants can test the app, allowing final changes to be made if necessary. Preferably, the app will be ready to launch at the start of Autumn 2023. This is the time of year where rugging decisions are most difficult, due to the fluctuating weather patterns, therefore WhichRug will seem more desirable.

Conclusion:

Given that WhichRug is able to secure a sponsor, the business is likely to be viable, as it successfully meets the needs of equestrians across the UK, whilst maintaining a low price to appear more attractive. There is a gap in the market for an application like WhichRug, therefore it is important to ensure that it is advertised appropriately so that it can reach the target market. In an interview with horse owners, 75% of respondents agreed that they would use WhichRug and be willing to pay the subscription fee, whilst the other 25% said that they would only want to use the app during the winter. Furthermore, one of the respondents suggested supplying users with a device which they could attach to their horse, with a thermometer fitted, allowing them to track their body temperature. This is a feature which could be implemented at a later date, or as a contingency in case WhichRug is unable to secure a sponsorship deal. This would add perceived value to the app, providing greater incentive to sign up. Feedback from the oral business pitch was positive overall, praising the concept and design choices in particular. I am therefore optimistic that WhichRug can be a successful business and achieve all of its proposed objectives, and thus becoming one step closer to meeting its vision of making rugging easy.

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