

Explanation of Secure Costs documentation

Explanation:

The following document is an explanation of the costing sheets.
Each section within the spreadsheet is explained as a standalone entity.

Whilst it must be understood that IntCom sells products, the licensees are required to sell systems. As an example; IntCom sells 5 internal cameras, 2 external cameras, and a 'master controller' because, the distributor sold a 'small house installation'. Therefore to make following the trail understandable a common approach has been taken with all the supplied data.

A number of products have been allocated to various premise types. These have been given names.

A quantity of premise types has been identified in the New Zealand market.

A percentage of those types is assumed to be the market segment and size that we are after.

This forms the figures that every other page and document is worked from.

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Terminology

Distributor	The entity distributing IntCom product in a given territory. This entity can be a part of the license holders own operations or a separate company doing the work on behalf of the license holder.
License holder	The entity that agrees with the terms and conditions of the 'IntCom Master License Agreement' and has now been allocated a territory.
Licensee	The entity that signed the license as the 'license holder'.
Franchisee	An entity that has agreed to the terms and conditions supplied via a license holder, has signed up as a franchisee, and may have paid for that privilege.
Installer	The entity that installs the equipment supplied by either the consumer (having bought it retail), or through the franchisee.
Certified	Having attended and completed the courses to be deemed 'certified', this includes franchisees, and installers. At a later date it may include license holders (and their staff), and sales people.
DIY	Do It Yourself, A consumer may buy the products and want to install it themselves, this would be a DIY installation. It has no installation warranty.

Companies Involved

- IntCom The International Company, that owns the International rights to the products and services contained within their license.
- DevSys Development Systems Ltd., the Research and Development (R&D) company that is contracted to supply R&D services to IntCom for the following 24 months (can be renewed if required).
- DevInd Development Industries Ltd., A company formed primarily to supply tools systems and services to companies starting up. This allows for a minimal cash outlay at start-up and each of the services can be replaced as required (and afford). (Accounting, Legal, IP(Intellectual Property – patents etc), governance services, staffing services, Through to desks chairs and office space).
- DevMan Development Manufacturing Ltd., A company that is contracted to supply all manufacturing services for new start-ups in particular. The initial 1,000 units are made inside DevMan. The following units will probably (depending on size of forecast orders) be subcontracted to other international manufacturing facilities. DevMan is also responsible for getting the products to the distribution chain (the logistics).

The Business model

is assumed to be as follows:

IntCom sells a territory / product license to a license holder, the licensee.

The licensee in turn – can sell product two distinct ways: (both if required)

- either through an existing chain, ie distribution company, to retail stores (mainly for DIY (Do it Yourself) people), and/or
- Set up franchisees within their own sub-territory.
 - A franchisee may (or may not) also be a certified installer.
 - A franchisees primary role is as a sales person within their allotted sub-territory
- A certified installer will have his installation guaranteed for a period of 12 months (as opposed to the normal 'equipment only' warranty).

The elements of the IntCom business model are as follows:

IntCom	The international parent, sells licenses for product types into allocated territories. Also arranges for other parties to procure, manufacture, and deliver product as necessary, and requested, by licensees.
licensee	The entity that has purchased a license therefore an exclusive right to market sell and install a particular product set in a given territory.
Franchisee	Has purchased a sub-license allowing for a localised territory and product sales from the master license holder. Has to be approved by the licensee. Will within 12 months, attend the franchisee certification course.
Installer	Has the skills, abilities, and wherewithal to install electrical services equipment. In some countries may be required to be an electrician. May attend a course to become certified in the IntCom methodology.

Notes:

Updates to systems and services are the responsibility of the licensee, but will be supplied by IntCom.

The update process will be as automated as possible. If possible no person should need attend an update session, of any given component of any product.

IntCom can supply distribution services, if required, in licensees own territory, there will be a fee and all stock will be paid for prior to stocking.

90% of all computer functions performed by IntCom, each licensee, each franchisee, and installer; can be supplied and managed by IntCom directly from its own website.

Each Controller within each premise is a website in its own right.

The entire installation can be managed by a DIY person, using a screwdriver and their TV set. Even setting up the ability of the system to call and send a picture of the intruder to the DIYs cellphone

IntCom will be applying for new standards to be ratified regarding premise security. IntCom will be applying for 'ISO9000' approval throughout its Distribution chain.

Licensed operations

- The International Company (IntCom) owns all international rights to the products produced for it.
- IntCom will manage the international website, that contains the following:
 - Information for consumers
 - Information for prospective license holders
 - A management area for present License holders
 - A distribution ordering and management system for distributors
 - A management service for certified franchisees
 - A management service for certified Installers
 - A set of training videos available to the general public to aid with their own installation (DIY)
 - A 'chat' area for all certified members
 - A 'chat' area for all license holders
 - A 'master' of the systems for the licensee to be able to run on their own system.
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- IntCom will, from start-up, have a number of contracts in place:
 - R&D (Research and Development) services; Development Systems Ltd.
 - Manufacturing and logistics management; Development Manufacturing Ltd.
 - Management services and support; Development Industries Ltd.
- IntCom is able to sell the right to localised territories, these are called license holders, and/or distributors.
 - They have purchased the right to own and operate an exclusive distribution operation within the territory defined within the "IntCom Distributors Master License".
 - They may have purchased that right for a discounted value.
 - It is expected that the first Licensee will purchase his licensed territory with a 100% discount, the next licensee with 90% discount etc. (this will allow for an easier uptake of licenses)
 - The distributor is responsible for:
 - maintaining stock levels within their territory.
 - Managing the Certification of people within his territory to the IntCom 'certified standard' – Training courses include expectations, installation, selling, and consumer management.
 - Maintaining the sales figures as required by the "IntCom Distributors Master License".
 - Setting up sales and distribution channels within their territory as required to meet customer demand, and expectation.
 - Finding and managing the required staff and resources (including):
 - Sales staff
 - Admin personnel
 - Stores personnel
 - Installers
 - Customer liaison

- Franchisees
- Franchisees, can purchase from the licensed operator a sub license, to allow them a sub-territory
 - Franchisees can (and may) operate independently of the Distributor, so long as the rules of both the distributor and the “IntCom Distributors Master License” are adhered too.
 - Franchisees can (and may) operate as both a sales operation and installation service. This will allow the franchisee to receive both commissions from such operations and the installation fee.

Spreadsheet breakdown

Products

These 3 pages show the type of products, and the respective margins to each group within the IntCom distribution chain:

- Product is purchased by IntCom from the manufacturer, for delivery direct to the relevant distributor.
- For supplying its services (including trade show demos and international marketing etc.) IntCom applies its fee of 15% to the manufactured item.
- The local distributor onsales (probably from their own warehouse) to either the direct chain or franchise reseller. For supplying their services they add a further 15%.

If a 'normal' distribution channel is now approached – they can have a further 50% added to their buy price (probably 15% to the distribution chain and the balance going to the retailer).

The sheets assume the same 50% mark-up but are allocated as:

- The franchisee receives a 25% mark-up from their buy price,
- The installer receives a 20% mark-up from the franchisees sale price, this margin could be utilised by the franchisee to employ more sales people in their territory etc. It does not have to be used for the installer, it is there to retain parity with the retail sales group.
 - The installer actually receives his income from the number of hours spent installing the supplied equipment (no direct margin from the equipment sale). On the following sheets this shows as a 70,000 per annum income available to the installer. This figure does not show either as income or expenditure on any of the costings. It does show in the expected price the consumer will pay.
- The Monitor Company – the company (usually under the control and management of the licensee) that supplies and supports the alarm monitoring services.
 - They normally receive a monthly fee from the consumer for supplying the monitoring service.
 - They are able to minimise the cost of supporting this service whilst supplying an unprecedented ability to manage an alarm condition.
- Install rate:
 - Each installation process requires a number of man-hours to complete, we have the suggested charge-out rate on this page. (These figures do form part of the cost to the premise type, but do not affect the income or expenditure of the budgets or cash-flows).
 - The cable costs are changed on this page (the length is changed in the respective premise type). (These figures do form part of the cost to the premise type, but do not affect the income or expenditure of the budgets or cash-flows).
 - The termination fee – assumes that all cables once installed – need a plug on the end of each length. This fee covers the cost of the two plugs and replacement of part use of termination equipment. (These figures do form part of the cost to the premise type, but do not affect the income or expenditure of the budgets or cash-flows).

- Monthly fees:
 - Monitoring
 - Lease of controller
 - The Controller is the centre of the security system, in order to manage the required feature updates that are able to be supplied, and maintain the best possible environment for the service to operate in – the controller is purchased by the licensee, and on-leased to the consumer.
 - Ownership belongs to the licensee, not IntCom or the consumer).
 - This allows for updates of the latest features.
 - The ability for the licensee to eventually supply a ‘pre-pay’ service (no bad debts)
 - The purchase fee is actually covered by the registration charge.
 - By leasing the unit to the consumer, the licensee has right of access to the premise (to recover the equipment), but also by the licensees appointed and certified) security patrols during an alarm condition.
 - Network charges
 - The cost of supplying network services has not been included anywhere on the sheets – it varies too wildly between countries regions etc. It has been assumed that the cost will be borne directly by the consumer – in other service supplies (ie telephone etc)
- Apportionment
 - This area shows approximately how much is made by each entity in the supply chain based on a product type
- Value
 - This area shows approximately how much is made by each entity in the supply chain based on a typical premise
- Short feature list
 - This area shows what types of features are available, on and in, each unit type

Breakdown of premise types

The following pages show what type of equipment would probably be installed for an 'average' premise of the type shown.

The consumer purchases the equipment (at retail) and pays for the installation charges separately. (Note: it is assumed that the charge rate (per hour) given is for a non-certified installer, therefore it is assumed that the franchisee will pay an extra top-up of \$15 per hour from the installation apportionment to a certified entity).

The monthly fees are approximate only. Based on limited monitoring until an alarm condition does occur. If a customer wants 24hr (or after hour) monitoring of their site extra fees would be charged by the monitoring company.

Note: the monitoring service has not been shown anywhere as income, it is available as a standalone business, and can perform as such. The monitoring service can be supplied by a 'home bound' person as a self employed home business. The system has been designed so as to allow 1 person to monitor up to 1,000 properties whilst at home.

2bedsit

Assumed to be single person living alone, no front or backyard to speak of, very vulnerable to a 'home invasion' type of attack. Could be self-contained unit or granny flat etc. Could also be a retirement home for a retired couple. Can offer service to protect people from 'dying alone'.

3bedhse

Assumed to have at least 3 bedrooms, the bedrooms themselves are not worthy of monitoring (privacy etc) but access to them is required to be monitored. This property has a front and backyard. Probably a family home.

apartment

A self contained unit with many shared resources. Similar to 2bedsit type but has to be integrated with a probable 'body corporate' system. Biggest problem is theft, not 'home invasion'. Use of systems is therefore different.

Industrial

Assumed to be like most industrial premises, approx 3,000 sqft. Small office environment, one or two points of access, with cars parked very close to perimeter of building. Biggest problem is to cover stock area. If premise is broken into and can show where intruders have been, less down time for stock-take.

Commercial

Assumed to be offices for 8-15 staff. Probably shared entry with other tenants in building. Need entry monitoring and night time surveillance. Do have to prove privacy not being invaded.

NZspec

This sheet contains data compiled from information supplied by the New Zealand Stats department. (also attached as NZStats info).

Out of a total market size we only assume a small proportion of that market potential will be realised.

The following two pages show various breakdowns of the resulting figures.

5 Year projection set for New Zealand

The following set are comprised of –financial production figures, Costs against those figures, then the quantity of product that support those figures.

The set are a complete cash-flow analysis of the New Zealand operation as a license holder.

NZFin-Prod

This is the entire projected cash-flows for setting up a typical licensee (in this case New Zealand was used).

NZCostings

These figures show the costs of employment and deployment of staff and resources. Each time a new staff member is employed they require an amount of money spending instantly; deposit for a vehicle, desk, chair, computer etc. Having been employed they have an ongoing cost, running the vehicle (if there was one), consumables, salary, etc.

NZQty-Product

By inserting the anticipated amount of sales over a given period, whilst allowing for the classic 'S' curve uptake in sales, you can derive a series of sales for each product type on any given month.

Int Income ONLY 5yr

Utilising the GDP figures for each country as a base against the New Zealand figures gives this section of the projections.

As each country starts to sell product it is assumed to follow the sales pattern of New Zealand, but by a given proportion.

This proportion is worked against that countries GDP figure, the population, and therefore the countries ability to pay for IntComs services.

The numbers contained in each months column; is the income from that particular countries sales, to IntCom, the direct apportionment per standard premise type.

No budget has been done against these figures.

As IntCom sells licenses, it can gain a further income – the assumption is to keep heavily discounting the values in order to get licensees signed up.

The figures also show a rate of sales of licenses.

For 234 countries (as per the projections) signing one new licensee per week will take a while to sign all countries up.

NZStats business types

Information on different business types within New Zealand, supplied by the Department of Stats.

On this page you can see the classification of businesses that have been classified within these budgets as Industrial, or commercial. Please note we have not listed hospitals or schools.

NZStats dwellings

These are the breakdown figures from the New Zealand Department of Stats for dwelling types and where they are located.

The budgets have only used parts of the figures (ie. <100%)

It is also interesting to note the statistical breakdown of populations, as this could be used by the New Zealand License holder as the boundaries for the franchisees.